

### **Important Information**

This document is a supplementary product disclosure statement which supplements the product disclosure statement issued by Pelorus Property Group Limited ABN 33 107 352 (Australian Financial Services Licence number 247008) (**Pelorus or Responsible Entity**) on 22 November 2010 (**PDS**) in relation to an In-Specie Transfer of BQF Units to shareholders in Pelorus Property Group Limited (**Supplementary PDS**). The date of this Supplementary PDS is 8 December 2010.

This Supplementary PDS is being issued as a result of comments that ASIC has given Pelorus in relation to the PDS. Pelorus sets out the additional information as required by ASIC in this Supplementary PDS.

This Supplementary PDS forms part of the PDS and it is to be read in conjunction with the PDS and any other supplementary product disclosure statement issued from time to time.

Capitalised terms used but not defined in the Supplementary PDS have the meaning given in the PDS. All page and section references in this Supplementary PDS relate to page numbers and sections in the PDS unless otherwise stipulated.

The PDS is supplemented as follows:

#### **1. Important Notices**

Insert the following words at the end of this section: ***“Investors should regard their investment in BQF as one held for value growth rather than income distributions.”***

#### **2. Section 1.1 – Pelorus’ Demerger**

(a) Insert the following words at the end of this section: *“Investors should note that before the In-Specie Transfer can occur, BQF will need to be registered as a managed investment scheme under the Corporations Act. Although every effort will be made to register BQF, the Responsible Entity cannot guarantee that ASIC will register the Fund.”*

(b) After the second bullet point in section 1.1 insert: *“Under the terms of the Demerger, in addition to BQF Units Pelorus shareholders will receive 1 BlackWall share for every 10 Pelorus shares held (under the BlackWall replacement prospectus dated 19 November 2010) and they will retain the Pelorus shares they hold. Based on the last traded price of Pelorus shares on 1 December 2010, 19 Pelorus shares would represent \$2.185.”*

#### **3. Section 1.2 – BQF’s Structure**

Insert the following words at the end of this section: *“Before the In-Specie Transfer can proceed, the Responsible Entity will need to make an application to ASIC to register BQF as a managed investment scheme under Chapter 5C of the Corporations Act. Although every effort will be made to register BQF, the Responsible Entity cannot guarantee that ASIC will register the Fund.”*

#### **4. Section 1.4 – Project Debt**

Insert the following words at the end of this section:

***“Project Gearing***

*BQF ranks behind secured and unsecured creditors of the Project. Unsecured creditors vary from day to day due to the normal operations of the Bakehouse Quarter and development activity. The current Project debt is set out in the PDS dated 22 November 2010.*

A Project's gearing ratio indicates the extent to which its assets are funded by external liabilities. If the Bakehouse Bonds are taken into account (along with the senior debt facilities) the Project's gearing ratio as at the date of this supplementary PDS is 69%.

Pelorus will continually monitor the Project's debt requirements and may seek to refinance or hedge the borrowings when conditions are favourable. Borrowing (or gearing) can be an important investment tool because, through borrowing, larger amounts become available to generate returns. Whilst gearing can enhance any gains, conversely it can magnify any losses. Returns from geared investments are also more volatile than returns from the same investments that are not geared.

### **Project Interest Rate Cover**

Interest cover indicates the Project's ability to meet interest payments from earnings. Interest cover for the Project is calculated (in accordance with ASIC guidelines) as follows:

$$\text{Interest cover} = \frac{\text{EBITDA} - \text{unrealised gains} + \text{unrealised losses}}{\text{Interest expense}}$$

EBITDA means Earnings before Interest Tax Depreciation and Amortisation.

Interest cover is a key indicator of the financial health of a trust. The lower the interest cover, the higher the risk that the trust will not be able to meet its interest payments. A trust with a low interest cover only needs a small reduction in earnings (or a small increase in interest rates or other expenses) to be unable to meet its interest payments.

The interest cover ratio of the Project as at the date of this supplementary PDS (including interest on the Bakehouse Bonds) is 1.35. This implies that the realised earnings before interest and taxes of the Project are 1.35 times greater than its interest expenses."

## **5. Section 1.5 - Distributions**

- (a) Insert the following words at the end of the third paragraph in section 1.5: "This expectation is based on the experience of the directors of Pelorus and, in particular, the 13 years during which Pelorus has operated in Bakehouse Quarter's market. If the expected rental growth does not occur significant development at the site may not be viable or may take longer to occur."
- (b) In the last paragraph, after the words "long term", insert: ",if general development plans for the Project are completed."
- (c) Insert the following words at the end of section 1.5:

### ***"The Development***

*The Bakehouse Quarter is a multifaceted mixed use precinct. The Project has the capacity to grow to over 100,000 sqm of net lettable area. While the future development of the site will be consistent with the Projects master plan and the existing nature of the precinct, the location, configuration, design and features of any new buildings will be developed with prospective large scale tenants to suit their needs. Preliminary designs and schematics are in progress for town planning and tenant marketing purposes however the final development outcome and their timing will be dependent on tenant demand. Investors should note that future development activity may not occur if there is no tenant demand for space at the Project. In addition Investors should note that if tenants are secured the development of space that they are seeking to occupy will be subject to many factors beyond Pelorus' control. These risks are explained in section 3 of the PDS."*

## 6. Section 1.6 – The Value of BQF Units

- (a) After the first reference to \$167 million insert: *“on an ‘as is’ basis”*.
- (b) In the last paragraph of section 1.6, delete the words: *“using the valuation methodology adopted by independent valuers undertaking valuations of the Bakehouse Quarter for mortgagee purposes in the past.”*
- (c) At the end of section 1.6 insert the following: *“Pelorus has commissioned independent valuers to independently value the Bakehouse Quarter periodically with respect to senior debt requirements and corporate transactions. On average, all elements of the Project have been re-valued every two years since the Project’s first major debt raising in 2002.”*

## 7. Section 1.7 – Withdrawal Rights

Insert the following words at the end of this section:

*“If the Responsible Entity were to offer a redemption facility whilst the Fund is not liquid, it would do so in accordance with the Fund’s Constitution and Corporations Act. If a redemption facility (or withdrawal offer) is offered while the Fund is not liquid, the withdrawal offer would:*

- *be made to Investors in writing;*
- *be open for a minimum of 21 days;*
- *specify the assets of the Fund that would be used to satisfy the withdrawal requests;*
- *set out the amount of money that is expected to be available when those assets are converted to money; and*
- *specify the method for dealing with withdrawal requests if the money available is insufficient to satisfy all requests (which would comply with section 601KD of the Corporations Act).*

*There is currently no redemption facility for the Fund.*

*If the Responsible Entity does not offer a redemption facility at any time during the term of the Fund (which is 20 years), Investors may privately transfer their BQF units in accordance with the Fund’s Constitution, however, as the Fund is an unlisted vehicle, there is no actively traded market in which BQF units may be sold or otherwise transferred.*

*BQF is a closed ended fund and, when the Fund terminates, as stated in section 1.6 (The Value of BQF Units) under the Development Agreement, BQF is to be paid, broadly, 95% of the difference between the value of the Property and defined creditors, less \$20 million, which would then be distributed to Unitholders in accordance with the Constitution.”*

## 8. Section 3 – Risk Factors

Insert the following risk factors:

### *(a) Property Risks*

- *Material leases may not be renewed at the end of the term of the relevant lease, and if a comparable replacement tenant is not found, the loss of rent will have a negative impact on rental income derived from the Property.*

- A fall in the demand for commercial office, retail and other commercial use leading space, both generally and specifically in the Homebush area. If this occurs, it could have a negative impact on rental income derived from the Property.
- Material tenant default or the insolvency of tenants. If this occurs, it could have a negative impact on rental income derived from the Property.

(b) Development Risks

- Delays in construction of any stage of the Project will also delay inflow of rental income to be derived from that stage of the Development.

(c) Financial Risks

- If further funding is required to complete any stage of the Development, and such funding cannot be sourced, then this would negatively impact on the progress of the Development and would affect rental income that would have been generated from that stage of the Development.

## 9. Section 4.2 – Fees and Other Costs

In section 4.2 of the PDS, replace the row in the table under the heading “management costs” with:

<b>Management costs</b>		
The fees and costs for managing your investment	Up to 0.5% per annum based on the value of the Bakehouse Quarter.	Accrues daily and payable quarterly in arrears out of the proceeds of the Project. See section 4.4 for further details.

## 10. Section 4.3 – Example of Annual Fees and Costs for the Fund

Replace the table in section 4.3 of the PDS with:

<b>COSTS</b>	<b>AMOUNT</b>	<b>HOW AND WHEN PAID</b>
Contribution Fees	Nil	For every \$5,000 you put in, you will be charged \$0
PLUS Management Costs*	1.4%**	AND, for every \$50,000 you have in the Fund, you will be charged \$700 each year
EQUALS Cost of Fund	1.4%**	If you had an average investment of \$50,000 during the year and you put in an additional \$5,000 during that year, you would be charged fees of \$700.

\* This fee represents the Indirect Cost Ratio for the Fund (ICR), which is calculated by dividing the annual management costs (which include the ongoing Fund Management Fee and expense recoveries) by the Fund's Net Asset Value.

\*\* Investors should note that this table is prescribed by the Corporations Act and that Investors in the Fund are not charged management fees based on the amount of money that is invested in the Fund. The Responsible Entity is entitled to a Fund Management Fee which is based on the value of the Bakehouse Quarter **and not on the amount you have invested**. Please see section 4.4 for information on the fees payable to the Responsible Entity.

