



Preference Equity, Fullerton Street, Woollahra

Information Memorandum

1 and 3 Fullerton Street,
Woollahra NSW 2025

May 2024
WOY02_PE

Legal Notice

This Information Memorandum (IM) is dated May 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 Fullerton 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 Fullerton Street Developments Pty. Limited (ACN 675 384 719) as trustee of the Fullerton Street Development Trust (**Developer**). The Developer will apply the net proceeds of such advances 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 Issuer 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 Issuer 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 Issuer Trust Deed or the Subscription Deed and this IM, the Issuer 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, gross negligence or default by the Issuer), the Issuer Trustee 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.

Legal Notice (Continued)

Disclosure of Interests

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

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 of an investment in the Issuer is not permitted. The Arranger and the Issuer reserve all rights in 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 Owner 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 Subscribed 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 prior to 30 June 2024 as described in this IM.
Developer	The Developer Trustee acting in its capacity as trustee of the Fullerton Street Development Trust.
Developer Trustee	Fullerton Street Developments Pty. Limited (ACN 675 384 719).
Developer Trust Deed	The deed by the Developer Trustee dated 20 February 2024 and which created the Fullerton Street Development Trust.
Development Management Agreement or DMA	The agreement dated 1 April 2024 between the Developer and Fortis, whereby the Developer appointed Fortis to undertake its project delivery responsibilities under the PDA.
Development Profit	The net profit generated by the Project after payment of all costs but before payment of the Coupon (if any) and 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.
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 Subscribed 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 12 months in relation to Units issued in May 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 December 2025. However, the funding of the redemption of the Units depends on a refinancing of the Project immediately prior to the commencement of construction, 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 Fullerton Street Capital Trust established by the Issuer 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 December 2025, subject to extension by the Issuer by a period of up to nine months in the event of delays to 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 Issuer Trust Deed, the Subscription Deed and this IM.
Owner	TM Woollahra Pty. Limited (ACN 671 560 482) of 79, 26-32 Pirrama Road, Pyrmont NSW 2009 ATF Woollahra Development Unit Trust; the owner represents a local developer and is not a related party of Pallas Group.
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 Issuer Trust Deed, the Subscription 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.

1.0 Glossary (Continued)

Project Delivery Agreement or PDA	<p>The agreement between the Owner, the Developer and others pursuant to which:</p> <ol style="list-style-type: none">the Developer was appointed to provide various development management services and to undertake various sales and marketing activities for the Owner;the Developer agreed to lend monies to the Owner to enable it to complete the purchase of the Property as described in Section 3.2 – Purchase Agreements; andin consideration of the Developer providing the development management services and undertaking the sales and marketing activities for the Owner, the Developer is entitled to receive a development management fee equal to the net sale proceeds derived from the Project.
Project Profit	<p>The profit generated by the Project after payment of all costs and the Coupon (if any) and Top-up Coupon in relation to the Preference Units (see Section 4.1 – Profit Analysis).</p>
Property	<p>The property situated at 1 and 3 Fullerton Street, Woollahra NSW 2025, totalling 1,544 sqm in area.</p>
Record Date	<p>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.</p>
Redemption Date	<p>The date(s) on which the Issuer will redeem the Units, being:</p> <ol style="list-style-type: none">in the case of the Preference units, a date(s) to be determined by the Issuer following completion of the Project and notified in writing to Unit Holders; andin the case of Ordinary Units, a date(s) after redemption of all Preference Units. <p>Currently the Issuer expects that Investors will be given the option to elect to have their Preference Units redeemed in or about May 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 Subscribed 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 – The Building.</p>
Subscribed Value	<p>In respect of each Unit, the Issue Price paid to acquire the Unit less any repayment of principal made during the Investment Term.</p>
Top-up Coupon	<p>A trust distribution by the Issuer in respect of each Preference Unit, representing a return on the Subscribed 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 as part of the Current Issue (and issued without any entitlement to receive a Coupon), unless otherwise determined by the Issuer.</p>
Transaction Documents	<p>The documents referred to in Section 8.0 – Documentation and Further Information or otherwise in this IM.</p>
Trust Loan	<p>The loan made by the Issuer to the Developer pursuant to the agreement dated 26 April 2024 (Trust Loan Agreement).</p>
Unit	<p>Each Ordinary Unit and/or Preference Unit (as the context requires).</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 7 May 2024 and described in Section 3.5 – Value of the Completed Building.</p>

2.0 Investment Overview

2.1 The Offer

The Issuer intends to raise about \$7.0 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 Issuer. This offer is made to Eligible Investors by the Arranger (www.pallascapital.com.au).

