



Preference Equity, Ian Street, Rose Bay

Information Memorandum

10 and 12 Ian Street,
Rose Bay NSW 2029

01 March 2024
RBY06_PE



Legal Notice

This Information Memorandum (IM) is dated 1 March 2024 and is issued by Pallas Capital Pty. Limited (ACN 616 130 913) (**Arranger**).

The Arranger is issuing this IM as the authorised representative (ASIC No. 001257625) of Pallas Funds Pty. Limited (ACN 604 352 347), the holder of AFS Licence number 473475.

Pallas Funds Pty. Limited (ACN 604 352 347) is the trustee of the Ian Street Capital Trust (**Issuer**), the issuer of the Preference Units in accordance with this IM. The Issuer intends to lend the net proceeds of the issue of Preference Units to Ian Street Developments Pty. Limited (ACN 675 153 296) as trustee of the Ian Street Development Trust (**Developer**), which owns the Property and intends to develop it as described in this IM.

This IM provides important information for prospective investors to decide whether they want to invest in the Units and should be read in its entirety before making any investment decision. The Issuer is an unregistered unit trust.

No Previous Offers

This IM represents the entire offer with respect to an investment in Units issued by the Issuer and supersedes any and all other offer documents or purported offer documents offering investment in the Issuer. This includes but is not limited to any flyer or pre-IM marketing material that has been issued and refers to the Issuer.

No Disclosure Required

This IM is not a prospectus, product disclosure statement or other disclosure document under the Corporations Act 2001 (**Commonwealth**) (**Corporations Act**), and is not required to be, and has not been, lodged with the Australian Securities and Investments Commission (**ASIC**) or any other government body.

This IM is only made available to 'wholesale clients' (as defined in the Corporations Act) (**Eligible Investor**) receiving this IM in Australia and where any offer of an investment in the Issuer would not require disclosure under Part 6D.2 or Part 7.9 of the Corporations Act. The offer to subscribe for Units in the Issuer does not constitute an offer to any retail client (as defined in the Corporations Act).

Legal Documents to Prevail

The transactions described in this IM are governed by the documents referred to in this IM including in **Section 8.0 - Documentation and Further Information**.

This IM provides a summary of those transactions but does not attempt to set out all of the terms thereof. Accordingly, in the case of any conflict between this IM and those legal documents, those legal documents will prevail.

Foreign Jurisdictions

This IM does not constitute an offer, invitation or solicitation in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer, invitation or solicitation.

The distribution of this IM outside Australia may be restricted by the laws of other jurisdictions where it is distributed and therefore persons who come into possession of this IM should seek advice on and observe those restrictions. Failure to comply with relevant restrictions may violate those laws. The offer to subscribe for Units in the Issuer is subject to the terms and conditions of this IM. In particular, this IM does not constitute an offer to sell, or the solicitation of an offer to buy, the Units in the United States. The Units have not been, and will not, be registered under the United States (US) Securities Act of 1933 (**Securities Act**) or under the securities laws of any State or other jurisdiction of the US and may not be offered, sold, delivered or transferred in the US or to, or for the account of, any "US Person" (as defined in Regulations under the Securities Act). Neither this IM nor the Application for Units or other material relating to the Units may be distributed in the US.

No Responsibility for Contents

To the maximum extent permitted by law, neither any member of the Pallas Group, nor any associate, related party, director, officer, employee, advisor (including financial, accounting and legal advisors), agent or representative of that group makes any recommendation in relation to the Units or the Issuer, or makes any representation or warranty, express or implied, as to the accuracy, reliability or completeness of the information contained in this IM or accepts any liability for any loss or damage arising out of the use of all or part of, or any omission, inadequacy or inaccuracy in, the information presented in this IM.

This IM does not purport to be complete or to contain all the information that a prospective investor may require in evaluating an investment in the Issuer. Investments in the Issuer are governed by the Trust Deed and associated documents (each as amended, varied, updated, supplemented or replaced from time to time), and nothing in this IM limits or qualifies the powers and discretions conferred upon the Issuer under those documents. This IM must be read in conjunction with the Trust Deed, the Subscription Deed and the other documents referred to in this IM, a copy of each of which is available from the Arranger by calling +61 2 8188 1108, by email at clientservices@pallascapital.com.au, or by letter addressed to the Arranger, Pallas House, Level 5, 30-36 Bay Street, Double Bay, NSW 2028. To the extent there are inconsistencies between the Trust Deed or the Subscription Deed and this IM, the Trust Deed and the Subscription Deed will prevail.

Forward Looking Statements

This IM contains forward-looking statements that are identified by words such as "believe", "intend", "estimate", "expect", "anticipate", "predict", "target", "outlook", "guidance", "forecast" and other words of similar meaning that involve risks and uncertainties. All forward-looking statements, including those regarding the Issuer's financial position and investment strategy, are subject to factors that could cause the performance of the Issuer to differ materially from that expressed or anticipated in these statements.

The forward-looking statements in this IM are based on numerous assumptions regarding the Issuer's present and future operations and investment strategies and the markets in which the Developer and/or the Issuer operates, and not all of these assumptions are referred to in this IM. These forward-looking statements are current only at the date of this IM. There is no assurance that such statements, estimates or projections will be realised or will apply in the future and therefore they should not be relied upon as indicative of future matters.

No Advice

The information provided in this IM is general in nature and does not take into account your personal objectives, financial situation or needs. It does not constitute tax, legal or investment advice and is not a recommendation to invest. An investment in the Issuer is speculative and may not be appropriate for all investors. You should seek independent legal, investment and tax advice tailored to your own needs before deciding whether to invest in the Issuer.

Risk

An investment in the Issuer is subject to investment risk, including possible delays in repayment and loss of income and principal invested. Further information in relation to the risks associated with an investment in the Issuer is contained in the Section headed 'Risks' in this IM.

Investors in the Issuer are not entitled to cooling off rights under the Corporations Act or otherwise. The Issuer is not obliged to accept applications and reserves absolute discretion in limiting or refusing any application.

Limitation of Liability

Except in certain circumstances (including fraud, negligence or default by the Issuer), the Issuer enters into transactions for and on behalf of the Issuer in its capacity as of the Issuer only, not in its own capacity, and its liability in relation to those transactions is limited to the assets of the Issuer.

Disclosure of Interests

The Arranger and its related entities may acquire Units on the same terms and with the same rights as other Investors.

Legal Notice

(Continued)

Updated Information

The information contained in this IM is up-to-date at the time of preparation, and some of the information may change from time to time. The Arranger may change this IM from time to time without notice and does not have any obligation to update the contents of this IM. If a change is considered materially adverse to investors, the Arranger will issue a replacement IM and notify investors within three months of the change occurring. Email us at clientservices@pallascapital.com.au or call us on +61 2 8188 1108 to obtain updated information.

Confidentiality

Information contained in this IM is confidential proprietary information to the Arranger and the Issuer and may not be copied, reproduced or redistributed, directly or indirectly, in whole or in part, to any person in any manner. Use of any information in this IM for a purpose other than assessing the making, or the making of an investment in the Issuer is not permitted. The Arranger and the Issuer reserve all rights to take connection with any breach of this restriction.

Glossary, Images & Currency

Certain capitalised words and expressions used in this IM are defined in the Glossary.

Photographs are not assets of the Issuer (or the Developer) unless otherwise indicated. Any diagrams, charts, graphs, tables and computer graphic imagery are illustrative only, may not be drawn to scale and may not accurately represent the final appearance of its subject matter.

All dollar amounts are in Australian dollars, unless otherwise indicated.