## 11. Section 4.4 – Responsible Entity Fees

Insert the following words at the end of this section:

*“The estimated Fund Management Fee of \$832,500 in the Fund's first year has been calculated by reference to the Directors' valuation of the Bakehouse Quarter of \$167 million (as stated in section 1.6), therefore, 0.5% x \$167 million = \$832,500.*

*All fees associated with Pelorus appointing BlackWall as the investment manager will be borne by Pelorus and are not reimbursable out of the Fund's assets.”*

## 12. Section 6.1 – Corporate Governance

In section 6.1, replace all of the information under the heading “Complaints Handling” with the following:

*“If you have a complaint about the performance of the Responsible Entity, then you are entitled to have your complaint dealt with in a proper and efficient manner. The Constitution details how complaints can be made and how the Responsible Entity must address them.*

*If you have a complaint, then you should notify the Responsible Entity in writing. Once you have made a complaint, the Responsible Entity must respond in writing to you within 14 days in an attempt to resolve the issue.*

*If a satisfactory resolution cannot be reached, then you may lodge your complaint with the Financial Ombudsman Service (details below) which is an external resolution service, or take whatever other action you believe is appropriate.*

*Financial Ombudsman Service Limited  
Telephone: 1300 780 808  
Facsimile: 03 9613 6399  
Website: [www.fos.org.au](http://www.fos.org.au)”*

## 13. Section 6.8 – Material Leases

Insert the following words at the end of this section:

*“If material leases are not renewed after the end of the term of the relevant lease, and there is no new tenant to replace the former tenant, then this would have a negative impact on the rental income derived from the Property. To mitigate this risk, the Responsible Entity and the Property Manager regularly communicate with the Property’s tenants to assess each tenant’s needs and intentions regarding lease renewal and prior to the expiry of each lease, the Responsible Entity and Property Manager negotiate lease renewals as the case requires.”*

## 14. Section 6.11 – Related Dealings and Related Party Transactions

Insert the following words at the end of this section:

*“The Responsible Entity has a policy on related party transactions. The policy contains procedures to assess and approve related party transactions, including a requirement for the board of the Responsible Entity to approve all such transactions before they are entered into. The board of the Responsible Entity may review transactions and prior approvals at any time and, if necessary, revoke its approval. All related party transactions must either be on arm’s length commercial terms or approved by Investors at a Unitholders’ meeting. If the Fund is registered, it must comply with its Compliance Plan which provides for regular monitoring and assessment of related party transactions by the Fund’s compliance committee.”*

# PRODUCT DISCLOSURE STATEMENT

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## BQF

This product disclosure statement has been prepared with respect to an In-Specie Transfer of BQF Units to shareholders in the Pelorus Property Group Limited pursuant to a Demerger proposal of that company. This product disclosure statement accompanies the notice of extraordinary general meeting to Pelorus shareholders to consider the Demerger proposal.

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This is an important document and should be read in its entirety. You should consult your investment advisor if you are in doubt as to the course of action you should take, or if you require further explanation of its terms.

## IMPORTANT NOTICES

### Responsible Entity

Pelorus Property Group Limited ABN 33 107 352 821 (**Pelorus** or **Responsible Entity**) will be the Responsible Entity of BQF (or **Fund**) and the issuer of this Product Disclosure Statement (**PDS**). Pelorus' Australian Financial Services Licence number is 247008.

### Important Information

This PDS is dated 22 November 2010 and was lodged with ASIC on that date as part of the Notice of Meeting in relation to the In-Specie Transfer. ASIC takes no responsibility for the content of this PDS.

This is an important document. You should read this PDS before making a decision about whether to invest in the Fund. The information contained in this PDS is general information only and does not take into account your individual objectives, financial situation, needs or circumstances. Pelorus recommends that you obtain professional advice from a licensed financial adviser before investing in the Fund.

No person is authorised to provide any information or to make any representation in connection with this PDS which is not contained in this PDS. Any information or representation so contained may not be relied on as having been authorised by Pelorus, BlackWall or any of their directors or any other person in connection with this PDS.

### PDS Availability

This PDS will be issued in paper form and also as an electronic Product Disclosure Statement (**Electronic PDS**). The Electronic PDS is available at [www.pelorus.com.au/funds/bqf.html](http://www.pelorus.com.au/funds/bqf.html). If you are unsure whether the Electronic PDS is complete, you should contact Pelorus. Similarly, if you receive a copy of this document, you should ensure that the complete PDS has been received.

A printed copy of this PDS may be obtained free of charge by any person in Australia by contacting Pelorus on 1800 789 141 (toll-free in Australia).

### Distribution of PDS

The distribution of this PDS in a jurisdiction outside Australia and New Zealand may be restricted by law, and persons who come into possession of it should seek legal advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable law.

This PDS does not constitute an offer or invitation to subscribe for Units in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer or invitation or to issue this PDS. It is the responsibility of any Investor to ensure compliance with the laws of any country (outside Australia and New Zealand). No action has been taken to register or qualify the Units or otherwise permit an offering of the Units in any jurisdiction outside Australia and New Zealand. Persons holding copies of this PDS who are not in Australia or New Zealand should familiarise themselves with and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of applicable law.

### Updated information

Information in this PDS may change from time to time. In the event that there is any material adverse change to the information contained in this PDS, then in accordance with the Corporations Act the Responsible Entity will issue a supplementary PDS and, where the law requires, provide you with 30 days prior notice of any material change. However, if the change will not be materially adverse, a supplementary PDS may not be issued.

Updated information (including announcements to potential and current Investors) will be continually available from Pelorus' website at [www.pelorus.com.au/funds/bqf.html](http://www.pelorus.com.au/funds/bqf.html), and Pelorus will provide a paper copy free of charge upon request.

Contact details for Pelorus are:

- Toll-free (within Australia): 1800 789 141
- Toll-free (within New Zealand): 0800 789 141
- Phone: +61 2 9033 8611
- Post: PO Box 612, Neutral Bay NSW 2089
- Email: [info@pelorus.com.au](mailto:info@pelorus.com.au)

When registered the Fund will be subject to regular reporting and disclosure obligations under the Corporations Act. Copies of documents lodged with ASIC in relation to the Fund may be obtained from, or inspected at, an ASIC office or can be obtained by contacting us on 1800 789 141 (toll-free Australia). In accordance with ASIC's Regulatory Guide 198, copies of up-to-date documents or information will be published at [www.pelorus.com.au/funds/bqf.html](http://www.pelorus.com.au/funds/bqf.html).

If you do not have access to the internet, you can obtain copies of these documents or information by contacting us. These documents may include:

## IMPORTANT NOTICES

- the Fund's annual financial report which will be lodged with ASIC;
- the Fund's half-year financial statements which will be lodged with ASIC; and
- any other information or documents published by the Fund in accordance with its continuous disclosure obligations.

### Investment risks

This PDS provides information for prospective Investors to determine whether they wish to invest in the Fund, and should be read in its entirety. Potential investors should note that the repayment of, and return on, their investment may be influenced by factors outside the control of the Responsible Entity. In particular, you should carefully read the explanation of risk factors that could affect the financial performance of the Fund as set out in section 3 below. If, after reading this PDS, you have any questions about the desirability of investing in the Fund then please contact your financial adviser or other professional adviser.

Pelorus, BlackWall nor any of their officers, advisers, agents or associates in any way guarantees the performance of the Fund or any return of capital. An investment in the Fund does not represent a deposit with, or a liability of, Pelorus or BlackWall. An investment is subject to investment risk, including possible delays in repayment and loss of income or capital invested (see "Risk Factors" in section 3 below for more details).

### Investing through an IDPS or IDPS-like service (such as a master trust or wrap account)

Pelorus authorises the use of this PDS as disclosure to clients and prospective clients of an IDPS, IDPS-like service such as a master trust or wrap account or a nominee or custody service. If you invest in the Fund through an IDPS, IDPS like service or nominee or custody service, you should note that the operator or custodian of the service will be recorded in the Register as the Investor in the Fund and will have the rights attaching to Units in the Fund.

Neither Pelorus nor BlackWall is responsible for the operation of any of these services through which you invest. Therefore, certain rights of Investors in the Fund will not apply to you if you are investing through any of these services, such as the right to receive reports and statements from the Responsible Entity, the right to attend meetings, and the right to make a complaint to Pelorus.

If you invest through an IDPS, IDPS-like service or nominee or custody service, you should also take into account the fees and charges of the operator of the service. In addition to reading this PDS, you should also read the document that explains the relevant service.

### Fund not Liquid

The Fund is not Liquid within the meaning of the Corporations Act. This is because Pelorus does not expect that at least 80% of the Fund's assets can be sold at market value within the withdrawal period stated in the Constitution for the Fund. This means that it may take a considerable amount of time to redeem your investment after investing in the Fund.

### No Application Form

In accordance with ASIC Class Order 07/10, this PDS does not include an application form nor is one available as this PDS is required to be issued to Pelorus shareholders as a result of the offer being made to Pelorus shareholders by way of an invitation to vote at the Meeting to consider the In-Specie Transfer.

### Currency

All financial amounts contained in this PDS are expressed in Australian dollars and are GST exclusive unless otherwise stated. Any discrepancies between totals and sums of components in tables contained in this PDS are due to rounding.

### Definitions and Abbreviations

Some words used in this PDS (generally commencing with a capital letter) have defined meanings and appear in the Glossary in Section 7. Throughout this PDS, the terms "Pelorus" and "Responsible Entity" are used interchangeably, as the context requires.

### Important Dates

22 November 2010	Date of PDS
22 December 2010	Meeting to consider In-Specie Transfer
Mid January 2011	In-Specie Transfer of Units to Pelorus Shareholders

The above dates are indicative only and may change without notice.