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

The Project will be delivered pursuant to the Project Delivery Agreement. The Owner, representing a local property developer, will purchase and hold the Property as described in **Section 3.2 – Purchase Agreements**. The Developer has in turn appointed Fortis to undertake various project delivery activities as described in this IM. The Developer has also agreed to lend monies to the Owner to assist It In completing the purchase of the Property.

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:

- a) in the case of Units to be redeemed upon drawdown of the Construction Loan, out of the proceeds of the refinancing of the Project at that time; and
- b) in the case of Units to be redeemed following completion of the Project, out of monies received under the PDA, which in turn will represent part of the net proceeds from the sale of the Residences by the Owner (see **Section 4.3 – The ‘Waterfall’**).

The anticipated redemption date is in about May 2025, giving an Investment Term of about 12 months for Units issued in May 2024, and a correspondingly shorter period for Units issued later.

The Issuer must redeem all Preference Units by the Maturity Date, which is 31 December 2025, 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 Subscribed Value, any unpaid amount of the Coupon (if any), and the Top-up Coupon. In relation to each Preference Unit issued on terms that provide for receipt of a Top-Up Coupon only, the total return 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. \$29.4 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 the Subscribed Value in relation to each Preference Unit, upon the redemption of each such Unit.

The Issuer Trustee 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 Owner will acquire the Property and has undertaken to obtain a development consent In relation to the Property on the terms specified in the PDA. The Owner has appointed the Developer to manage various aspects of the Project. In turn, the Developer has appointed Fortis as the development manager as set out in **Section 3.2 – Purchase Agreements**.

A Development Application is now being finalised for the proposed construction of a five-storey luxury residential building (16 apartments) over two storeys of existing basement car parking. The key features of this application are set out in **Section 3.4 – The Building**.

The Property is located at 1 and 3 Fullerton Street, Woollahra NSW 2025, with a total site area of about 1,544 sqm. 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 a planning peer review of the proposed development as set out in the draft Development Application. GSA noted that the overall design and use under that application are generally in accordance with the relevant planning controls. The proposed development will be substantially in compliance with the key statutory height and FSR controls and is considered by GSA to be contextually appropriate for the site.

The Feasibility Analysis indicates that the total sales value of the completed Project will be about \$181.5 million, as described in **Section 3.5 – Value of the Completed Project**. This would produce a Development Profit of about \$29.4 million.

2.0 Investment Overview (Continued)

2.2 Overview of the Project (Continued)

The Developer anticipates an approval of the Development Application in about February 2025, although of course this is outside the control of the Developer. Such approval is a condition precedent to the future obligations of the Developer under the PDA.

Off-the-plan sales of the Residences are expected to commence in about March 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 May 2025, initially under a demolition contract, and to complete the contract works in about June 2026.

The Issuer expects to give Investors the option to elect to have their Preference Units redeemed in about May 2025, when the Construction Loan is first drawn down to fund construction works. This gives an expected Investment Term of about 12 months for Preference Units issued in May 2024.

Of course, many aspects of the Project are outside the control of the Developer, so the achievement and 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, 31 May 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 Preference Units for which you have applied. If the number of Preference 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 Preference Units and payment of the total Issue Price is an irrevocable offer by you to invest on the terms of this IM and the Transaction Documents. Notification by the Arranger of the number of Preference 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 Preference Unit (if applicable) will be the date of receipt of cleared funds in relation to that Unit.



2.0 Investment Overview (Continued)

2.4 Minimum Investment

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

Investment in Preference 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, each Investor may elect to have its Units redeemed in about May 2025, giving an anticipated Investment Term of about 12 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
DA Approval	February 2025
Settlement of Property Purchase	March 2025
Marketing of the Residences	March 2025
Demolition Works	March 2025
Builder Appointed	April 2025
Construction Commencement	May 2025
Construction Completion	May 2026
Settlement of Sale of Residences	June 2026

2.6 Distributions & Liquidity

The Issuer expects to give Investors the option to have their Preference Units redeemed in about May 2025.

It must redeem the Preference Units on or before the Maturity Date, which is 31 December 2025, although redemption 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 under the PDA 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 Subscribed 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.