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1.0 Glossary

Application for Units	The application form is available to Eligible Investors on request (please email to clientservices@pallascapital.com.au).
Arranger	Pallas Capital Pty. Limited (ACN 616 130 913), the person making the offer to invest in Units pursuant to this IM.
Building	The building(s) to be constructed on the Property pursuant to the Project.
Construction Loan	The construction loan(s) to be arranged to enable the Developer to undertake the Project (see Section 4.0 – Financial Analysis).
Coupon	A trust distribution by the Issuer in respect of each Preference Unit, representing a return on the Face Value calculated at the Coupon Rate over the Investment Term in respect of that Unit. The Coupon (if any) will be paid on each Quarter Payment Date and on the Redemption Date.
Coupon Rate	The Coupon Rate (if any) in respect of each Preference Unit will be notified by the Issuer prior to issue.
Current Issue	The issue of Preference Units in the first half of 2024 as described in this IM.
Developer	The Developer Trustee acting in its capacity as trustee of the Ian Street Development Trust.
Developer Trustee	Ian Street Developments Pty. Limited (ACN 675 153 296).
Developer Trust Deed	The deed by the Developer Trustee dated 20 February 2024 and which created the Ian Street Development Trust.
Development Management Agreement	The agreement dated 1 March 2024 between the Developer and Fortis, whereby Fortis was appointed as the development manager for the Project (as amended from time to time).
Development Profit	The net profit generated by the Project after payment of all costs but before payment of the Coupon (if any) or the Top-up Coupon (see Section 4.1 – Profit Analysis).
Eligible Investor	A wholesale client as defined in Section 761G of the Corporations Act or a sophisticated investor as defined in Section 761GA of that Act.
Face Value	In respect of each Unit, the Issue Price paid to acquire the Unit less any repayment of principal made during the Investment Term.
Feasibility Analysis	The most recent detailed forecast of costs and revenue relating to the Project prepared by the Developer from time to time.
Fortis	Fortis Development Group, a business name of Pallas Development Management Pty. Limited (ACN 616 131 090), a member of the Pallas Group.
Guarantee	The guarantee by the Guarantors of the repayment of the Face Value upon the redemption of any Preference Unit. This guarantee is contained in the Subscription Deed.
Guarantors	The family trusts associated with the Directors of the Issuer (see Section 6.2 – Corporate Structure).
IM	This Information Memorandum.

1.0 Glossary (Continued)

Investment Term	<p>In respect of each Unit, the period from the date on which the Issue Price is received in relation to that Unit until the Redemption Date.</p> <p>This period is expected to be about 19 months in relation to Units issued in March 2024, and a correspondingly shorter period in relation to Units issued later.</p> <p>The Issuer must redeem all of the Preference Units on or before the Maturity Date, which is 31 March 2026. However, the funding of the redemption of the Units depends on completion of the Project, and the Issuer has the right to extend the Maturity Date by up to nine months as required.</p> <p>The Preference Units may be redeemed at any time if the Issuer exercises its right of early redemption as described in Section 5.3 – Early Redemption.</p>
Investor	A person who subscribes for Units to be issued in accordance with this IM.
Issue	The issue of Preference Units by the Issuer from time to time.
Issuer	The Ian Street Capital Trust established by the Trust Deed.
Issuer Trustee	Pallas Funds Pty. Limited (ACN 604 352 347) acting in its capacity as trustee of the Issuer.
Issuer Trust Deed	The deed by the Issuer Trustee dated 20 February 2024 and which created the Issuer.
Issue Price	\$1.00 per Unit.
Maturity Date	31 March 2026, subject to extension by the Issuer by a period of up to nine months in the event of delays to completion of the Project.
NSA	Net Saleable Area, being the internal area of strata Residences that are included in the calculation of sale price, which excludes balconies, common areas and car parking.
Ordinary Unit	Each ordinary unit issued by the Issuer, having the rights and other characteristics notified by the Issuer prior to their issue and as attributed to them in the Trust Deed and this IM.
Pallas Group	Pallas Group Pty. Limited (ACN 618 981 892) and each of its subsidiaries, including the Arranger.
Performance Fee	The performance fee payable to Fortis as described in Section 2.9 – Pallas Group Fees .
Preference Unit	Each Preference Unit issued by the Issuer, having the rights and other characteristics notified by the Issuer prior to the issue of those Preference Units and as attributed to them in the Trust Deed and this IM.
Profit Distribution	A trust distribution to be made by the Issuer in respect of each Ordinary Unit representing a pro rata share of the Project Profit.
Project	The development of the Property by the Developer, including settlement of the purchase of the Property, construction of the Residences and the payment of all debts of the Developer in relation thereto.
Project Profit	The profit generated by the Project after payment of all costs and the Coupon and Top-up Coupon in relation to the Preference Units (see Section 4.1 – Profit Analysis).
Property	The property situated at 10 and 12 Ian Street, Rose Bay NSW 2029, totalling 2,037 sqm in area.
Record Date	In respect of the redemption of Units, a date(s) following completion of the Project to be determined by the Issuer and notified to the Unit Holders.

1.0 Glossary (Continued)

Redemption Date	<p>The date(s) on which the Issuer will redeem the Units, being a date(s) to be determined by the Issuer following completion of the Project and notified in writing to Unit Holders.</p> <p>Currently this date is expected to be in or about September 2025.</p> <p>The Preference Units must be redeemed on or before the Maturity Date. The Ordinary Units will be redeemed after the completion of the Project.</p> <p>The Units may be redeemed at any time if the Issuer exercises its right of early redemption as described in Section 5.3 – Early Redemption.</p>
Redemption Amount	<p>In respect of each Preference Unit, an amount representing the sum of the Face Value, any unpaid amount of the Coupon and the Top-Up Coupon.</p>
Residences	<p>The residential strata units to be constructed as part of the Building, as described in Section 3.4 – Value of the Building.</p>
Top-up Coupon	<p>A trust distribution by the Issuer in respect of each Preference Unit, representing a return on the Face Value calculated at the Top-up Coupon Rate over the Investment Term in respect of that Unit.</p> <p>The Top-up Coupon in respect of each Preference Unit will be paid on the Redemption Date.</p>
Top-up Coupon Rate	<p>The Top-up Coupon Rate is 18.5% per annum in respect of each Preference Unit issued on or before 31 March 2024 unless otherwise determined by the Issuer.</p>
Trust Loan	<p>The loan made by the Issuer to the Developer pursuant to the agreement dated 1 March 2024 (Trust Loan Agreement).</p>
Unit Holder	<p>Each holder of a Unit from time to time and, in relation to the redemption of that Unit, means the person(s) registered as the holder(s) of the relevant Unit at 5:00 pm on the Record Date.</p>
Valuation Opinion	<p>The valuation opinion letter by CBRE (RP) Pty Ltd dated 1 March 2024 and described in Section 3.4 – Value of the Completed Building.</p>

2.0 Investment Overview

2.1 The Offer

The Issuer intends to raise about \$15 million by the issue of Preference Units as part of the Current Issue. The Issuer will lend the net proceeds of this Issue to the Developer pursuant to the Trust Loan.

These monies will be applied by the Developer as described in **Section 4.2 – Application of Proceeds of the Issue**.

This IM describes the offer to invest in Preference Units in the Trust. This offer is made to Eligible Investors by the Arranger (www.pallascapital.com.au).

The Trustee may increase or reduce the number of Units to be issued as the Project progresses.

The Issuer will apply the net proceeds of the issue of Preference Units in making advances to the Developer pursuant to the Trust Loan. In turn, the Developer will apply monies advanced under the Trust Loan to undertake the Project and otherwise as described in **Section 4.2 – Application of Proceeds of the Issue**.

The Issuer will fund the redemption of the Preference Units out of payments by the Developer pursuant to the Trust Loan Agreement. The Developer will fund such payments out of the net proceeds from the sale of the Residences (see **Section 4.3 – The ‘Waterfall’**).

The anticipated redemption date is in about September 2025, giving an Investment Term of about 19 months for Units issued in March 2024, and a correspondingly shorter period for Units issued later.

The Issuer must redeem all Preference Units by the Maturity Date, which is 31 March 2026, although the Maturity Date may be extended by the Issuer by up to nine months in the event of delays to the Project. The Ordinary Units will be redeemed after the completion of the Project.