## IMPORTANT NOTICES

### Important Information About Unlisted Property Funds

AISC has issued Regulatory Guide 46 titled “Unlisted Property Scheme – improving disclosure to retail investors”, which sets out eight disclosure principles for the unlisted property investment sector.

The Fund does not directly invest in property but it holds an indirect interest in the operations of a property asset.

The table below lists each of the disclosure principles, an explanation about each one and the section reference in this PDS where each principle is discussed

<b>Principle</b>	<b>Explanation of each principle</b>	<b>Section</b>	<b>Reference</b>
1. Gearing ratio	The Project’s gearing ratio indicates the extent to which the Fund’s assets are funded by external liabilities.	1.4	Project Debt
2. Interest cover	Information on the Fund’s interest cover indicates the Fund’s ability to meet interest payments from earnings.	1.4	Project Debt
3. Trust borrowing	Information on the Fund’s borrowing maturity and credit facility expiry and associated risks and breaches of loan covenants.	1.4	Project Debt
4. Portfolio diversification	Addresses the Fund’s investment practices and portfolio risk.	1.2	Bakehouse Quarter
5. Valuation policy	Key aspects of the Fund’s valuation policy so that investors can assess the reliability of the valuations.	6.3	Constitution
6. Related party transactions	Disclosure of Responsible Entity’s approach to related party transactions.	6.11	Related dealings and related party transactions
7. Distribution practices	Distribution practices and sustainability of distributions from sources other than realised income.	1.5	Distributions
8. Withdrawal rights	Withdrawal rights are to be clearly explained.	1.7	Withdrawal rights

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## 1 THE FUND

### 1.1 PELORUS' DEMERGER

Pelorus announced on 20 July 2010 that it would put a proposal to its shareholders to demerge into its functional parts (**Demerger**). If the Demerger is approved by Pelorus Shareholders:

- Pelorus' operating businesses will be demerged into a new funds management business, BlackWall Property Funds Limited (**BlackWall**), and Shares currently held by Pelorus in BlackWall will be distributed in-specie to Pelorus Shareholders; and
- all of the units in BQF (which are currently held by Pelorus) will be distributed in-specie to Pelorus shareholders on a ratio of 1 BQF Unit for every 19 Pelorus Shares, subject to rounding (**In-Specie Transfer**).

The invitation to Pelorus Shareholders to vote on the In-Specie Transfer constitutes an offer that requires a product disclosure statement. Therefore, in accordance with ASIC Regulatory Guide 188, this PDS has been prepared by the Responsible Entity and accompanies the Notice of Meeting to be sent to Pelorus shareholders. This PDS contains information in relation to BQF.

The In-Specie Transfer of BQF Units by Pelorus to its shareholders is conditional on:

- the approval of Pelorus Shareholders at the Meeting; and
- Pelorus obtaining the Demerger Relief.

If **both** these conditions are not met, the In-Specie Transfer will not occur and BQF will continue to be wholly owned by Pelorus and Pelorus Shareholders will continue to hold an indirect interest in the Bakehouse Quarter through Pelorus Shares.

### 1.2 BQF'S STRUCTURE

BQF is a special purpose trust that controls the development of a large-scale real estate development known as the Bakehouse Quarter. BQF's interest in the development of the Bakehouse Quarter is by way of a Development Agreement for a 20-year term (**Term**). The BQF Profit Share is calculated by a formula set out in the agreement. Kirela Pty Limited as trustee for the Kirela Development Unit Trust (**Kirela**) is the registered proprietor of the Bakehouse Quarter. This trust was established in 1996 to acquire the site. Kirela's unitholders include interests associated with Directors.

BQF is currently wholly owned by Pelorus. As described above, if the In-Specie Transfer is completed, BQF will be a widely held fund with over 700 Investors. As a consequence, BQF will be registered as a managed investment scheme for the purposes of the Corporations Act and Pelorus will act as the responsible entity of the Fund.

As BQF will be a managed investment scheme it will adopt a compliance plan and will be subject to independent audit in accordance with the Corporations Act. Summaries of BQF's Constitution and material contracts are set out in section 6 of this PDS.

### 1.3 THE BAKEHOUSE QUARTER

The Bakehouse Quarter (or **Property**) is located in the Sydney suburb of North Strathfield, approximately 11 kilometres west of Sydney's CBD and 9 kilometres east of Parramatta. Until December 1996, the site served as a production facility for Arnott's Biscuits Limited. The Project is an urban renewal of an old biscuit factory into an urban business precinct through the adaptive reuse of existing buildings coupled with new architecture.

Commercial office space is the Project's major component, however ancillary uses are also important. The site currently comprises over 40,000 sqm of commercial offices, retail and entertainment uses with tenants such as Arnott's, Aldi, AMF Bowling and NRMA. The site has significant development potential and is expected to grow to more than 120,000 sqm.

The ongoing development of the Bakehouse Quarter will be funded through future cash flows generated from the Property, further bank debt (where considered appropriate), joint ventures and/or other funding structures. The ability to raise bank debt is a risk to the development operations of the Bakehouse Quarter and Investors should consider this and the other risk factors, set out in section 3, of this PDS.

More information on the Bakehouse Quarter can be found on the internet at [www.bakehousequarter.com.au](http://www.bakehousequarter.com.au).

### 1.4 PROJECT DEBT

BQF ranks behind secured and unsecured creditors of the Project. Unsecured creditors vary from day to day due to the normal operations of the Bakehouse Quarter and development activity.

<b>Project Debt Facilities</b>					
<b>Facility</b>	<b>Lender</b>	<b>Amount</b>	<b>Bank Margin</b>	<b>Maturity</b>	<b>Rate</b>
Facility 1	Australian trading bank	\$39,000,000	2.4% p.a	Sept 2011	Bill Facility
Facility 2	Australian financial institution	\$40,000,000	0.85% p.a	Aug 2012	Variable Rate Facility
Bakehouse Bonds*	Bond Issue	\$20,000,000	N/A	Dec 2020	Fixed at 5.5% per annum principal indexed to CPI.

\* 35 million on issue of which 15 million are held by Kirela.

<b>Project Interest Rate Hedging</b>			
<b>Amount</b>	<b>Structure</b>	<b>Term</b>	<b>Expiry</b>
\$30,000,000	Interest rate collar with a floor of 6.27% p.a. and a cap of 7.7.5% p.a.	5 years (from Aug 2007)	Aug 2012
\$30,000,000	Interest rate swap at 5.29% p.a.	4 years (from Aug 2011)	Aug 2015

Additional Project debt may be arranged to fund further development at the Bakehouse Quarter. Ultimately the value of BQF's interest under the Development Agreement will depend on the success of new development initiatives at the Bakehouse Quarter and value changes in the Sydney commercial real estate market. If the Bakehouse Bonds are taken into account the Projects gearing ratio is 69%.

The interest cover ratio of the Project (including interest on the Bakehouse Bonds) is 1.35. This implies that the realised earnings before interest and taxes of the Project are 1.35 times greater than its interest expenses.

## **1.5 DISTRIBUTIONS**

The Directors believe that the value of the Bakehouse Quarter will be maximised and risk minimised by retaining and reinvesting income surpluses to fund development activity. In the short term cash surpluses will be allocated to fund further development of the Property.

The Project's next major development outcome is expected to entail the construction of a new office building of between 10,000 sqm and 20,000 sqm. Although design and preparatory work on this project has begun, such an undertaking will not be viable until suburban office rental rates have grown significantly (which we expect to occur over the coming 3 to 5 years) and debt markets have returned to more normal pricing and capacity levels.

Whilst over the long term the Project should generate significant cash flows to Investors, the timing and quantum of those cash flows and therefore distributions to Investors are uncertain and should not be relied upon. **As a consequence Investors should regard their investment in BQF as one held for value growth rather than income distributions.**

## **1.6 THE VALUE OF BQF UNITS**

The Development Agreement provides for BQF to receive a share of the value growth and income from the Property. At the end of the Term, BQF is to be paid, broadly, 95% of the difference between the value of the Property and defined creditors, less \$20 million.

At the date of this PDS the value of the Bakehouse Quarter is estimated at \$167 million. If the Property were to be sold for this value with current debt the payment to BQF would be calculated as follows.

Asset Value	\$167,000,000		
Less Senior Debt	(\$79,000,000)		
Less Net Unsecured Creditors	(\$2,400,000)		
Gross Development Share	\$85,600,000	@ 95%	\$81,320,000
Less (Bakehouse Bonds Paid)			(\$20,000,000)
Estimated BQF Profit Share			\$61,320,000

This formula gives rise to a value per BQF Unit under the Development Agreement of \$3.08 per Unit.

The value of the Bakehouse Quarter has been determined by the Directors using the valuation methodology adopted by independent valuers undertaking valuations of the Bakehouse Quarter for mortgagee purposes in the past. That is on a fair value basis, being the amounts for which the properties could be exchanged between willing parties in an arm's length transaction, based on current prices in an active market for similar properties in the same location and condition and subject to similar leases.

## 1.7 WITHDRAWAL RIGHTS

The Fund is not Liquid within the meaning of the Corporations Act. This is because Pelorus does not expect that at least 80% of the Fund's assets can be sold at market value within the withdrawal period stated in the Constitution for the Fund. This means that it may take a considerable amount of time to redeem your investment after investing in the Fund.

The Fund's Constitution permits the Responsible Entity to offer a redemption facility, however, there is currently no redemption facility for the Fund.