2.0 Investment Overview (Continued)

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 by way of refinancing the Project pursuant to a Construction Loan and otherwise from monies received from the Owner under the PDA. Those monies will be funded from the net proceeds from the sale of the Residences.

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. (The Owner retains the obligation to achieve a development approval on the terms specified in the PDA.)

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 the Subscribed Value in relation to each Preference Unit upon redemption of that Unit.

The Directors of the Developer and/or the Owner will provide personal guarantees in the usual form to support the Construction Loan on favourable terms.

2.9 Pallas Group Fees

Fortis has charged an Acquisition Fee equal to 3.5% of the amount of the Loan under PDA 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 \$50,000 per month during the life of the Project.

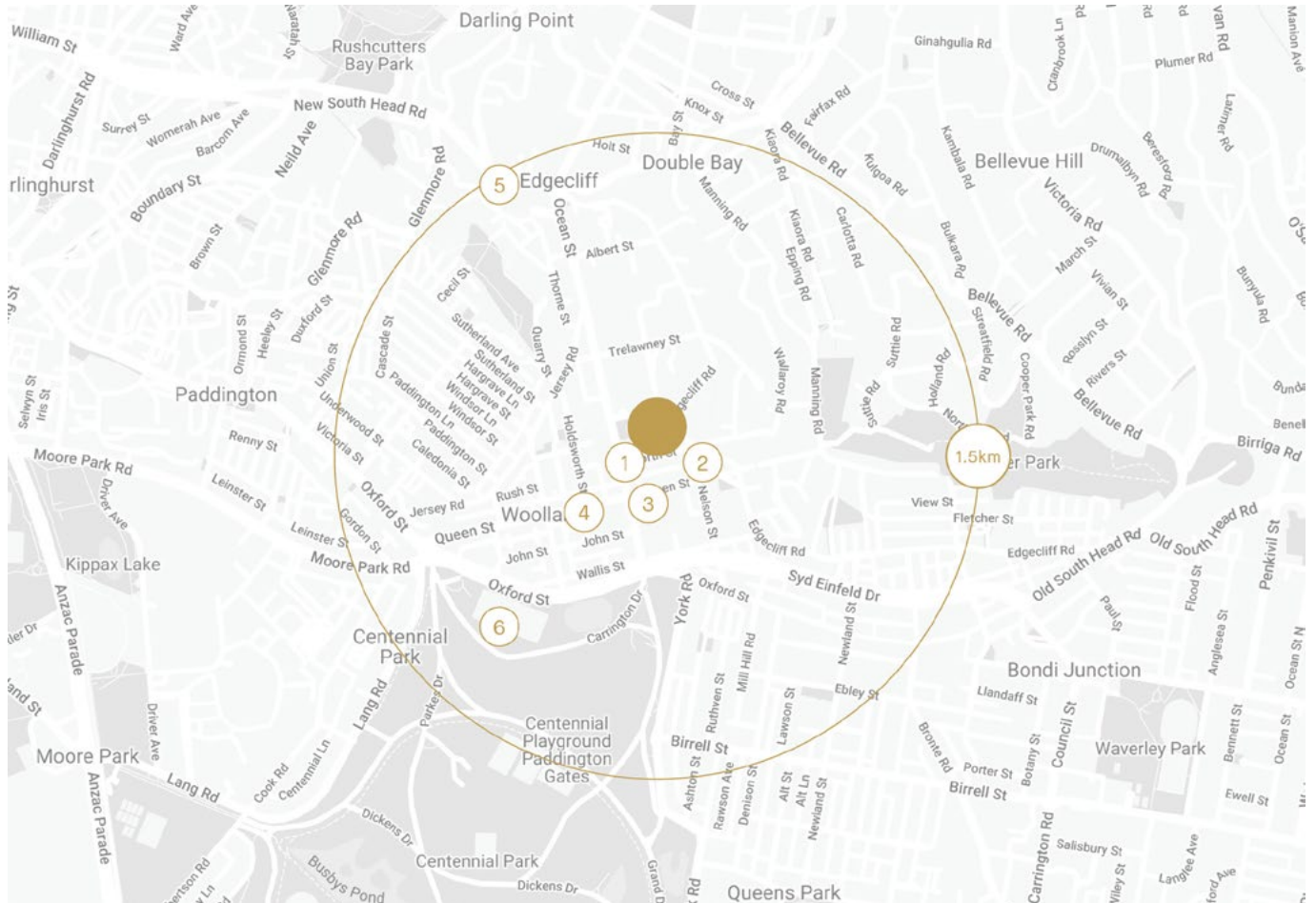
It will also charge a Performance Fee equal to 30.0% of the Development Profit over a hurdle rate of return of 10.0% per annum.