Upon redemption, the Issuer will pay the Redemption Amount in respect of each Preference Unit, namely an amount representing the sum of the Face Value, any unpaid amount of the Coupon (if any), and the Top-up Coupon. The total return on each Preference Unit will be 18.5% per year during the Investment Term.

The Feasibility Analysis indicates that the Project will generate a total Development Profit of approx. \$44.4 million as set out in **Section 4.1 – Profit Analysis**.

Preference Units will rank ahead of all Ordinary Units in respect of distributions of both income and capital.

In addition, in the Subscription Deed the Guarantors have unconditionally and jointly and severally guaranteed the repayment of Face Value in relation to each Preference Unit, upon the redemption of each such Unit.

The Issuer is the trustee of the Trust. The Issuer and certain other persons involved in the Project are members of the Pallas Group (see **Section 6.2 – Corporate Structure**).

The Issuer is a unit trust not registered with ASIC.

2.2 Overview of the Project

The Developer has agreed to purchase the Property, with settlement to occur in December 2024 as set out in **Section 3.2 – Purchaser Agreements**. The Developer is currently preparing a Development Application in relation to the development of the Property. The key features of this application are set out in **Section 3.4 – The Building**.

The property, located at 10 and 12 Ian Street (**Property**), currently consists of two lots (each with a single dwelling) on about 2,037 sqm of land in total.

The proposed development will consist of about 12 Strata Title dwellings with basement car parking for about 25 vehicles.

The architecture and interiors will be designed to a luxury standard, commensurate with the buyer demand in this prestigious eastern suburbs location.

Experienced top-tier planning consultant GSA has provided initial planning advice for the proposed development, noting that the overall design and use are generally in accordance with planning controls. The proposed development will be substantially in compliance with the statutory height and FSR controls and is considered by the expert planning consultant to be contextually appropriate for the site.

The Feasibility Analysis indicates that the total sales value of the completed Project will be about \$173.8 million, as described in **Section 3.5 – Value of the Completed Project**. This would produce a Development Profit of about \$44.4 million.

2.0 Investment Overview (Continued)

2.2 Overview of the Project (Continued)

The Developer anticipates an approval around June 2025 for the Development Application, although of course this is outside the control of the Developer.

Off-the-plan sales of the Residences are expected to commence in about April 2025.

The Developer will appoint an experienced and reputable builder for the construction works. It is expected that the builder will commence construction in about September 2025 and complete these works in about April 2027.

The Issuer expects to redeem the Preference Units in about September 2025, when the Construction Loan is drawn down to fund construction works. This gives an expected Investment Term of about 19 months for Preference Units issued in March 2024.

Of course, many aspects of the development project are outside the control of the Developer, so the anticipated timing of future milestones set out in this IM is not guaranteed.

2.3 Application for Preference Units and Payment of Issue Price

A person wishing to take up Preference Units as part of the Current Issue needs to complete an Application for Preference Units and return it to the Arranger by 5:00 pm on Friday, 29 March 2024 or such later date as the Issuer determines.

An Application for Preference Units should be returned either to:

Pallas Capital,
Level 5, Pallas House, 30-36 Bay Street,
Double Bay NSW 2028
Or, electronically to: clientservices@pallascapital.com.au

Your application is only effective once you have also paid the total of the Issue Price relating to the number of Units for which you have applied. If the number of Units allocated to you is less than the number for which you have applied, the Arranger will promptly return the excess monies to the bank account nominated by you.

Please note that your application for Units and payment of total Issue Price is an irrevocable offer by you to invest on the terms of this IM. Notification by the Arranger of the number of Units allocated to you is an acceptance of your offer in relation to those Units. The commencement date for the calculation of the Coupon in respect of each Unit (if applicable) will be the date of receipt of cleared funds in relation to that Unit.



Ian Street North-West facing view from the Property

2.0 Investment Overview (Continued)

2.4 Minimum Investment

\$50,000, however, the Issuer may accept lesser amounts in its absolute discretion.

Investment in Units pursuant to this IM is only open to Eligible Investors.

2.5 Investment Timelines & Milestones

Subject to the matters set out in this IM, the Issuer expects to redeem the Units in about September 2025, giving an anticipated Investment Term of about 19 months.

The following timeline provides estimates for key dates during the Investment Term. As many aspects of the Project are outside the control of the Developer, the timing of achieving each milestone is not guaranteed.

Project Milestones	Approximate Date
Development Application Lodged	June 2024
Settlement of Property Purchase	December 2024
Marketing of the Residences	April 2025
DA Approval	June 2025
Builder Appointed	July 2025
Construction Commencement	September 2025
Construction Completion	April 2027
Settlement of Sale of Residences	May 2027

2.6 Distributions & Liquidity

The Issuer expects to redeem the Units in about September 2025.

It must redeem the Preference Units on or before the Maturity Date, which is 31 March 2026, although it may be deferred by up to nine months if the Project is delayed. The Ordinary Units will be redeemed after the completion of the Project.

Given the nature of the Project, an investment in the Issuer is illiquid and Investors cannot withdraw the monies subscribed by them for Preference Units during the Investment Term.

An Investor may transfer Preference Units to a third person at any agreed price, if approved by the Issuer. However, Preference Units are not listed, or tradeable on any other secondary market, and the Issuer does not intend to create any such market.

2.7 Project Funding

The Project will be funded by part of the proceeds of the Issue, the Trust Loan in accordance with this IM and by the Construction Loan as described in **Section 4.5 – Funding Table Assumptions**.

The Issuer will issue Preference Units to enable it to meet the requirements of the Developer and otherwise as described in this IM. The total number of Preference Units to be issued will depend on numerous factors including investor appetite, the costs of the Project as it progresses and the amount that the Developer is able to borrow secured over the Property.

Until construction of the Building commences, the Issuer will not issue Preference Units having a total Face Value exceeding 85.0% of:

- the total net realisable value of the Residences as shown in the most recent Feasibility Analysis of the Developer; minus
- the total of monies owed by the Developer and secured on the Property.

The maximum percentage in the preceding paragraph may be increased to 90.0% when construction of the Building has been commenced.

The Issuer will fund the redemption of the Preference Units from monies received from the Developer under the Trust Loan Agreement. The Developer will, in turn, fund these payments from the net proceeds from the sale of the Residences.

2.0 Investment Overview (Continued)

2.8 Commitment of the Pallas Group

The Developer is responsible for completing the Project and has engaged Fortis as the development manager for the Project under the terms of the Development Management Agreement.

In the Deed of Undertaking the Guarantors have committed to procure additional funding for the Issuer (if required) to enable the Developer to complete the Project.

The Guarantors have also guaranteed the repayment of Face Value in relation to each Preference Unit upon redemption of that Unit.

The Directors of the Developer will provide personal guarantees in the usual form to assist the Developer to obtain the Construction Loan on favourable terms.

2.9 Pallas Group Fees

Fortis has charged an Acquisition Fee equal to 3.5% of the valuation of the Property as shown in the Funding Table.

The Arranger will charge an Arrangement Fee equal to 3.0% of the monies subscribed upon the issue of Preference Units, and a market-standard loan establishment fee (or advisory/arrangement fee) for any loans managed or arranged by the Arranger.

Fortis will charge a development management fee calculated at a rate of \$75,000 per month during the life of the Project.