## 2 MANAGEMENT

### 2.1 THE RESPONSIBLE ENTITY AND INVESTMENT MANAGER

If BQF is registered as a managed investment scheme with ASIC, Pelorus will be the responsible entity of the Fund. Pelorus will appoint BlackWall as the Investment Manager of the Fund under an investment management agreement. More information on the Pelorus, BlackWall and the Demerger can be found in the following documents which have been sent to Pelorus Shareholders and lodged with ASIC and the ASX:

1. Notice of Extraordinary General Meeting of Pelorus Shareholders to be held on 22 December 2010; and
2. a prospectus in relation to the in-specie distribution of shares in BlackWall to Pelorus Shareholders which accompanies the Notice of Meeting.

Copies of each of these documents may be obtained from Pelorus at no charge upon request.

### 2.2 DIRECTORS' EXPERIENCE AND SENIOR MANAGEMENT

The Directors of Pelorus and BlackWall and their experience are set out below.

#### **Richard Hill - Non Executive Independent Director (Pelorus) and Non Executive Chairman (BlackWall)**

Richard has extensive investment banking experience and was the founding partner of the corporate advisory firm Hill Young & Associates. In 1997 Hill Young assisted with the acquisition of Pelorus' largest development project known as the Bakehouse Quarter, and in 2006 Richard was appointed as a Non Executive Director to Pelorus' Board when it listed on the ASX. Prior to forming Hill Young, Richard held a number of senior executive positions with Hong Kong & Shanghai Banking Corporation (HSBC) in both New York and Hong Kong. He is the Chairman of Calliden Group Limited and Sirtex Medical Limited and a director of Biota Holdings Limited (all listed on the ASX). In addition Richard is Chairman of the Westmead Millenium Institute for Medical Research.

#### **Stuart Brown - Director (Pelorus) and Executive Director (BlackWall)**

Stuart joined Pelorus in 2000 and was appointed to the Board in February 2001. Stuart has worked in each of the Group's business units with responsibilities across funds management, property services and finance. In 2006 he was appointed Chief Operating Officer and Chief Financial Officer of Pelorus. Stuart has run debt and equity raisings for the Group in relation to real estate structures of over \$300 million in value. Stuart was appointed the Group Managing Director in 2007 and, along with Seph Glew, oversees all aspects of Pelorus' operations. Prior to joining Pelorus, Stuart practised as a solicitor in the areas of property, mergers and acquisitions and corporate advisory with Mallesons and Gilbert + Tobin.

**Seph Glew - Director (Pelorus) and Executive Director (BlackWall)**

Seph has over 30 years' experience in the commercial property industry in New Zealand, the USA and Australia and, along with Paul Tresidder and Guy Wynn, is the founder of Pelorus. He has been involved with and overseen all aspects of the Group's operations. In particular Seph has driven the development and financial structuring of over \$400 million of commercial and retail property for the Group and its clients. Seph is a qualified registered valuer and holds a Bachelor of Commerce. In the 1980's he served as an executive director with New Zealand based property group Chase Corporation and as a non-executive director with a number of other listed companies in New Zealand and Australia.

**Robin Tedder - Non Executive Director (Pelorus) and Non Executive Director (BlackWall)**

Robin has over 30 years' experience in investment and financial markets. His involvement with Pelorus began as an investor in an early project and in 1999 he joined as a director of the funds management business. Robin manages private equity interests and is the Chairman of Vintage Capital Pty Ltd. He is a director of Italtile Australia Pty Ltd (a national retailer under the CTM brand) and is also a Fellow of the Financial Services Institute of Australasia.

**2.3 SENIOR MANAGEMENT**

Information on the senior management of Pelorus and BlackWall is set out below.

**Tim Brown, Chief Financial Officer**

Tim was recently appointed as the Group's Chief Financial Officer. He joined Pelorus in May 2008 as the Financial Controller and runs the Group's accounting and finance operations.

He has a Bachelor of Commerce from the University of New South Wales, is a member of the Institute of Chartered Accountants of Australia and has a Graduate Diploma from the Financial Services Institute of Australasia. He spent 4 years with Deloitte in their middle market audit division working on a wide variety of SMEs. In 2002 he joined Lend Lease Corporation and held a number of finance roles across the Lend Lease portfolio from development and retail financial management to corporate treasury, including Treasury Manager for Lend Lease's European operations based in London.

**Judith Ryan, Head of Funds Management**

Judith has over 14 years' experience in real estate corporate advisory and finance specialising in mergers and acquisitions. Judith has provided corporate advisory and transaction support services to Pelorus since 2000 as a partner at BDO Chartered Accountants. Judith joined Pelorus in late 2009 as the Head of Funds Management.

Whilst at BDO Judith advised retail and wholesale investors on a number of significant transactions in both the listed and unlisted property sectors. She has worked on transactions involving many of Australia's largest property businesses including Macquarie Group, Colliers International and Australand, and co-authored BDO's Annual Listed Property Fund survey.

Judith holds a Master of Commerce (Finance) and Bachelor of Economics from the University of Sydney and is a member of the Institute of Chartered Accountants in Australia.

**Natashia Steed – Head of Property Management & Administration**

Natashia has over 12 years' experience in property management. She joined Pelorus in 2009 when she emigrated to Australia from South Africa. In South Africa Natashia reached the position of Senior Portfolio Manager for Growthpoint Properties where she specialised in the management of office and retail. Growthpoint is one of South Africa's largest property business with gross assets of over AUD 5 billion.

Before moving to Growthpoint, Natashia was with Investec Bank where she also held a position as Senior Portfolio Manager in their property division specialising in distressed properties. Natashia holds a Diploma in Property and Shopping Centre Management from the University of Pretoria.

**David Tresidder - Head of Leasing**

With a total of 24 years in the property industry and 9 years with the Group, David has day to day responsibility for all strategic development and leasing activities for Pelorus. This includes lead responsibility for all major tenant planning and development activities at Pelorus' major assets, including the Bakehouse Quarter and The Mall @ Upper Hutt, New Zealand.

Previously David held senior positions with Lend Lease and was actively involved in the retail planning, leasing and strategic renewal planning of multi level Regional Shopping centres as well as the replanning/repositioning and leasing of the iconic MLC Centre in Sydney. David also held the role of National Leasing Manager for Woolworths handling the feasibility, leasing and retail planning of the Marketplace shopping centres throughout Australia.

## **2.4 BQF SENIOR MANAGEMENT**

### **Paul Tresidder BQF Leasing Consultant & BlackWall Property Advisory Committee**

Paul, along with Seph Glew and Guy Wynn, founded Pelorus. Paul has over 25 years experience in retail and commercial management, development and leasing. He has been involved in all facets of the Group's property development activities and oversees its major leasing and acquisition transactions. Prior to Pelorus, Paul held a number of positions at Lend Lease including National Leasing Manager and Division Manager, and was responsible with Guy Wynn for General Property Trust's retail portfolio. In 1987 Paul formed a property management company with Guy Wynn that was later purchased by Baillieu Knight Frank, and then joined Seph and Guy in 1993.

### **Guy Wynn BQF Property Management Consultant & BlackWall Property Advisory Committee**

Guy has run the Group's consultancy and management business since it began operations, acting for institutional and wholesale property owners. Guy has over 25 years experience in the property industry specialising in retail management, leasing, development and strategic planning. He spent eight years with Lend Lease including a position as Division Manager responsible with Paul Tresidder for General Property Trust's retail portfolio. In 1987 Guy formed a property management company with Paul Tresidder that was later purchased by Baillieu Knight Frank, and then joined Paul and Seph in 1993.

### 3 RISK FACTORS

Investors should be aware that there are risks associated with any investment. In addition, there are a number of risk factors specific to the Fund, the industry in which the Fund operates and the general business environment. Such risk factors may impact on the performance and financial position of the Fund and therefore the returns to Investors.

These risks include the following:

#### General Risks

- Adverse changes in general economic conditions.
- Adverse changes to government policy or legislation.
- The occurrence of a force majeure event in, on or in the vicinity of, the Property. Force majeure events include, without limitation, such events as acts of god, fire, war, terrorism, civil disorder and industrial disputes.
- Changes in interest rates and the Consumer Price Index and the correlation between them.
- A change in Australian trading banks and other property lending bodies' credit control policies and lending guidelines.
- The inability of Pelorus to raise senior debt from time to time in relation to the Project or the Property.
- A mortgagee in relation to the Property exercising any of its rights under a first mortgage, in response to a default of that mortgage and forcing a sale of the Property before the end of the term of the mortgage.
- Insurance in relation to the Property may not cover all events or all claims, such as acts of terrorism.
- Global or local volatility in the equity capital markets.
- A change to the current taxation regime as tax liabilities are the responsibility of individual Unitholders and the Fund and/or the Responsible Entity are responsible either for taxation or penalties incurred by Unitholders.
- Units are illiquid investments because there is currently no secondary market for the Units. Potential investors should be aware that they may not be able to redeem their investment during the life of the Fund.
- The Responsible Entity will seek to have the Fund registered under Chapter 5C of the Corporations Act and Pelorus will act as the responsible entity. Once registered, the Responsible Entity will be subject to strict regulatory and compliance arrangements under the Corporations Act and ASIC policy. If the Responsible Entity does anything to jeopardize its AFSL then ASIC may take action (including suspension or revocation of the Responsible Entity's AFSL) which could adversely impact the Fund.