The fees referred to above (apart from the Performance Fee) may be paid in advance.

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 Sydney's premium residential suburb, Woollahra, with surrounding suburbs including Double Bay, Bondi, Centennial Park and Paddington.

Woollahra is located approximately 5km east of the Sydney Central Business District and is within the Local Government Area administered by Woollahra Council.

The Property occupies an elevated position in Woollahra's embassy precinct, consolidating two lots perfectly positioned between Queen Street amenities and the lush greenery and residential amenity of Woollahra, Paddington and Edgecliff.

The Property has a dual aspect, located on a premium corner position of Wellington Street and Fullerton Street, with a large dual site frontage comprising about 1,544 sqm of land.

The Property also benefits from an existing basement comprising two levels of basement car parking. Nearby amenities include:

- 1) Chiswick, Woollahra,
- 2) Woollahra Public School,
- 3) Victor Churchill, Queens Street,
- 4) Simon Johnson, Queen Street,
- 5) Edgecliff Station, and
- 6) Centennial Park.

3.0 The Project (Continued)

3.2 Purchase Agreements

The Owner holds a series of options which together entitle it to acquire the Property. These options, which were entered into in 2021, relate to 16 separate strata lots under an existing residential strata scheme. The Owner has not disclosed the total price payable under those options.

Once it has exercised those options and completed the purchase of each lot comprising the existing residential strata scheme, the Owner will retain ownership of the Property until the completion of the Project and the settlement of sale of the Residences.

Subject to the terms of the PDA, including the requirement that the Owner obtains a development consent in relation to the Property as specified in the PDA, the Developer is required to lend a total of approx. \$75.5 million to the Owner. The proceeds of that loan will be applied by the Owner to complete the purchase of the Property, with the balance of monies to be retained by the sponsors that stand behind the Owner. Any monies advanced by the Developer to the Owner under the PDA to meet Project costs prior to the Owner obtaining a development consent in relation to the Property (on the terms specified in the PDA) are repayable by the Owner within 30 days if such development consent is ultimately not obtained.

The amount of the loan by the Developer to the Owner reflects the increase in apartment values since the Owner acquired its options, the consolidation of the 16 strata properties to form the Property and the fact that advances under that loan will only be made once an appropriate development consent is in place.

3.3 Planning Controls

The Developer has retained GSA Planning in a peer review capacity to review the Development Application to be lodged by the Owner (www.gsaplanning.com.au). GSA and Fortis have established a successful relationship over numerous projects in Sydney and particularly in the Woollahra Local Government Area.

A Conceptual Architectural package was presented to Woollahra Council at a formal Pre-Development Application meeting in early 2024. This proposal for the Property includes a number of merits-based variations from the development controls.

Woollahra Council was generally positive about the proposal and provided minor commentary from a design perspective, much of which has now been included in the final architectural scheme.

The Development Application is proposed to be submitted to Council in June 2024 and is expected to be approved in about February 2025.

3.4 The Building

The existing apartment building on the Property will be demolished and replaced. A Development Application is now being finalised for the proposed construction of a new five-storey luxury residential building (16 apartments) over two storeys of existing basement car parking.

The Development Application for the Project is based on an architectural scheme prepared by top tier Architectural firm Smart Design Studio (www.smartdesignstudio.com).

The proposed Building will feature basement car parking for about 32 vehicles. It will incorporate total Net Saleable Area of about 2,420sqm.

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

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

Drone photography shows that the sub-penthouse and penthouse levels will benefit from significant harbour views.

3.0 The Project (Continued)

3.5 Value of the Completed Project

The CBRE Valuation Opinion has adopted a total value for the completed Residences of \$185.2 million. In its Feasibility Analysis the Developer has adopted a total value of approx. \$181.5 million.

This total value adopted by the Developer equates to an average value per Residence of about \$12.3 million (range of \$5.75 million to \$38.0 million), or about \$75,000 per sqm of Net Saleable Area (range of \$61,151 to \$97,938 per sqm for the penthouse with private roof terrace). Excluding the three 'penthouses' gives an average sales price of approx. \$8.4 million and an average rate of approx. \$65,600 per sqm of Net Saleable Area.