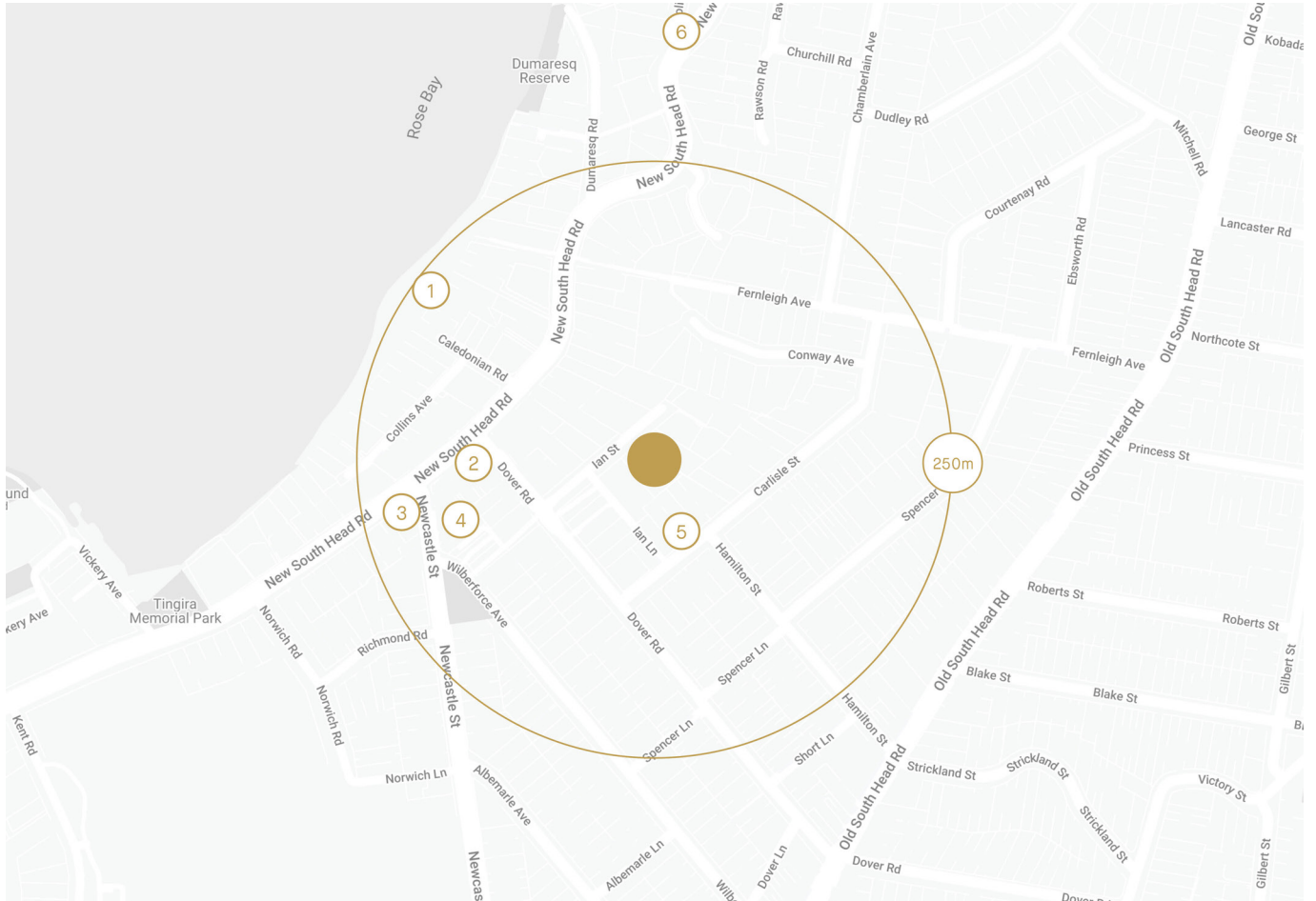
It will also charge a Performance Fee equal to 30.0% of the Development Profit over a hurdle rate of return of 10.0% per annum.

The fees referred to above may be paid in advance. In the case of the Performance Fee, any payment in advance will be calculated by reference to the Feasibility Analysis.

The terms governing the calculation and payment of these fees are set out in the Development Management Agreement.

3.0 The Project

3.1 The Property and its Location



The Property is located in the highly sought-after Rose Bay, located approximately 7km east of the Sydney CBD within the Woollahra Local Government Area.

Rose Bay is bound by Sydney Harbour with Double Bay and Point Piper to the South, and Vacluse to the East. The site itself is located in close proximity and walking distance to the Rose Bay village.

The Property is located on Ian Street, occupying a premium position with a large site frontage on about 2,037sqm of land. It has a north-westerly aspect over the harbour and is afforded gun barrel harbour and bridge views.

Nearby Amenities

- 1) Rose Bay Beach
- 2) Hotel Rose Bay
- 3) Parisi's Food Hall
- 4) Rose Bay Vet
- 5) McAuley Catholic Primary School
- 6) Kambala and Kincoppal Schools

3.0 The Project (Continued)

3.2 Purchase Agreements

The Developer has entered into a contract to purchase the Property. The Developer will settle the purchase of the Property in December 2024.

The purchase price of the Property is \$40 million.

3.3 Planning Controls

The Developer has retained GSA Planning as its town planning consultant see (gsaplanning.com.au). GSA and Fortis have established a successful relationship over numerous projects in Sydney and particularly in the Woollahra Local Government Area.

GSA has provided advice on conceptual design work for the Project. This information and advice is being used to be formalise the Development Application architectural package. Generally, the proposal for the Property is a merits-based outcome with the key statutory controls.

The Development Application is proposed to be submitted to Council in June 2023 and is expected to be approved in about June 2025.

The Developer is confident it will obtain a development consent in relation to the Property substantially as described in this IM. This confidence is based on the advice received and on the experience of Fortis in obtaining development consents for similar sized developments in the eastern suburbs of Sydney, noting this is the fourth project in Rose Bay managed by Fortis in addition to many other successful development projects within the Woollahra LGA.

3.4 The Building

The Development Application for the Project will be based on an architectural scheme prepared by a top tier Architectural firm. MHN Design Union has prepared the conceptual design for the Property (mhndu.com.au).

The proposed Building will consist of about 12 Strata Title dwellings with basement car parking for about 25 vehicles. It will incorporate total Net Saleable Area of about 2,300sqm.

The architecture and interiors will be designed to a luxury standard, commensurate with the buyer demand in this prestigious harbourside eastern suburb location.

All of the Residences will be provided with generous courtyards, terraces and/or balcony areas connecting directly with living/dining areas and bedrooms. Residences will be orientated towards to harbour to capitalise on gun barrel harbour and bridge views.

Drone photography shows that the three floors facing Ian Street will all benefit from significant harbour views.

3.0 The Project (Continued)

3.5 Value of the Completed Project

In its Feasibility Analysis the Developer has adopted the total value for the completed Residences set out in the CBRE Valuation Opinion, namely approx. \$173.8 million.

This total value equates to an average value per Residence of about \$15.0 million (range of \$9.5 million to \$27.0 million), or about \$75,216 per sqm of Net Saleable Area (range of \$64,286 to \$85,571 per sqm for the penthouse with private roof terrace).

These values assume that the Residences are finished to the relevant standard and well marketed for sale.

This adopted value for each of the Residences is set out in the table below.

Ground Floor

Apartment	Level	Aspect	Internal sqm	Sale Price	\$/sqm
LG01	Ground		140	\$9,500,000	\$67,857
G01	Ground		175	\$11,750,000	\$67,143
G02	Ground		175	\$11,250,000	\$64,286
G03	Ground		140	\$10,500,000	\$75,000
	4		630	\$43,000,000	\$68,254

First Floor

101	Level 1		175	\$12,500,000	\$71,429
102	Level 1		175	\$12,000,000	\$68,571
103	Level 1		175	\$12,000,000	\$68,571
104	Level 1		175	\$12,500,000	\$71,429
	4		700	\$49,000,000	\$70,000

Second Floor

201	Level 2	Penthouse	315	\$24,000,000	\$76,190
203	Level 2		175	\$15,250,000	\$87,143
204	Level 2		175	\$15,500,000	\$88,571
	3		665	\$54,750,000	\$82,331

Top Floor

301	Level 3	Penthouse with Pool	315	\$27,000,000	\$85,714
	1		315	\$27,000,000	\$85,714

3.0 The Project (Continued)

3.5 Value of the Completed Project (continued)

CBRE, in its Valuation Opinion, commented as follows:

"Rose Bay is one of Sydney's most elegant harbourside locales with a low supply of brand new dwellings. It is an established suburb that oozes class and elegance. Buyers are extremely motivated to move into Rose Bay due to the lifestyle it offers. Offering true village amenity, proximity to private schools, proximity to Eastern suburbs beaches, Double Bay and the CBD.