## Property Risks

- All property investments involves, by its nature, some level of risk, and an investment in the Fund is no different. The Responsible Entity cannot guarantee that the Fund will enjoy a capital gain on the sale of its interest in the Property, that the value of its interest in the Property will not fall or that any distribution will be made.
- A fall in the demand for commercial office, retail and other commercial use leading space, both generally and specifically in the Homebush area.
- The Responsible Entity will insure the Property or cause the Property to be insured. However, the circumstance of a particular loss or the specific provisions of the relevant insurance policy may preclude a claim being accepted by the insurer (for example, acts of terrorism). Additionally, there is a risk that the insurance proceeds received from a claim may not cover the entire loss to the Fund.
- Unforeseen increases in the cost of services supplied to the property including, but not limited to, electricity, gas, water, fire protection and insurance.
- A general fall in the property market.
- Material tenant default or the insolvency of tenants.
- The entry of competing properties into the market.

## Development Risks

- Unforeseen increases in the cost of construction materials and building supplies.
- Material default of builders under any building contract in relation to parts of the Project, or insolvency of a builder engaged in the Project.
- Significant delays in construction due to inclement weather, the inability to procure adequate building insurance, industrial disputes, construction accidents, the lack of availability of raw materials or labour, or the insolvency, fraudulent acts, negligence or material interruption to the business of a service provider to the Project.
- Significant delays in construction which cause “sunset dates” in agreements to leases to expire, allowing tenants to terminate such agreements and therefore not take occupation.
- Material errors in the construction or refurbishment of buildings, including but not limited to, errors in workmanship, material used, and the proximity of the buildings in relation to the boundaries.

## Financial

- There is no guarantee that future loan funds may be secured at competitive interest rates at the time the Fund’s debt facilities are to be refinanced.

## 4 FEES AND COSTS

### 4.1 CONSUMER ADVISORY WARNING

The information in the following box is standardised across all managed fund issuers and does not provide information which relates specifically to fees and costs in the Fund and, therefore, does not reflect the fees and costs you will be charged.

#### **Did you know?**

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your Fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask us or your financial adviser.

#### **To find out more**

If you would like to find out more, or see the impact of the fees based on your own circumstances, the Australian Securities and Investments Commission (ASIC) website ([www.fido.asic.gov.au](http://www.fido.asic.gov.au)) has a managed investment fee calculator to help you check out different fee options.

### 4.2 FEES AND OTHER COSTS

The table below shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the Fund assets as a whole.

Taxes are set out in another part of this document.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
<b>Fees when your money moves in or out of the fund</b>		
<i>Establishment fee</i> <sup>1</sup> The fee to open your investment	<b>Nil</b>	All costs or fees associated with the structuring of the Fund or establishing the investment are paid by Pelorus or the Registered Proprietor
<i>Contribution fee</i> <sup>1</sup> The fee on each amount contributed to your investment – either by you or your employer	<b>Nil</b>	Not Applicable
<i>Withdrawal fee</i> <sup>1</sup> The fee on each amount you take out of your investment	<b>Nil</b>	Not Applicable
<i>Termination fee</i> <sup>1</sup> The fee to close your investment	<b>Nil</b>	There are no fees deducted from Units Capital or from Investor returns at the Fund
<b>Management costs</b>		
The fees and costs for managing your investment	<b>Nil</b>	Refer to section 4.4 for fees payable to the Responsible Entity.
<b>Service fees</b>		
<i>Investment switching fee</i> The fee for changing investment options	<b>Nil</b>	Not Applicable
<i>see section 4.3 for additional explanation of fees and costs</i>		

#### 4.3 EXAMPLE OF ANNUAL FEES AND COSTS FOR THE FUND

The following table gives an example of how the fees and costs can affect your investment over a one year period. You should use this table to compare this product with other managed investment products.

This example is based on a constant balance of \$50,000 with a contribution of \$5,000 at the end of the year.

COSTS	AMOUNT	HOW AND WHEN PAID
Contribution Fees	Nil	For every \$5,000 you put in, you will be charged \$0
PLUS Management Costs*	Nil	AND, for every \$50,000 you have in the Fund, you will be charged \$0 each year
EQUALS Cost of Fund		If you had an average investment of \$50,000 during the year and you put in an additional \$5,000* during that year, you would be charged fees of \$0.

\* This fee represents the Indirect Cost Ratio for the Fund (**ICR**), which is calculated by dividing the annual management costs (which include the ongoing Fund Management Fee and expense recoveries) by the Fund's Net Asset Value.

Please note this is an example only. Actual fees and expenses are based on the value of the Fund which fluctuates. Management costs may also be charged in relation to additional contributions.

#### 4.4 RESPONSIBLE ENTITY FEES

Under the Fund's Constitution, the Responsible Entity will be entitled to a management fee of up to 0.5% per annum of the value of the Bakehouse Quarter accrued daily and payable quarterly in arrears out of the proceeds of the Project (**Fund Management Fee**). In the financial year ending 30 June 2011 the Fund Management Fee is estimated to be \$832,500. Under the Constitution Pelorus may appoint parties to undertake various functions in the management of the Fund and the Project. As disclosed earlier in this PDS, Pelorus will appoint BlackWall pursuant to an investment management agreement. More details on the proposed investment management agreement are set out in section 6.5. All fees associated with this appointment will be borne by Pelorus.

#### 4.5 REIMBURSEMENT OF EXPENSES

All expenses properly incurred by the Responsible Entity in connection with the Fund are payable or reimbursable by the Project (to the extent the Corporations Act allows).

#### 4.6 GST

If the Responsible Entity is or becomes liable to pay GST on fees not described in this PDS as GST inclusive, it is entitled to be reimbursed for the amount of GST.

## **5 TAXATION MATTERS**

The comments in this section are of a general nature only and are based on current legislation at the date of this PDS. This information is for Australian resident investors not under a legal disability holding Units in the Fund long term on capital account. The tax treatment of an investment may vary according to the Investor's individual circumstances and prospective Investors are advised to seek their own tax advice regarding their investment in the Fund.

### **Taxation of the Fund**

The Fund is an Australian resident trust for income tax purposes. The activities of the Fund will be limited to investment activities such that the Fund will not pay income tax, but will be treated as a 'flow-through' entity under Australian income tax law. The Responsible Entity has the discretion to fully distribute the net taxable income of the Fund for each year of the Fund's operation. Investors will be assessed for income tax in each year on the proportionate share of the taxable income distributed by the Fund to which they are entitled. The Responsible Entity will provide an annual tax statement to Investors detailing the tax treatment of distributions for each year to assist in the completion of the Investor's income tax return.

### **Distributions from the Fund**

The income distributed to Investors by the Fund may be composed of different types of income, for example ordinary income, tax deferred income, or capital gains. The tax treatment of income distributed to Investors will depend on the components of the distributions made.

### **Ordinary Income**

Distributions of ordinary income will be fully assessable to Investors.

### **Tax Deferred Income**

Tax Deferred income arises where there is a difference between trust income for accounting purposes and tax purposes. For example, where tax depreciation is claimed in relation to items of plant but no accounting depreciation expense is recognised. Such amounts are not taxable as income to Investors in the year of distribution, but rather will result in a reduction of the cost base of investors' Units for capital gains tax purposes. Such a cost base adjustment could produce either an increased capital gain or a reduced capital loss when the Investor disposes of their Units (refer below).

### **Capital Gains**

The Fund's activities may generate either a capital gain or a capital loss on the disposal of any assets held by the Fund. Where a capital gain is derived by the Fund the Fund's distribution for the relevant year may include a capital gain component.

In general, where the Fund disposes of a capital gains tax asset it has held for more than 12 months the Fund will be entitled to the 50% discount on such gains. This discount will be passed on to Investors who may or may not be able to utilise the discount depending on the type of Investor. Investors who are individuals or trusts will generally be able to benefit from the full 50% discount. Superannuation funds will generally be able to apply a discount of 33.33% of the capital gain. Company investors are not entitled to the 50% capital gains tax discount.

### **Disposal of Units**

Investors may be liable for capital gains tax should they transfer or otherwise dispose of their Units in the Fund. In order to determine their capital gain position Investors will need to adjust the cost base of their Units for any tax deferred income components of distributions from the Fund. Any capital gain on disposal of an Investor's Units may be able to be reduced using the applicable discount where the Units have been held for more than 12 months (as referred to above).

Investors should keep track of the cost base of their Units as the Fund does not issue capital gains statements to Investors who dispose of their Units.

### **Tax File Number (TFN) and Australian Business Number (ABN) quotation**

The Responsible Entity is authorised to collect an Investor's TFN with the use and disclosure of TFNs being strictly regulated by tax laws and the Privacy Act 1988. Investors may quote a TFN or claim a TFN exemption regarding their investment in the Fund. Investors may quote an ABN instead of a TFN where they are investing in the course of a business or enterprise they carry on. Where no TFN or ABN is quoted, or no TFN exemption is applicable, the Responsible Entity will be required to withhold tax from any distribution payable to an Investor at the highest marginal tax rate (plus Medicare Levy).

### **GST Matters**

The Fund may not be able to claim GST input tax credits for all GST paid on its acquisitions. Where full input tax credits are not able to be claimed by the Fund, a tax deduction will generally be available in respect of the input tax credits not claimable.

## **6 ADDITIONAL INFORMATION**

### **6.1 CORPORATE GOVERNANCE**

The management of the Fund by the Responsible Entity will primarily be governed by the Fund's Constitution and Compliance Plan.

#### **Constitution**

A summary of the Fund's Constitution is set out in section 6.3.

#### **Compliance Plan**

The Compliance Plan is the document which outlines the principles and procedures which the Responsible Entity will apply to ensure that it complies in all respects with the provisions of the Corporations Act, ASIC policy, and the Constitution. The Compliance Plan will be lodged with ASIC when Pelorus applies to have BQF registered.