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

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

Ground Floor

Apartment	Bedroom	Internal sqm	Price	\$/sqm
G.01	3 Bedroom	138	\$8,800,000	\$63,768
G.02	3 Bedroom	138	\$8,800,000	\$63,768
G.03	2 Bedroom	94	\$5,750,000	\$61,170
G.04	3 Bedroom	139	\$8,500,000	\$61,151

Level 1

1.01	3 Bedroom	138	\$9,250,000	\$67,029
1.02	3 Bedroom	138	\$9,250,000	\$67,029
1.03	2 Bedroom	94	\$5,950,000	\$63,298
1.04	3 Bedroom	139	\$8,800,000	\$63,309

Level 2

2.01	3 Bedroom	138	\$9,750,000	\$70,652
2.02	3 Bedroom	138	\$9,750,000	\$70,652
2.03	2 Bedroom	94	\$6,500,000	\$69,149
2.04	3 Bedroom	139	\$9,100,000	\$65,468

Level 3

Sub Penthouse 1	3 Bedroom	283	\$25,000,000	\$88,339
Sub Penthouse 2	3 Bedroom	246	\$22,000,000	\$89,431

Level 4

Penthouse	4 Bedroom	388	\$38,000,000	\$97,938
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3.0 The Project (Continued)

3.5 Value of the Completed Project (continued)

CBRE, in its Valuation Opinion, commented as follows:

"Woollahra is an affluent blue-chip suburb located just 5 kilometres east of the Sydney CBD. It is bordered by Bondi Beach to the east, Centennial Park to the south and Paddington and Edgecliff to the west. Woollahra is conveniently placed because of its proximity to the city and the commercial area of Bondi Junction.

"Woollahra is one of Sydney's most desirable suburbs with an extremely low supply of brand-new dwellings. Buyers are extremely motivated to move into Woollahra for the lifestyle it offers, with its proximity to Queen Street Village, the many embassies and Centennial Park. It is a lifestyle haven that is home to exquisite boutiques, designer galleries, eateries and leafy tree-lined streets, all within close proximity to the CBD.

"We are seeing that the prestige property market is maturing. There are buyers with an appetite for super-prime properties (both houses and apartments). The blue-chip locations in the inner city and eastern suburbs have been very competitive.

Woollahra Target Market – Who are the buyers?

"The Woollahra demographic of buyers is 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.

"Fullerton Street is an unrepeatable opportunity, a limited number of residences with Northerly aspect views to the Harbour Bridge and Opera House. Located in one of Sydney's most prestigious and exclusive suburbs, within the shade of overarching trees. The demand for Fullerton Street will be led by the owner occupier and downsizer market who have capitalized 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.

The Woollahra Collection 2A James Street, Woollahra

Apartment	Bedrooms	Car Spaces	Internal sqm	Sale Price	\$/sqm	Date of Sale
G07 (no view)	3 Bedroom	2	182	\$10,600,000	\$58,241	May – 2023
G04	3 Bedroom	2	158	\$10,250,000	\$64,873	Oct – 2023
G05	4 Bedroom	3	224	\$13,200,000	\$58,928	Sept – 2023
G07	3 Bedroom	2	182	\$10,600,000	\$58,242	May – 2023
101	3 Bedroom	2	146	\$5,850,000	\$40,068	May – 2023
Magnolia 68	3 Bedroom	2	148	\$6,950,000	\$46,959	Jun – 2023
Magnolia 70	3 Bedroom	2	149	\$6,950,000	\$46,644	May – 2023
Ox-House	4 Bedroom	2	380	\$16,500,000	\$43,421	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 – 202

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	2	340	\$25,100,000	\$73,823	Oct – 2021

Mona, Darling Point 21 Mona Road, Darling Point

Apartment	Bedrooms	Car Spaces	Internal sqm	Sale Price	\$/sqm	Date of Sale
23 (Penthouse)	3 Bedroom	2	251	\$13,750,000	\$54,780	June – 2022
16	3 Bedroom	2	140	\$5,100,000	\$36,428	May – 2022

3.0 The 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

48 Mona Road, Darling Point 1/48 Mona Road, Darling Point

Apartment	Bedrooms	Car Spaces	Internal sqm	Sale Price	\$/sqm	Date of Sale
1	3 Bedroom	2	300	\$16,000,000	\$53,333	Mar – 2023