We are seeing that the prestige property market is maturing. There are buyers with an appetite for super-prime properties including large apartments with plenty of space. The blue-chip locations in the inner city and eastern suburbs have been very competitive.

Rose Bay Target Market – Who are the buyers?

The Rose Bay demographic of buyers are coming from large older style homes in the East, Upper and Lower North Shore and the Northern Beaches. They are either downsizing, moving back to the Eastern Suburbs or sending their children to the top private schools in the Eastern Suburbs.

They have been a mix of self-made entrepreneurs, some with recent success in the media and technology spaces, corporates predominately in business and finance and returned expatriates.

Ian Street – Rose Bay

Ian Street is an unrepeatable opportunity, it is a rare opportunity for a limited number of residences in one of Sydney's most prestigious and exclusive suburbs with sweeping harbour views and proximity to Rose Bay village. The demand for the Ian Street will be led by the owner occupier and downsizer market who have capitalised on the value of their existing homes".

3.0 The Project (Continued)

3.5 Value of the Completed Project (continued)

Set out below are sales prices recently achieved in Rose Bay and in close proximity to the Property.

BORD De L'Eau

746 New South Head Road, Rose Bay

Apartment	Bedrooms	Car Spaces	Internal sqm	Sale Price	\$/sqm	Date of Sale
1	3 Bedroom	2	219	\$13,500,000	\$61,643	Apr – 2021

Gladswood House

11 Gladswood Gardens, Double Bay

Apartment	Bedrooms	Car Spaces	Internal sqm	Sale Price	\$/sqm	Date of Sale
2	3 Bedroom	2	223	\$13,700,000	\$60,714	Oct – 2021

Ode

19 – 27 Cross Street, Double Bay

Apartment	Bedrooms	Car Spaces	Internal sqm	Sale Price	\$/sqm	Date of Sale
5.02 PH	3 Bedroom	2	219	\$21,500,000	\$98,173	Jan - 2023
Level 5	3 Bedroom	2	245	\$24,950,000	\$101,836	Aug – 2022
Level 4	3 Bedroom	2	300	\$17,500,000	\$58,333	Oct – 2022

16 William Street

16 William Street, Double Bay

Apartment	Bedrooms	Car Spaces	Internal sqm	Sale Price	\$/sqm	Date of Sale
7			149	\$16,000,000	\$107,383	Mar - 2022

Point Piper

Piper 2A Wunulla Road, Point Piper

Apartment	Bedrooms	Car Spaces	Internal sqm	Sale Price	\$/sqm	Date of Sale
3	3 Bedroom	2	13	\$8,500,000.00	\$61,151	June – 2022

3.0 The Project (Continued)

3.5 Value of the Completed Project (continued)

Vilon

23 Wolseley Road, Point Piper

Apartment	Bedrooms	Car Spaces	Internal sqm	Sale Price	\$/sqm	Date of Sale
1 (Garden)	3 Bedroom	2	243	\$14,000,000	\$57,613	Mar - 2022
2	3 Bedroom	2	205	\$12,600,000	\$61,463	Apr - 2022
5 (Sub-PH)	3 Bedroom	2	205	\$16,500,000	\$80,487	Mar - 2022

No. 1 Onslow Place

1 Onslow Place, Elizabeth Bay

Apartment	Bedrooms	Car Spaces	Internal sqm	Sale Price	\$/sqm	Date of Sale
Residence 1	3 Bedroom	2	124	\$8,250,000	\$66,532	Oct - 2023
Residence 2	3 Bedroom	2	179	\$10,500,000	\$58,659	Oct - 2023

1 Onslow

1-3 Onslow Avenue, Elizabeth Bay

Apartment	Bedrooms	Car Spaces	Internal sqm	Sale Price	\$/sqm	Date of Sale
9 (10-year-old building)	3 Bedroom	3	324	\$21,000,000	\$64,814	Dec - 2022

29 Billyard Avenue

1-3 Onslow Avenue, Elizabeth Bay

Apartment	Bedrooms	Car Spaces	Internal sqm	Sale Price	\$/sqm	Date of Sale
Penthouse	4 Bedroom	3	430	\$30,000,000	\$69,767	Nov - 2023
7 (Sub PH)	4 Bedroom	3	360	\$22,000,000	\$61,111	Dec - 2022

Annandale Street (10-year-old building)

10 Annandale Street, Darling Point

Apartment	Bedrooms	Car Spaces	Internal sqm	Sale Price	\$/sqm	Date of Sale
2 (Penthouse)	5 Bedroom		340	\$25,100,000	\$73,823	Oct - 2021

3.0 The Project (Continued)

3.5 Value of the Completed Project (continued)

Norfolk Darling Point

22 Yarranabbe Road, Darling Point

Apartment	Bedrooms	Car Spaces	Internal sqm	Sale Price	\$/sqm	Date of Sale
3 (2 level penthouse)	3 Bedroom	2	253	\$16,800,000	\$66,403	June – 2021

Queensgate

18-32 Darlinghurst Road, Potts Point

Apartment	Bedrooms	Car Spaces	Internal sqm	Sale Price	\$/sqm	Date of Sale
Regent 2.02 (NO VIEW)	3 Bedroom	1	122	\$6,950,000	\$56,967	Dec – 2021
Regent 3.01 (NO VIEW)	3 Bedroom	2	151	\$9,000,000	\$59,602	Dec – 2021
Regent 5.01	3 Bedroom + S	1	107	\$6,450,000	\$60,280	Aug – 2022
Consort 7.01	3 Bedroom + S	2	183	\$15,000,000	\$81,967	Oct – 2022

IKON *18-Year-Old Building

81 Macleay St, Potts Point

Apartment	Bedrooms	Car Spaces	Internal sqm	Sale Price	\$/sqm	Date of Sale
1705	2 Bedroom (renovated)	2	125	\$8,200,000	\$65,600	Sept - 2023
1507	3 Bedroom (unrenovated)	2	125	\$7,000,000	\$56,000	May - 2023
1401	2 Bedroom	2	145	\$8,800,000	\$60,689	June – 2022

Omnia

226 Victoria Street, Potts Point

Apartment	Bedrooms	Car Spaces	Internal sqm	Sale Price	\$/sqm	Date of Sale
1902	2 Bedroom	2	84	\$5,100,000	\$60,714	May – 2021
19.05	4 Bedroom PH	2	235	\$13,250,000	\$56,382	Nov - 2022

3.0 The Project (Continued)

Macleay Regis

12 Macleay Street, Potts Point

Apartment	Bedrooms	Car Spaces	Internal sqm	Sale Price	\$/sqm	Date of Sale
5	2 Bedroom	0	135	\$9,100,000	\$67,407	March - 2023

The Woollahra Collection

2A James Street, Woollahra

Apartment	Bedrooms	Car Spaces	Internal sqm	Sale Price	\$/sqm	Date of Sale
G04 (No view)	3 Bedroom	2	158	\$10,250,000	\$64,873	Oct - 2023
203 (No view)	3 Bedroom PH	2	138	\$8,500,000	\$61,594	Feb - 2024
G05 (No view)	4 Bedroom	3	224	\$13,200,000	\$58,928	Oct - 2024
104 (no view)	3 Bedroom	2	169	\$9,250,000	\$54,733	May - 2023

The Crescent

12 Wallaroy Crescent, Woollahra

Apartment	Bedrooms	Car Spaces	Internal sqm	Sale Price	\$/sqm	Date of Sale
11	3 Bedroom	2	110	\$8,100,000	\$73,636	Jun - 2021

Kalypso Tamarama

63 Fletcher Street, Tamarama

Apartment	Bedrooms	Car Spaces	Internal sqm	Sale Price	\$/sqm	Date of Sale
11	3 Bedroom	2	176	\$17,000,000	\$96,590	Mar - 2022

3.0 The Project (Continued)

3.5 Value of the Completed Project (continued)

The comparable sales include six sales at prices of over \$20.0 million and represent sales rates per sqm from about \$56,000 to \$107,000 per sqm on Net Saleable Area. Location, aspect and views differ between comparable sales, with some being inferior and some being superior.