The Compliance Plan deals with an extensive range of issues from the formation and operation of the Fund to the frequency and manner in which assets of the Fund will be revalued. The Compliance Plan also focuses on the systems in place to ensure competent management of the Fund. Systems for a wide variety of functions, including accounting, filing and office security are also prescribed.

#### **Complaints handling**

If you have a complaint about the performance of the Responsible Entity, then you are entitled to have your complaint dealt with in a proper and efficient manner. The Constitution details how complaints can be made and how the Responsible Entity must address them.

If you have a complaint, then you should notify the Responsible Entity in writing. Once you have made a complaint, the Responsible Entity must respond in writing to you within 14 days in an attempt to resolve the issue.

If a satisfactory resolution cannot be reached, then you may lodge your complaint with the Financial Industry Complaints Service (details below) which is an external resolution service, or take whatever other action you believe is appropriate.

Financial Industry Complaints Service Ltd  
Telephone: 1 300 780 808  
Facsimile: 03 9621 2291  
Website: [www.fics.asn.au](http://www.fics.asn.au)

## Privacy Principles

The *Privacy Act 1988* (Cth) (**Privacy Act**) and amendments made to the Privacy Act by the *Privacy Amendments (Private Sector) Act 2000* (Cth) govern the use of an individual's personal information gained by an organisation from dealings with the individual. The National Privacy Principles of the Privacy Act govern the way in which organisations should treat personal information.

The Responsible Entity retains the information you provide for record keeping purposes, however, once your personal information is no longer required, the Responsible Entity will either destroy it, or retain it in a way that does not identify that it relates to you.

You have a right to know the information the Responsible Entity holds which relates to you and to require the Responsible Entity to correct any errors in respect of that information. In this regard, you can assist the Responsible Entity to keep your details up to date by advising the Responsible Entity of any information that is incorrect. You can call the Responsible Entity or write to it at the address listed in the Corporate Directory to obtain details about the information the Responsible Entity holds which relates to you.

As well as reporting to you about your investment in the Fund, the Responsible Entity may use your contact details to let you know about other investment opportunities. If you prefer not to receive these communications, please telephone or mail the Responsible Entity at the contact details referred to in the Corporate Directory. If the Responsible Entity is obliged to do so by law, it will pass your personal information to other parties strictly in accordance with the relevant legal requirements.

A copy of the Responsible Entity's privacy policy is available by contacting the Responsible Entity, or by going to Pelorus' website at [www.pelorus.com.au](http://www.pelorus.com.au).

## 6.2 MATERIAL DOCUMENTS

The following sets out a summary of material documents which are relevant to the Fund.

The material documents are:

- (a) the Constitution;
- (b) the Development Management Agreement;
- (c) the Investment Management Agreement;
- (d) Property Services Agreement;
- (e) Bakehouse Bonds; and
- (f) material leases.

The summaries in the following sections do not explain the effect of every detail in the agreements.

### **6.3 CONSTITUTION**

Details of BQF's Constitution are set out below. Prospective investors requiring a more detailed understanding of the Constitution should contact Pelorus to request a copy of the Constitution.

#### **General**

The Constitution sets out the rights and responsibilities of the Responsible Entity as the responsible entity of the Fund as well as of Investors.

If the Fund is registered as a managed investment scheme for the purposes of the Corporations Act, the provisions of the Corporations Act (as amended from time to time) can affect the terms of the Constitution and Pelorus' obligations as responsible entity of the Fund. Investors' rights may therefore be varied by legislation or by amendment to the Constitution, which is also governed by the Corporations Act.

If BQF is a registered managed investment scheme, a copy of the Constitution will be lodged with ASIC.

#### **Units**

The beneficial interest in the Fund is divided into Units. Each Unit confers on the Investor an equal and undivided interest in the assets as a whole. Units may be transferred in accordance with the procedure set out in the Constitution, however the Responsible Entity may refuse to register a transfer if, in its opinion, the transfer is not in the Fund's interests or the transferor or transferee has not complied with applicable laws.

#### **No Right to Withdraw**

An Investor has no right to withdraw from the Fund if the disclosure document under which that Investor invests in the Fund states that an Investor will have no right to withdraw from the Fund during the term of the Fund. However, the Responsible Entity may in its absolute discretion determine that a right to withdraw will be offered to Investors in certain circumstances.

#### **Liability of Investors**

The liability of Investors is limited to their Units and the Fund's assets. Neither Pelorus nor any of its creditors or agents has any claim against any Investor for any liabilities incurred with those parties in the management of the Fund except as provided for in the Constitution or where there is a separate agreement with an Investor.

#### **Fund's Assets**

Investors, as holders of Units in the Fund, have the beneficial interest in the Fund's assets in accordance with the Constitution.

## **Income and Distribution**

Pelorus must collect all income, profits or other monies generated from the Fund's assets and pay this into an account in the name of the Responsible Entity on behalf of the Fund. The Responsible Entity may determine the amount of distributable income of the Fund and transfer that amount to a separate account to be held on trust, and after payment of all taxes, duties, excises and penalties, pay that amount to Investors in proportion to the number of Units held by all Investors. Pelorus is required to pay the distributable income to those Investors entitled to receive it within three months of the last day of each financial year or such other days as designated by the Responsible Entity.

In addition, the Responsible Entity may at any time determine that capital or income be distributed to Investors which may be by way of cash or additional Units.

## **Valuation**

Pelorus may cause an asset to be valued at any time, however is obliged to value the Fund's assets at regular intervals appropriate to the nature of the property.

## **Pelorus' Powers**

Pelorus has all the powers in relation to the Fund's assets as if it were the absolute owner of the Assets acting in its personal capacity. Every power and discretion invested in Pelorus is exercisable by it at its absolute and uncontrolled discretion.

Pelorus may borrow or raise money, grant security and incur all other types of obligations including, but not limited to, giving a guarantee and an indemnity for the payment of money or the performance of any agreement and securing the liability arising from any such guarantee or indemnity by charging or mortgaging the whole or any part of the assets.

Under the Constitution, each Investor irrevocably appoints Pelorus (and any director, attorney or substitute nominated by Pelorus) to be the Investor's attorney to execute and deliver documents on behalf of the Investor which, in the reasonable opinion of Pelorus, is necessary or desirable in connection with events such as the death, bankruptcy, legal disability or liquidation of an Investor.

Pelorus also has the power to appoint an agent or delegate to perform all its roles and responsibilities stipulated in the Constitution. The agent or delegate may be an associate of Pelorus.

### **Pelorus' Retirement or Removal as Responsible Entity**

Pelorus may retire or be removed in accordance with the provisions of the Corporations Act. If Pelorus retires as responsible entity, then it may appoint a replacement responsible entity. The Responsible Entity can be removed and replaced with another appropriately licensed company if Investors pass Extraordinary Resolutions to that effect at a properly convened meeting of Investors.

### **Pelorus' Remuneration and Expenses**

Details of the fees and expenses payable or reimbursable to Pelorus are set out in sections 4.4 and 4.5 above.

Furthermore, if Pelorus provides any service to the Fund which if that service were to be provided by a third party that third party would be paid a fee, then Pelorus will be entitled to receive a fee for providing the service provided the amount of fee and terms of payments are not more favourable to Pelorus than to a third party.

### **Liability of Pelorus**

Subject to the Corporations Act, Pelorus is not liable to Investors for any loss suffered in respect of the Fund and is not liable to any person who is not an Investor to any extent beyond the assets. In addition to any indemnity allowed by law, provided Pelorus does not act negligently, fraudulently or in breach of trust, it is entitled to be indemnified out of the assets of the Fund in respect of any liability incurred by Pelorus in performance of its duties in respect of the Fund and all fees payable to and costs recoverable by Pelorus under the Constitution.

Pelorus is not liable for anything done, suffered or admitted by it in good faith and in reliance upon the opinion or advice provided by experts such as accountants, auditors, solicitors and valuers, or any other documents.

### **Accounting**

Accounts are to be maintained and financial statements made available to Investors within three months after the end of each financial year. If the Fund is registered as a managed investment scheme, then each Investor agrees to receive notification and access to the financial reports by electronic means.

### **Auditor**

If the Fund is registered as a managed investment scheme, Pelorus must appoint an auditor to audit the Fund's accounts.

### **Compliance Plan and Compliance Committee**

If BQF is registered, Pelorus will be obliged to establish a compliance plan and appoint a compliance plan auditor to audit compliance with it. In addition, Pelorus must establish a compliance committee to fulfil those duties set out in the Corporations Act.

## Winding Up

The Responsible Entity must wind up the Fund or cause the Fund to be wound up in any one of the following circumstances:

- (a) if the Fund comes to the end of its term;
- (b) if the Fund is wound up pursuant to an order of a court;
- (c) if the Fund's purpose has been or cannot be accomplished and no Investor has exercised their right to call a meeting to consider the proposed winding up in accordance with the Corporations Act;
- (d) if resolved by Extraordinary Resolution of the Investors; or
- (e) if Investors pass a resolution to remove the Responsible Entity but do not simultaneously pass a resolution choosing a new consenting responsible entity.

On winding up of the Fund, Pelorus must convert the Fund's assets to money, deduct all proper costs and then distribute the balance to Investors. However, Pelorus may at its discretion instead of or in addition to converting the assets to money, distribute the assets in-specie to Investors.

In addition, Pelorus may retain money from the proceeds of realisation of the Fund's assets to pay its own remuneration and expenses for work done following the realisation of the assets and to meet future payments obligations which the Responsible Entity reasonably believes will fall due after distribution to Investors.

## Meeting of Investors

The procedures for meetings of Investors are set out in the Constitution and are consistent with the requirements of the Corporations Act.