Ode 219 – 27 Cross Street, Double Bay

Apartment	Bedrooms	Car Spaces	Internal sqm	Sale Price	\$/sqm	Date of Sale
2.02	3 Bed + Media	2	238	\$11,395,000	\$47,878	Nov – 2022
2.03 + 2.04	4 Bed + Dual key	2	309	\$14,400,000	\$46,602	Jan – 2024
4.02	3 Bed + Media	2	225	\$15,995,000	\$71,089	Mar – 2023
4.03	4 Bed + Media	2	304	\$17,495,000	\$57,549	Oct – 2023
5.01	3 Bedroom	2	219	\$21,500,000	\$98,173	Jan – 2023
5.03	3 Bedroom	2	281	\$24,950,000	\$88,790	Aug – 2022

Vedalia Apartments 12 - 16 William Street, Double Bay

Apartment	Bedrooms	Car Spaces	Internal sqm	Sale Price	\$/sqm	Date of Sale
7 (Penthouse)	3 Bedroom	4	149	\$16,000,000	\$107,382	Mar – 2022

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

10 Wylde Streets, Potts Point (completed 2015)

Apartment	Bedrooms	Car Spaces	Internal sqm	Sale Price	\$/sqm	Date of Sale
10	3 Bedroom	2	122	\$4,700,000	\$38,525	Apr – 2023
12	3 Bedroom	2	118	\$5,250,000	\$44,492	Jun – 2023

3.0 The Project (Continued)

22 Wylde Streets, Potts Point (completed 2000)

Apartment	Bedrooms	Car Spaces	Internal sqm	Sale Price	\$/sqm	Date of Sale
22	3 Bedroom	2	190	\$10,850,000	\$57,105	May – 2023

81 Macleay Street, Potts Point (completed 2004)

Apartment	Bedrooms	Car Spaces	Internal sqm	Sale Price	\$/sqm	Date of Sale
1104	3 Bedroom	2	159	\$6,200,000	\$38,994	Dec – 202
1203	3 Bedroom	2	155	\$6,850,000	\$44,194	Mar – 2023
1403	3 Bedroom	2	140	\$8,500,000	\$60,714	Oct – 2023
1507	3 Bedroom	2	123	\$7,000,000	\$56,911	May – 2023
1075	2 Bedroom	1	120	\$8,200,000	\$68,333	Sep – 2023
1706	3 Bedroom	2	149	\$11,000,000	\$73,826	Oct – 2023

62 Wunulla Road, Point Piper (Renovated 1930s apartment)

Apartment	Bedrooms	Car Spaces	Internal sqm	Sale Price	\$/sqm	Date of Sale
4	3 Bedroom	2	170	\$15,700,000	\$92,353,000	Oct – 2023

23 Wolseley Road, Point Piper (completed 2023)

Apartment	Bedrooms	Car Spaces	Internal sqm	Sale Price	\$/sqm	Date of Sale
4	3 Bedroom	2	189	\$13,000,000	\$68,783	Jun – 2023

44 New Beach Road, Darling Point (completed 2010)

Apartment	Bedrooms	Car Spaces	Internal sqm	Sale Price	\$/sqm	Date of Sale
3	4 Bedroom	2	257	\$14,000,000	\$54,475	May – 2023

18 Flinton Street, Paddington (completed 2001)

Apartment	Bedrooms	Car Spaces	Internal sqm	Sale Price	\$/sqm	Date of Sale
10 (Penthouse)	4 Bedroom	5	353	\$20,000,000	\$56,657	Jun – 2023

1B Beresford Road, Rose Bay (Renovated 1950s apartment))

Apartment	Bedrooms	Car Spaces	Internal sqm	Sale Price	\$/sqm	Date of Sale
2	3 Bed + study	4	190	\$12,800,000	\$43,421	Apr – 2023

3.0 The Project (Continued)

3.5 Value of the Completed Project (continued)

The comparable sales include two sales at prices of about \$25 million and 11 sales at over \$15 million. Most of the sales represent a sales rate from about \$50,000 to about \$70,000 per sqm on Net Saleable Area, but with eight sales at rates higher than this band. 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 Woollahra 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 \$29.4 million and a Project Profit of about \$21.8 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	\$181,500,000
Deduct GST and Agents Commission on Settlement	\$11,860,136
Net Realisable Value	\$169,639,864
Add Back: Preference Coupons	\$3,195,637
Deduct: Construction Loan Limits	\$127,229,898
Deduct: Subscribed Value Of Preference/Ordinary Units	\$16,176,749
Development Profit	\$29,428,854
Deduct Preference Top-up Coupon	\$7,676,151
Project Profit (before Performance Fee)	\$21,752,703

Note that all of the figures in this Section 4 are projections only and the actual outcome may differ substantially.