Discussions with agents have highlighted an under-supply of premium, luxury new residences in the area, and a high demand for the cosmopolitan, harbour side lifestyle that Rose Bay provides. These aspects uniquely position the Project to achieve the adopted sales rates.

3.6 The Developer

The Developer has retained Fortis as Development Manager of the Project, pursuant to the terms of the Development Management Agreement. In this role Fortis will engage and supervise all consultants, Solicitors, the Estate Agents, Project Managers and the Builder.

Fortis has an experienced development team with a track record of successfully delivering high-end mixed-use development projects – see www.fortis.com.au.

Fortis is part of the Pallas Group (see **Section 6.2 – Corporate Structure**).



Interior designs by Fortis

4.0 Financial Analysis

4.1 Profit Analysis

The Feasibility Analysis shows a Development Profit of about \$44.4 million and a Project Profit of about \$31.4 million after Preferred Equity Coupons are fully paid.

Based on the Feasibility Analysis, including the Funding Table (**Section 4.4 - Funding Table**), the revenue, debt and profitability of the Project may be analysed as shown in the table following.

Gross Realisable Value	\$173,750,000
Deduct GST and Agents Commission on Settlement	\$14,070,341
Net Realisable Value	\$159,679,659
Deduct: Construction Loan Limit	\$95,807,795
Deduct: Face Value Of Preference/ Ordinary Units	\$19,439,780
Development Profit	\$44,432,083
Deduct Preference Top-up Coupon	\$13,049,930
Project Profit (before Performance Fee)	\$31,382,153

4.2 Application of Proceeds of the Issue

The net proceeds of the Issue are to be loaned by the Issuer to the Developer pursuant to the Trust Loan. The Developer will utilise drawdowns under the Loan in undertaking the Project and in meeting other Project costs, including a trust distribution by the Developer to a trust associated with the Guarantors representing the uplift in Property valuation recognised in **Section 4.4 – Funding Table**.

If in future the valuation of the Property adopted in the Feasibility Analysis is increased, based on an updated valuation opinion, the Issuer may issue additional Preference Units to fund a further trust distribution by the Developer to the trust associated with the Guarantors, provided that the Issuer may not issue Preference Units beyond the limit set out in **Section 2.7 – Project Funding**.

The Issuer is confident that the Developer will have sufficient funds to complete the Project following the Issue.

In forming this opinion, the Issuer is relying on the fact that the Developer will enter into a fixed price Construction Contract with an experienced and reputable builder.

Should the Project require additional funding, the Guarantors have committed, in the Deed of Undertaking, to provide or procure additional funding for the Developer at commercial rates of interest.

4.3 The 'Waterfall'

The proceeds of sale of Residences in the completed Development will be applied by the Developer according to the following 'waterfall':

Developer Waterfall

Net Realisable Value	\$159,679,659
Applied in the Following Sequence	
Repay Construction Loan	\$95,807,795
Trust Loan Payments and Trust Distributions to Issuer	\$50,651,247
Fortis Performance Fee	\$13,220,616
Total	\$159,679,659

The Issuer will apply these proceeds as follows:

Issuer Waterfall

Total Receipts from the Developer	\$50,651,247
Applied in the Following Sequence	
Top-up Coupon Distribution	\$13,049,930
Redemption of the Preference and Ordinary Units	\$37,601,318

Please note that, although the Performance Fee appears higher in the 'Waterfall' (as it is paid by the Developer not the Issuer), it ranks behind payments due in respect of the Preference Units and is calculated net of those payments.

4.0 Financial Analysis (Continued)

4.4 Funding Table

Total development costs of about \$115 million will be funded by the proceeds of the issue of Units and by debt (including the Construction Loan). The funding of these costs is anticipated as follows:

Development Costs	Equity	Construction Loan	Total
Land Cost (Include Valuation Uplift)	6,798,232	43,201,768	50,000,000
Stamp Duty	2,738,490	-	2,738,490
Acquisition Fee (3.5%)	1,750,000	-	1,750,000
Debt Arrangement Fee (1.50%)	1,437,117	-	1,437,117
DA & Amendment Costs	256,154	543,846	800,000
Equity Raising Fee (3.00%)	960,000	-	960,000
Legals & Other Acq. Costs	150,000	-	150,000
Construction (Residential)	-	30,000,000	30,000,000
Contingency	-	1,500,000	1,500,000
Statutory Costs	250,000	276,632	526,632
Holding Costs	200,000	616,667	816,667
Consultants - Construction Cert. & Tender		1,843,213	1,843,213
Marketing & Advertising	1,000,000	1,565,237	2,565,237
Development Management Costs	-	2,850,000	2,850,000
Project Management Costs	81,705	336,295	418,000
Commissions on exchange (Resi)	500,000	1,411,250	1,911,250
Legal Costs	150,000	-	150,000
Interest and Fees (Pre-Development)	3,168,082	-	3,168,082
Interest and Fees (Senior)	-	11,662,888	11,662,888
Total	19,439,780	95,807,796	115,247,576

4.0 Financial Analysis (Continued)

4.5 Funding Table Assumptions

The total agreed price for the Property is \$40 million (see **Section 3.2 — Purchase Agreements**), however the figure in the Feasibility Table includes an uplift in value of the Property of \$10 million over the purchase price (see **Section 3.5 - Value of the Completed Project**). The GST calculation utilises the margin scheme.

The Developer has obtained a high-level construction cost estimate from WT Partnership, a reputable builder/QS.

WT Partnership has indicated a likely build cost, subject to final plans and specifications, in the range of about \$29 million to \$30 million (excl. GST). In its Feasibility Analysis, the Developer has adopted a total Construction Cost of \$30 million.

The Contingency has been set at 5.0% of the Construction Cost (\$1.5 million), which is considered appropriate for a project of this size and risk profile.

As the Project progresses, the construction costs will be further analysed in detail to ensure they are in line with current market rates for a high quality of finish commensurate with buyer expectations.

The Feasibility Analysis assumes that the Construction Loans are drawn down after a development consent is granted, sufficient off-the-plan sales of the Residences have been achieved to meet lending parameters and the construction contract is ready to sign.

The maximum outstanding under the Construction Loans is expected to be about \$96 million, representing about 60% of the Net Realisable Value (**NRV**) of the completed Residences. The Feasibility Analysis assumes an interest rate of 8.5% p.a. for the Construction Loan.

The estimated Development Profit represents about 39% on total development costs. The Issuer considers this return to be strong for a project of this nature.

5.0 Terms Governing Units

5.1 Preference Units

The terms governing the Preference Units are set out in the Issuer Trust Deed and the Subscription Deed Poll, which are available to Investors on request.

The Preference Units also benefit from the Guarantee, which is an unconditional and joint and several guarantee from the Guarantors of repayment by the Issuer of the Face Value of each Preference Unit upon redemption.

The summary set out below is not a comprehensive description of these terms and, in case of inconsistency between this IM and the Issuer Trust Deed or Subscription Deed Poll, those other documents prevail.

The Preference Units are to be issued at the Issue Price. Coupons (if any) will be paid quarterly in respect of the Preference Units at the Coupon Rate.

The Preference Units will be redeemed by the Issuer by paying the Redemption Amount to the holder of each Unit on the Redemption Date. The Redemption Date is a date to be nominated by the Issuer at about the time of first drawdown of the Construction Loan. This date is estimated to be in about September 2025, subject to the matters set out in this IM.

The Preference Units must be redeemed by the Maturity Date. This is 31 March 2026, although the Issuer may extend this date by up to nine months if the Project is delayed.