Investors should note the following points:

- (a) Pelorus may at any time convene a meeting of Investors;
- (b) Pelorus will convene a meeting if requisitioned by at least 100 Investors or by holders of at least 5% of the total number of Units;
- (c) 21 days notice of meetings to Investors is required;
- (d) a quorum of two Investors (in person or by proxy), unless there is one Investor who may vote in which case a quorum consists of that Investor;
- (e) each Investor is entitled to attend and vote at meetings unless prohibited from doing so under the Corporations Act;
- (f) Investors are entitled to receive notices of these meetings; and
- (g) each Investor has one vote on a show of hands, and one vote for each dollar of the value of the total number of Units held by the Investor on a poll.

## Obligation to Transfer

If an offer is made to all Investors by a person to purchase all Investors' Units and the holders of at least 75% of Units accept that offer, then the Responsible Entity may require all non-accepting Investors to accept the offer (**Transfer Notice**).

Investors are deemed to have authorised the Responsible Entity to sign on their behalf the acceptance of an offer the subject of a Transfer Notice. If the Investor does not accept an offer the subject of a Transfer Notice, the Responsible Entity can accept the offer on behalf of that Investor and sign a form of transfer or such other documents relating to the Investor's Units to give effect to the transfer of Units.

### **Complaints**

The Constitution sets out procedures for dealing with Investor's complaints and complied with the requirements of the Corporations Act. Investors may make complaints about any aspect of the Fund by contacting Pelorus at the address shown in the Corporate Directory at the end of this PDS.

Please refer to section 6.1 above for further information in relation to complaints.

### **Amendments**

The Constitution may be amended by Special Resolution of Investors or by Pelorus if it reasonably considers the change will not adversely affect the rights of Investors.

## **6.4 DEVELOPMENT AGREEMENT**

Before completion of the Demerger, the Responsible Entity will enter into a Development Agreement with Kirela, pursuant to which Pelorus will undertake the Development on Kirela's behalf for the Term and Kirela will grant Pelorus rights of control of the Property and all activities on it for this purpose.

In this summary:

"Developer's Profit Share" means the amount to be paid to Pelorus equalling 95% of the Termination Value, less costs associated with sale of the Property (if any), Kirela's interest and any prior mortgage amount;

"Property Expenses" means all rates, taxes, charges and costs in connection with the Property and any amounts due and payable under a mortgage ranking in priority to Pelorus' entitlements under the agreement;

"Property Income" means all income arising from or in connection with the Property including, without limitation, rent, outgoings, contributions and proceeds of sale; and

"Termination Value" means the value of the Property on termination of the agreement, adjusted in accordance with usual conveyancing practice.

Under the agreement, Kirela gives a negative pledge to Pelorus to not create any encumbrance over the Property or transfer the Property before termination without Pelorus' prior written consent. Pelorus is irrevocably authorised to deal and control the financing in relation to the Property, including creating a security interest, as required to complete the Development or conduct the business on the Property.

Pelorus is authorised to manage the Property and has the power to do all things as if it was the beneficial owner and registered proprietor of the Property including, but not limited to, entering on and taking possession of the Property, collecting the rent and profits of the Property, granting any lease and otherwise dealing with leases, making development applications, employing staff and others for the management of the Property and subdivide, sell or otherwise deal with parts of the Property.

Kirela also irrevocably authorises Pelorus to collect, receive and distribute the Property Income and to make payments from the Property Income in accordance with the agreement including payment of Property Expenses and the costs in connection with the Development. Pelorus may deal with any surplus Property Income as it sees fit, without any duty to account to Kirela. In exercising its powers and managing the Property, Pelorus must act in a professional manner and take such steps to maintain and enhance the value of the Property.

Upon termination of the agreement, Pelorus shall receive the Developer's Profit Share which, if Kirela intends to sell the Property on termination, is to be paid directly out of the sale proceeds. Pelorus' rights and entitlements under the agreement continue until the Developer's Profit Share is paid in full.

It is an event of default under the agreement if, amongst other things, a prior mortgagee takes steps to exercise its powers of sale, an insolvency event occurs in connection with Kirela or ASIC gives notice of proposed deregistration of Kirela. Kirela agrees that it is not entitled to terminate the agreement before the end of the term. Furthermore, Pelorus has an option to acquire the Property which may be exercised only where there is an event of default or if Kirela attempts to sell or transfer the Property or terminate the agreement before the end of the term.

Kirela appoints Pelorus as Kirela's attorney to exercise all of Kirela's powers, rights and remedies under the agreement, to receive any money payable to Kirela in respect of the Property and to do all things required to be done by Kirela under the agreement. Pelorus is indemnified for all liabilities and expenses incurred in the exercise of any rights or powers under the agreement and against all actions, costs and claims in respect of any thing done relating to any part of the Property. There are limitations on liability of the parties to the extent that they have entered into the agreement as trustees.

## **6.5 INVESTMENT MANAGEMENT AGREEMENT**

The Investment Management Agreement will commence upon approval of the Demerger and will continue until BQF terminates. The fee payable to BlackWall is equivalent to all fees payable to the Responsible Entity under BQF's Constitution less \$50,000 per annum. The material fee payable to the responsible entity under BQF's Constitution is 0.5% of the value of the assets of the Project.

**Appointment:** Under the terms of the Investment Management Agreement the Responsible Entity appoints BlackWall as the manager of the Fund for the purpose of managing the Fund's assets.

**Responsibilities of the Manager:** BlackWall is responsible for:

- investing and managing the Fund's assets;
- debt management for the Fund;
- general investment management including but not limited to identifying, investigating and evaluating investment opportunities for the trust and opportunities for the sale or other disposal of any part of the assets of the Fund;
- making recommendations to the Responsible Entity for the investment, sale or other disposal of any part of the assets; and
- providing such other advisory, management or administrative services in relation to the trust as may be reasonably requested by the Responsible Entity from time to time.

**Associated Entities:** Where BlackWall or any associated entity performs a function in relation to the Fund outside the scope of the agreement, the Responsible Entity must pay fees equivalent to prevailing market rates. Where a related corporate of the Company performs a function to the Fund within the scope of the agreement, that related body corporate may receive a fee, in which case, BlackWall's management fee under the Investment Management Agreement will be reduced by the equivalent amount payable to the related body corporate.

**Manager's Obligations:** BlackWall must carry out its duties in accordance with the Investment Management Agreement, the lawful instructions and reasonable directions of the Responsible Entity and the investment strategy of the Fund from time to time. In addition, BlackWall must also keep the assets of the Fund under review, exercise its powers in accordance with the terms of the agreement, maintain adequate records and accounts of all transactions in accordance with generally accepted accounting principles in Australia and retain for no less than seven years, maintain appropriate and adequate compliance arrangements, inform the Responsible Entity of any additional fees or commissions, maintain adequate internal risk objectives and notify the Responsible Entity of any breach of this agreement and propose any possible action to rectify said breach.

**Valuation:** BlackWall must ensure that the assets are valued at regular intervals appropriate to the nature of the assets and at such other times reasonably requested by the Responsible Entity. The valuation, when approved by the board of the Responsible Entity, will be taken to be the value of the assets as at that date.

**Reports:** BlackWall will give reports and information to the Responsible Entity at such times or intervals and in such form and on such matters relevant to the Investment Management Agreement as the Responsible Entity may reasonably require.

**Appointment of Property Manager:** BlackWall must engage a property manager to provide property management services to direct property assets of the Fund on terms satisfactory to the Responsible Entity.

**Exercising of Voting Rights:** BlackWall is authorised to exercise any voting rights which arise out of the assets (for example, voting rights attached to units the Fund holds in another trust).

**Termination:** There are mutual rights to terminate by notice to the other party, if the other party; goes into liquidation, has a receiver or receiver and manager appointed in relation to its property, is placed under official management or has an administrator appointed in relation to its affairs, or ceases to carry on business. The Responsible Entity has a right to terminate at any time during the term by notice to BlackWall provided that it pays to BlackWall, an amount equal to two years management fees. The Investment Management Agreement terminates immediately after the Fund is wound up.

**Other:** BlackWall gives standard representations and warranties to the Responsible Entity. The Investment Management Agreement contains a standard confidentiality clause. The Investment Management agreement can only be assigned and novated without the consent of the other party if BlackWall assigns the agreement to a related body corporate or the Responsible Entity to a replacement responsible entity.

## **6.6 PROPERTY SERVICES AGREEMENT**

Under a Property Services agreement, BlackWall will be engaged by the Responsible Entity to provide property administration, accounting and support services to the Bakehouse Quarter property manager. This agreement provides that BlackWall may undertake services which are outside the scope of the services described in the agreement and if BlackWall provides such services it will charge fees at usual market rates.

## **6.7 BAKEHOUSE BONDS**

Bakehouse Bonds are debt instruments arranged by Pelorus and issued by Kirela. 35 million bonds have been issued but 15 million are held by Kirela. The terms are:

- Principal of \$35 million indexed to CPI annually is repayable in one sum on 30 June 2020.
- Interest is payable quarterly in arrears at a rate of 5.5% per annum on the original \$35 million principal.
- Kirela has the right to redeem any or all of the Bakehouse Bonds at any time after five years.
- The Bakehouse Bonds rank behind senior debt on the Bakehouse Quarter and ahead of equity and all unsecured creditors.
- Bakehouse Bonds are transferable.

## **6.8 MATERIAL LEASES**

The leases with respect to tenants at the Bakehouse Quarter have been prepared by external solicitors. While specific lease terms will vary from tenant to tenant and accommodate any specific provisions relevant to the Bakehouse Quarter they are generally on usual terms for such tenancies. The name, area and expiry date of material leases are listed below.