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 paying certain Project costs and in lending monies to the Owner under the PDA.

Monies advanced to the Owner will also be applied in undertaking the Project and in meeting other Project costs, with any balance of monies to be retained by the sponsors that stand behind the Owner. Any monies advanced by the Developer to the Owner under the PDA to meet Project costs prior to the Owner obtaining a development consent in relation to the Property (on the terms specified in the PDA) are repayable by the Owner within 30 days if such development consent is ultimately not obtained.

If at any time the valuation of the Property adopted in the Feasibility Analysis is higher than the amount shown as Loan under PDA in the Funding Table (**Section 4.4 – Funding Table**), based on an updated valuation opinion, the Issuer may issue additional Preference Units to fund a trust distribution by the Developer to the trust which owns the Developer (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 and the Owner will have sufficient funds to complete the Project following the Issue and the arrangement of the Construction Loan. In forming this opinion, the Issuer is relying on the fact that the Owner 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.

4.0 Financial Analysis (Continued)

4.3 The 'Waterfall'

The proceeds of sale of the Residences will be applied by the Owner in making payments to the Developer under the PDA. The Developer will apply those monies according to the following 'waterfall':

Developer Waterfall

Net Realisable Value	\$169,639,864
Applied in the Following Sequence	
Repay Construction Loan	\$127,229,898
Trust Loan Payments and Trust Distributions to Issuer	\$33,581,310
Fortis Performance Fee	\$8,828,656
Total	\$169,639,864

The Issuer will apply these proceeds as follows:

Issuer Waterfall

Total Receipts from the Developer	\$33,581,310
Applied in the Following Sequence:	
Top-up Coupon Distribution	\$4,480,514*
Redemption of the Preference and Ordinary Units and Distribution of Project Profit (After Performance Fee)	\$29,100,796*

Note that:

- 1) 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;
- 2) the table assumes that all Preference Units are redeemed in May 2025 (including payment of applicable Top-Up Coupon) and reissued; accordingly, the Top-Up Coupon amount payable at that time is included in the amount for Redemption of the Preference and Ordinary Units and Distribution of Project Profit and the Top-up Coupon amount payable following completion of the Project is included in the amount for Top-up Coupon distribution; and
- 3) the table is based on an assumed combination of funding options (i.e., the mix between the Construction Loan, Preference Equity and Ordinary Equity; the actual funding mix will be determined as the Project progresses and may vary from the mix illustrated in the table.

4.0 Financial Analysis (Continued)

4.4 Funding Table

Total development costs of approx. \$143 million will be funded by the proceeds of the issue of Preference and Ordinary Units and by debt (including the Construction Loans). The funding of these costs is anticipated as follows:

Funding Table	Equity	Mezzanine	Senior	Total
Loan to Owner under PDA	\$4,449,880.00	\$19,275,288.00	\$51,795,072.00	\$75,520,240.00
DA & Amendment Costs	\$200,000.00	\$-	\$-	\$200,000.00
Equity Raising Fee and Acquisition Fee	\$3,101,236.03	\$-	\$-	\$3,101,236.03
Legals & Other Acquisition Costs	\$150,000.00	\$-	\$-	\$150,000.00
Construction	\$-	\$-	\$30,237,500.00	\$30,237,500.00
Contingency	\$-	\$-	\$1,511,875.00	\$1,511,875.00
Statutory Costs	\$-	\$-	\$544,275.00	\$544,275.00
Holding Costs	\$-	\$-	\$533,333.33	\$533,333.33
Consultants - Construction Cert. & Tender	\$-	\$-	\$2,116,625.00	\$2,116,625.00
Marketing & Advertising	\$1,000,000.00	\$-	\$1,359,500.00	\$2,359,500.00
Development Management Costs	\$700,000.00	\$-	\$1,000,000.00	\$1,700,000.00
Project Management Costs	\$252,000.00	\$-	\$360,000.00	\$612,000.00
Commissions on exchange	\$315,236.84	\$-	\$1,681,263.16	\$1,996,500.00
Legals @ \$15,000 per unit	\$12,000.00	\$-	\$228,000.00	\$240,000.00
Debt Arrangement Fee (1.50%)	\$1,526,758.77	\$-	\$-	\$1,526,758.77
Pre-Development Interest	\$1,274,000.00	\$-	\$-	\$1,274,000.00
Preference Coupons	\$3,195,637.02	\$-	\$-	\$3,195,637.02
Mezzanine Interest and Fees	\$-	\$6,170,690.86	\$-	\$6,170,690.86
Senior Interest and Fees	\$-	\$-	\$10,416,475.96	\$10,416,475.96
Total Development Costs	\$16,176,748.67	\$25,445,978.86	\$101,783,919.45	\$143,406,646.98