On redemption, each Preference Unit Holder will receive a trust distribution representing, in respect of each Unit:

- a) the Face Value;
- b) any arrears of the Coupon (if any); and
- c) the Top-up Coupon.

The Preference Units rank ahead of Ordinary Units in respect of all trust distributions of capital or income.

Preference Unit Holders are entitled to attend and vote at general meetings of Preference Unit Holders.

The Issuer may not, without a resolution approved by the holders of at least 75% of Preference Units:

- a) issue Units ranking in priority to Preference Units;
- b) vary the rights attaching to Preference Units; or
- c) alter the Issuer Trust Deed or the Subscription Deed Poll in a manner that materially adversely affects the Preference Units.

5.2 Ordinary Units

The terms governing Ordinary Units are set out in the Issuer Trust Deed and the Subscription Deed Poll, which are available to Investors on request.

The summary set out below is not a comprehensive description of these terms and, in case of inconsistency between this IM and the Issuer Trust Deed or Subscription Deed Poll, those other documents prevail.

The Ordinary Units have been issued at the Issue Price.

The Issuer will fund the redemption of the Ordinary Units out of trust distributions received from the Developer pursuant to the ordinary equity in the Developer held by the Issuer.

The Ordinary Units will be redeemed after the completion of the Project by the Issuer by paying the Redemption Amount to the holder of each Unit on the Redemption Date. The Redemption Date is a date to be nominated by the Issuer following completion of the Project.

On redemption, each Ordinary Unit Holder will receive a trust distribution representing, in respect of each Unit:

- a) the Face Value; and
- b) the Profit Distribution in respect of that Ordinary Unit.

Ordinary Unit Holders are entitled to attend and vote at general meetings of Ordinary Unit Holders.

The Issuer may not, without a resolution approved by the holders of at least 75% of Ordinary Units:

- a) vary the rights attaching to Ordinary Units; or
- b) alter the Issuer Trust Deed or the Subscription Deed Poll in a manner that materially adversely affects the Ordinary Units.

5.3 Early Redemption

The Issuer may redeem Preference Units and/or Ordinary Units at any time, including prior to the Maturity Date. If the Issuer elects to redeem some but not all of the Units, it will offer to redeem a pro rata share of Units of the relevant class held by each Unit Holder.

Upon early redemption of any Unit the Issuer will pay the Redemption Amount in respect of that Unit.

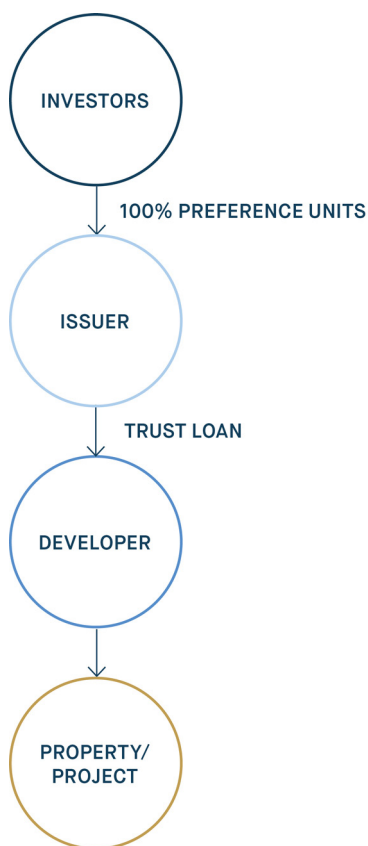
6.0 Investment Structure

6.1 Transaction Structure

The Guarantors are family trusts associated with the Directors of the Issuer, namely Dan Gallen, Charles Mellick and Patrick Keenan, and one other party. The Guarantors are also the ultimate beneficial owners of a majority of the Pallas Group.

6.2 Corporate Structure

The structure of companies involved in the Project is as follows.



6.3 Key Personnel

As trustee of the Issuer, the Issuer Trustee is responsible for the operations of the Issuer, while the Developer is responsible for the delivery of the Project.

Biographies of key personnel of the Issuer and the Developer, who will oversee the performance by the those trusts of their responsibilities and obligations, may be found at www.fortis.com.au.

7.0 Taxation & Landholder Duty

7.1 Introduction

Set out below is a brief summary of some relevant tax considerations. It does not constitute the giving of advice or opinion by the Issuer or any other person. The taxation of an investment in a unit trust can be complex and may change over time. Each Investor should obtain their own professional tax advice in relation to their own position. This IM has been prepared on the basis that all Investors are Australian residents.

7.2 Taxation of the Trust

Taxation of the Trust

The Trust will not generally be liable for Australian income tax, provided that Unit Holders are presently entitled to all of the distributable income of the Trust for each income year. In this case the taxation liability, in respect of the net income of the Trust, will rest with the Unit Holders.

The Trust may, however, be liable for income tax in respect of any tax year for which it is classed as either a public trading trust or a corporate unit trust. Based on the corporate and investment strategy of the Trust, the Issuer believes that the Trust is not likely to meet these requirements and so should not be taxable in its own right.

Tax Losses

Where a loss is incurred by the Trust, the loss cannot be passed on to Unit Holders for tax purposes. Instead, provided the relevant trust loss rules are satisfied, tax losses will be carried forward in the Trust and offset against assessable income derived by the Trust in future years. (The relevant trust loss rules for carrying forward losses include a continuity of more than 50% of ownership of the Trust).

Capital Gains Tax

The Trust intends to make a profit in the future by selling the Residences. Therefore, it is expected that the Property and the completed development will be held on revenue account. In that case the CGT rules are unlikely to apply.

Managed Investment Trust Rules

For the Trust to qualify as a managed investment trust in relation to an income year, it must satisfy a number of conditions including conditions relating to being widely held by Unit Holders. Based on the anticipated investor base of the Trust, the Issuer does not believe the Trust will satisfy the 'widely-held conditions' necessary for the Trust to qualify as a managed investment trust.

The remainder of this Section assumes that the Issuer is not a managed investment trust.

7.3 Taxation of Australian Resident Unit Holders

Taxation of Distributions to Unit Holders

Unit Holders should have a present entitlement, within the relevant income year, to the Redemption Amount in respect of their Units. As such, each Unit Holder will be required to include in their assessable income the Redemption Amount (less the Face Value) paid in respect of their Units in that income year and may be liable to pay income tax at the rate applicable to that Unit Holder.

The assessable portion of trust distributions, as advised by the Issuer on an annual basis, should be included in a Unit Holder's assessable income in the year to which the distribution relates (i.e., the year in which the Issuer derives the income, not when it is physically received by the Unit Holder).

The Issuer will provide an annual taxation statement to assist in this regard.

GST

GST of 10% is generally applicable to the fees, costs, expenses and commissions payable by the Issuer.

Generally, the Issuer can claim a credit for the GST incurred on expenses related to the Project, so there is no net GST cost to the Issuer. Certain costs, such as some of those related to the initial issue of Ordinary Units and Investor relations, will not be eligible for full credit, in which case a 75% reduced input tax credit may be available on the ineligible part.

GST is not applicable to Investors in relation to the acquisition or redemption of Units.

Tax File Numbers and Australian Business Numbers

Tax is required to be deducted from any income distribution (including the income portion of the Redemption Amount) at the highest marginal tax rate plus Medicare levy (currently 47%) unless:

- a) the Investor has quoted a TFN when applying for Units; or
- b) an appropriate TFN exemption has been provided; or
- c) the Investor holds Units in the course of furtherance of an enterprise and has quoted an ABN instead.

8.0 Documentation & Further Information

The transaction documents for further review can be obtained from the Data Room.

Information includes:

- the Trust Deed,
- the Development Management Agreement,
- the Subscription Deed,
- the Trust Loan Agreement,
- the Deed of Undertaking, and
- the Valuation Opinion.