4.0 Financial Analysis (Continued)

4.5 Funding Table Assumptions

The loan to be made by the Developer to the Owner under the PDA is approx. \$75.5 million (see **Section 3.2 — Purchase Agreements**).

The GST calculation utilises the margin scheme.

The Developer has obtained a high-level construction cost estimate from Lords Group, a reputable builder.

Lords 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 approx. \$30.2 million. We note the existing building basement is largely already excavated (2 levels) and this has resulted in a view of increased efficiency on programme and an overall saving to the construction cost by Lords.

The Contingency has been set at 5.0% of the Construction Cost (about \$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 \$127 million, representing about 75% of the Net Realisable Value (**NRV**) of the completed Residences. The Feasibility Analysis assumes an interest rate of 10.0% p.a. for the Construction Loan.

The estimated Development Profit represents about 21% 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, 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 Subscribed 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, 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 Preference 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 May 2025, subject to the matters set out in this IM.

The Preference Units must be redeemed by the Maturity Date. This is 31 December 2025, 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 Subscribed 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 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, 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, 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 Subscribed 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 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.

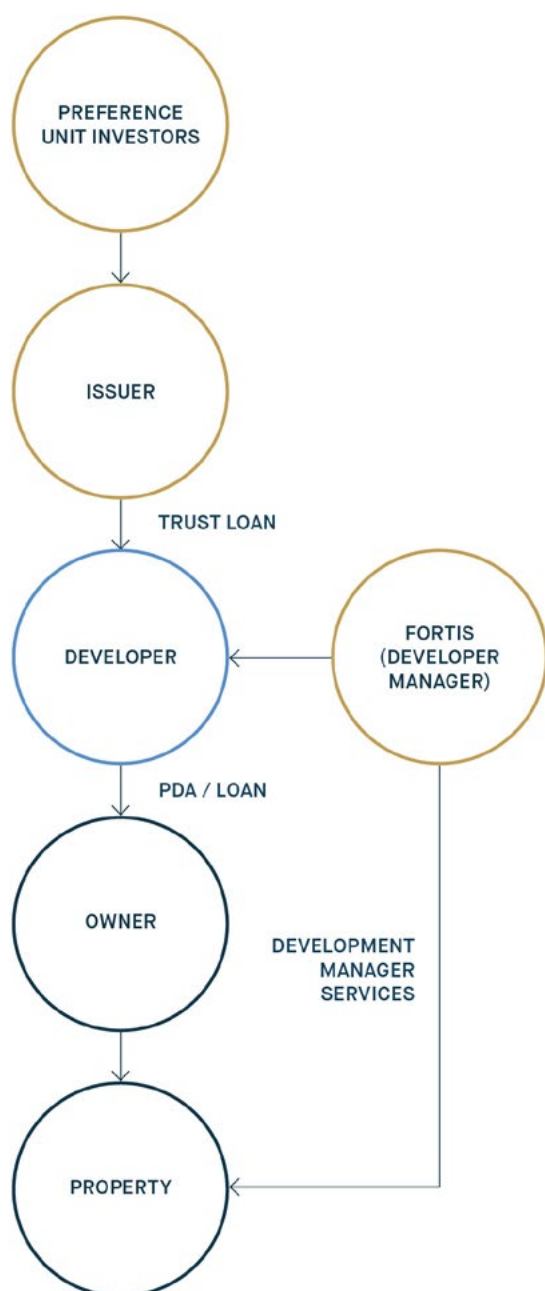
6.0 Investment Structure

6.1 Transaction Structure

The Guarantors are family trusts associated with the Directors of the Issuer, namely Dan Gallen, Charles Mellick and Patrick Keenan. 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 Subscribed 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 Issuer 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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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 into 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:

- 1) 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;
- 2) Taxation Risk: the returns to Investors may be affected by changes to taxation legislation; and
- 3) 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.