For further enquiries and any additional information sought on this investment opportunity please contact:

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Level 5, Pallas House, 30-36 Bay Street,
Double Bay NSW 2028:

www.pallascapital.com.au

9.0 Risks

9.1 Summary

As with any investment, investing in the Issuer involves risk. Many risks are outside the control of the Issuer. Should any of these risks eventuate, distributions to Unit Holders representing Coupon and/or the Redemption Amount may be reduced or suspended and some or all of the monies invested in the Issuer may be lost.

The only asset of the Issuer will be its rights pursuant to the Trust Loan, the value of which in turn depends on the value of the Project being undertaken by the Developer. Accordingly, an investment in the Issuer carries the same risks as an investment directly in the Developer.

At the date of this IM, the Issuer considers the risks of an investment in the Issuer may be analysed as follows:

- a) property development risks, including the risk that general property values decrease;
- b) trust investment risks, including in relation to holding units; and
- c) general investment risks, including economic and market conditions.

These risks are outlined in more detail below.

Please read this IM in full and consider your attitude towards risk before deciding to invest in the Issuer. You should also assess how an investment in the Issuer fits in to your overall investment portfolio.

The risks listed in this Section 9 are not designed to constitute an exhaustive list.

9.2 Property Development Risks

Investing in property development has inherent risks that can be difficult to mitigate and may be entirely outside the control of the Issuer or the Developer.

Some of these risks reduce Project sales revenue or increase costs directly, which may erode the ability of the Developer to meet its obligations under the Trust Loan Agreement. Other risks delay the redemption of the Units.

Some of these risks are:

- a) cost increases: the costs of delivering the Project may be higher than those adopted in the Feasibility Analysis;
- b) loan market conditions: the Construction Loan may not be available on the terms described in the IM;

- c) delay risk: projected timelines are not met due to unforeseen delays such as construction delivery overruns or the issuance of titles for the completed Residences;
- d) sales risk: the sale or lease of the Residences may take longer than anticipated or produce a lower realisable value than projected; and
- e) planning risk: the necessary planning permissions are not issued (at all or without material compromise) which may materially impact upon the realizable value of the Project.

This list is not a comprehensive list of all risks attaching to the Project.

In acquiring the Property and undertaking the Project as set out in **Section 4.0 - Financial Analysis**, the Developer has engaged experts to prepare various reports, and these have been relied on by the Issuer in assessing the risks associated with the Project. Whilst the Issuer has no reason to believe those enquiries were not appropriate and complete, it cannot guarantee that all risks and potential problems associated with the Project were identified and have been properly assessed.

9.3 Issuer Investment Risks

The following risks relate to an investment in the Issuer and may impact the performance of the Issuer and the accuracy of the financial information contained in this IM.

- a) Investment management risk: the risk that the Issuer and/or the Developer may fail to manage the investment risks appropriately or fail to properly execute the delivery of the Project;
- b) Illiquidity: this risk is covered under **Section 2.6 – Distributions & Liquidity**;
- c) Investment Term: there are circumstances that may result in the Investment Term being shorter or longer, as this will be determined by the term of the Project;
- d) General Borrowing Risks: the Developer will borrow under the Construction Loan. Gearing a property investment can increase the potential for capital losses, as well as gains. Payments by the Developer under the Trust Loan Agreement will be subordinated to payments under other debts of the Developer, including monies owed under the Construction Loan. If the Developer breaches the conditions of any loan, a lender to the Developer may enforce its security over the Property and payments to the Issuer under the Trust Loan Agreement may be delayed or reduced, in which case distributions to Unit Holders may be reduced or suspended. This may lead to the Property being sold for a lower price than would have been obtained had it been sold voluntarily by the Developer in the ordinary course of business;
- e) Interest Rate Risk: there is a risk that unfavourable movements in interest rates may lead to increased interest expenses. This may ultimately result in a reduction in distributions to Unit Holders; and

9.0 Risks (Continued)

9.3 Issuer Investment Risks (Continued)

- f) Concentration Risk: the Developer relies on the proceeds of settlement of sales or leases of the Residences to fund payments under the Trust Loan Agreements, which (in turn) the Issuer will use to fund the redemption of the Units. Therefore, the Issuer is ultimately dependent on a single property and is not diversified by asset class, geographic location of properties or exposure to different property sectors.

9.4 General Investment Risks

The following are some of the risks relating to economic activity generally:

- g) Market Risks: these include inflation rate increases, real or perceived unfavourable market conditions, property lender and/or investor behaviour, economic cycles and sentiment, movements in interest rates, changes in domestic and international economic conditions which generally affect business earnings, political and natural events and changes in governments monetary policies, taxation and other laws and regulations;
- h) Taxation Risk: the returns to Investors may be affected by changes to taxation legislation; and
- i) Forward-looking Statements: there can be no guarantee that the assumptions and contingencies on which forward-looking statements, opinions and estimates are based will ultimately prove to be valid or accurate. The forward-looking statements, opinions and estimates depend on various factors, many of which are outside the control of the Issuer.

Property investment, by its nature, carries risk.

The Issuer and the Developer have worked, and will continue to work, to understand and mitigate risks associated with the Project as it progresses. However, Investors must take their own view as to the likelihood of risks eventuating and of the Issuer/Developer being successful in managing such eventualities.

10.0 Compliance & Legal Information

10.1 Related Party Transactions

The Issuer may from time-to-time enter into transactions with related entities. All transactions will be effected at markets rates or at no charge, and in accordance with the Corporations Act.

The Developer, the Guarantors and each member of the Pallas Group are related parties of the Issuer and may invest in the Issuer, in which case they will have the rights and obligations corresponding with such investment.

10.2 Privacy

In applying to invest, you are providing the Arranger and the Issuer with certain personal details (such as your name and address). The Issuer uses this information to establish and manage that investment for you.

Under the Privacy Act 1988 (**Commonwealth**), you can access personal information about you held by the Issuer, except in limited circumstances. Please let us know if you think the information is inaccurate, incomplete or out of date. You can also tell the Issuer at any time not to pass on your personal information by advising it in writing.

If you do not provide the Arranger with your contact details and other information, it may not be able to process your Application for Units.

Under various laws and regulatory requirements, the Arranger and/or the Issuer may have to pass-on certain information to other organisations, such as the Australian Tax Office (**ATO**) or the Australian Transaction Reports and Analysis Centre (**AUSTRAC**).

By applying to invest, you give the Arranger and the Issuer permission to pass information it holds about you to other companies which are involved in helping the administration of the Issuer, or as required for the purposes of compliance with AML/CTF law (see **Section 10.3 – Anti-Money Laundering Law**), or in connection with the holding of application monies. The Arranger may also use your information to provide you with details of future investment offers made by it.

10.3 Anti-Money Laundering Law

The Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (**Commonwealth**) and associated rules and regulations require the Arranger to verify your identity prior to accepting your application moneys.

You will be required to provide the identification information set out in the Application for Units. The Issuer will not issue you with Units unless satisfactory identification documents are provided.

10.4 Foreign Account Tax Compliance Act (FATCA)

FATCA is United States (**US**) tax legislation that enables the US Internal Revenue Service to identify and collect tax from US residents that invest in assets through non-US entities. If you are a US resident for tax purposes, you should note that the Issuer is or is expected to be a 'Foreign Financial Institution' under FATCA and it intends to comply with its FATCA obligations, as determined by either the FATCA regulations or any inter-governmental agreement entered into by Australia and the US for the purposes of implementing FATCA. Under these obligations, the Issuer will have to obtain and disclose information about certain Investors to the ATO.

In order for the Issuer to comply with its obligations, the Arranger will also request that you provide certain information about yourself, including your US Taxpayer Identification Number. The Arranger will only use such information for this purpose if it is required to do so.

10.5 Common Reporting Standard (CRS)

The CRS is the single global standard for the collection, reporting and exchange of financial account information of non-residents, which applies to calendar years ending after 1 July 2017. The CRS is similar to FATCA, whereby the Issuer will need to collect and report similar financial account information of all non-residents to the ATO. The ATO may exchange this information with the participating foreign tax authorities of those non-residents.