<b>Tenant</b>	<b>Tenancy</b>	<b>Expiry</b>
Arnott's Biscuits Limited	6,300 sqm	Dec 2013
National Roads & Motorists' Association Limited	6,500 sqm	May 2014
AMF Bowling Centre Australia Pty Ltd	3,400 sqm	Sept 2022
Aldi Food Pty Ltd	1,500 sqm	Dec 2018
Fitness First Australia Pty Ltd	1,800 sqm	May 2019

## 6.9 INTERESTS OF DIRECTORS OF RESPONSIBILITY ENTITY

If the Demerger is approved the Directors of the Responsible Entity will hold the following relevant interest in BQF as at the date of the In-Specie Transfer:

<b>Director</b>	<b>No. of BQF Units</b>
Joseph (Seph) Glew	3,881,464
Stuart Brown	329,942
Paul Tresidder	3,738,707
Guy Wynn	455,552
Richard Hill	849,690
Robin Tedder	915,874

## 6.10 CONSENTS AND RESPONSIBILITY STATEMENTS

Written consents to be named in this PDS have been given, and have not at the date of this PDS been withdrawn, by the following parties:

- BlackWall has given, and not withdrawn, its written consent to be named in the PDS as investment manager in the form and context in which it is named, but does not make any statement in the PDS, nor is any statement in this PDS based on any statement by BlackWall. It has not authorised or caused the issue of this PDS.
- BlackWall Management Services has given, and not withdrawn, its written consent to be named in the PDS as property manager in the form and context in which it is named, but does not make any statement in this PDS, nor is any statement in this PDS based on any statement by BlackWall. It has not authorised or caused the issue of this PDS.
- Herceg Lawyers has given, and not withdrawn, its written consent to be named in the PDS as legal advisors in the form and context in which it is named, but does not make any statement in this PDS, nor is any statement in this PDS based on any statement by Herceg Lawyers. It has not authorised or caused the issue of this PDS.

## 6.11 RELATED DEALINGS AND RELATED PARTY TRANSACTIONS

Subject to any statute or rule of law, the Constitution permits the Responsible Entity or its Directors (or any entity connected with the Responsible Entity) to enter into transactions with the Fund. The Responsible Entity and its Directors shall, in connection with any such transaction, act in a fiduciary relationship of utmost good faith to all Investors.

The Directors and other related parties of the Responsible Entity hold Units in the Fund from time to time. Where Directors and other related parties of the Responsible Entity acquire Units from time to time, these Units will be acquired on no more favourable terms as for any other Investor in the Fund.

The following transactions will be related party transactions of the Fund:

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Development Agreement	The Development Agreement will be a contract between the Responsible Entity and Kirela. Seph Glew and Paul Tresidder are directors of both the Responsible Entity and Kirela.
Investment Management Agreement	The Investment Management Agreement will be a contract between the Responsible Entity and BlackWall. Stuart Brown, Seph Glew, Robin Tedder and Richard Hill are directors of both the Responsible Entity and BlackWall.

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## 6.12 ENVIRONMENTAL AND ETHICAL CONSIDERATIONS

Whilst the Responsible Entity intends to conduct its affairs in an ethical and sound manner, its investment criteria do not include giving additional weight to labour standards, environmental, social or ethical considerations when making or realising an investment of the Fund.

## 6.13 NO COOLING-OFF PERIOD

It is important to note that because the Fund's assets are not liquid, there will not be any cooling-off period in relation to any units transferred as a result of the In-Specie Transfer.

## 6.14 REPORTING REQUIREMENTS AND THE RIGHT TO OBTAIN INFORMATION

If the In-Specie Transfer is completed, BQF will have over 700 Investors. As a result, the Fund will become a disclosing entity for the purposes of section 111AC(2) of the Corporations Act and as such, will be subject to regular reporting and disclosure obligations.

In particular, the Responsible Entity will be required to prepare and lodge with ASIC annual financial reports, half-year financial reports and any continuous disclosure notices. Copies of documents lodged with ASIC in relation to the Fund may be obtained from, or inspected at, an ASIC office.

Further, on request, Pelorus will send to Unitholders, free of charge, copies of the following documents:

- the annual financial report for the Fund which will be lodged with ASIC;
- the Fund's half-yearly financial reports which will be lodged with ASIC; and
- any other information or documents published by the Fund in accordance with its continuous disclosure obligations.

For the avoidance of doubt, because the Fund is not currently registered, none of the reports above have been lodged with ASIC nor were any required to be lodged with ASIC. However, when the Fund is registered and the Responsible Entity lodges reports and notices of this kind, Unitholders may request copies.

### **6.15 LEGAL PROCEEDINGS**

The Responsible Entity is not, and has not been during the 12 months preceding the date of this PDS, involved in any legal or arbitration proceedings which could have a significant effect on the financial position of the Fund or the Responsible Entity. As far as the Directors are aware, no such proceedings are pending or threatened against the Fund or the Responsible Entity.

### **6.16 WARNING STATEMENT – NEW ZEALAND**

This offer to New Zealand investors is a regulated offer made under Australian and New Zealand law. In Australia, this is Chapter 8 of the Corporations Act and Regulations. In New Zealand, this is Part 5 of the Securities Act 1978 and the Securities (Mutual Recognition of Securities Offerings – Australia) Regulations 2008.

This offer and the content of the offer document are principally governed by Australian rather than New Zealand law. In the main, the Corporations Act and Regulations (Australia) set out how the offer must be made.

There are differences in how securities are regulated under Australian law. For example, the disclosure of fees for collective investment schemes is different under the Australian regime.

The rights, remedies and compensation arrangements available to New Zealand investors in Australian securities may differ from the rights, remedies and compensation arrangements for New Zealand securities.

Both the Australian and New Zealand securities regulators have enforcement responsibilities in relation to this offer. If you need to make a complaint about this offer, please contact the Securities Commission, Wellington, New Zealand. The Australian and New Zealand regulators will work together to settle your complaint.

The taxation treatment of Australian securities is not the same as for New Zealand securities.

If you are uncertain about whether this investment is appropriate for you, you should seek the advice of an appropriately qualified financial adviser.

The offer may involve a currency exchange risk. The currency for the securities is not New Zealand dollars. The value of the securities will go up or down according to changes in the exchange rate between that currency and New Zealand dollars. These changes may be significant.

If you expect the securities to pay any amounts in a currency that is not New Zealand dollars, you may incur significant fees in having the funds credited to a bank account in New Zealand in New Zealand dollars.

The dispute resolution process described in this offer document is only available in Australia and is not available in New Zealand.

### **6.17 CUSTOMER IDENTIFICATION**

All applications for Units from, or transfer of Units to, new Investors must be accompanied by the appropriate AML/CTF Forms (**AML Forms**) and supporting documents required by the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth) (**AML/CTF Act**). If you are:

- investing through a financial adviser, they will provide you with the necessary forms and help you to complete them; or
- not investing through a dealer, IDPS or other financial adviser (or if you are investing through a financial adviser who is not authorised as an agent of the Responsible Entity for anti-money laundering purposes) you must provide the Responsible Entity with appropriate identification material through completing the relevant AML Forms and forwarding them to the Responsible Entity together with certified copies of any supporting documents required. This will enable the Responsible Entity to properly identify you and meet the requirements of the legislation.

In accordance with the AML/CTF Act, we are required to identify, and verify the identity of, new Investors (and in certain circumstances existing Investors). In order to do this, and as required by the AML/CTF Act, we must collect certain information from Investors relating to their identify and the source of their funds. We must then verify this information by citing certain verifying documentation. If you do not provide us with this information, we may not be able to process your application or transfer.

### **Financial Advisers**

If you are investing through a financial adviser, they will provide you with the necessary forms and help you to complete them. If your financial adviser is authorised by the Responsible Entity to act as its agent for AML purposes, they may also verify the information you provide. In this case, the adviser must certify to the Responsible Entity that they have obtained all appropriate identification information from you for the purposes of the AML/CTF Act in accordance with the IFSA/FPA Guidelines, have verified the information from appropriate original documents or certified copies, and have kept records of the process that they followed and the identity documents inspected. These records may be inspected by the Responsible Entity at any reasonable time. A copy of the forms completed by your adviser must be provided with your application or transfer.

If you are investing directly, or if your financial adviser is not authorised by the Responsible Entity to act as its agent for AML purposes, both the properly completed AML Form and supporting documents must be provided with your application or transfer.

### **6.18 PERSONAL INFORMATION COLLECTION STATEMENT**

In addition to collection of information pursuant to the AML/CTF Act, personal information is collected for the purpose of providing investment products to Investors. The information is used to process any applications and provide efficient and effective administration and reporting services in respect of the investments.

The personal information may be disclosed to related corporations to assist in management or administrative functions. Some liaison with Investors' financial advisers may also be necessary. Without the information, transfers usually cannot be processed. Provision of TFNs is optional but, if not provided, the Responsible Entity is required by taxation law to deduct tax from distributions at the highest marginal rate.

More detailed information regarding the treatment of personal information is set out in the Privacy policy which can be viewed on Pelorus' website at [www.pelorus.com.au/privacy.htm](http://www.pelorus.com.au/privacy.htm).

### **6.19 AUTHORISATION OF THIS PRODUCT DISCLOSURE STATEMENT**

Each of the Directors has consented to the lodgement of this PDS with ASIC and has authorised the issue of this PDS on behalf of the Responsible Entity.

## 7 GLOSSARY

The following is a glossary of the terms used in this PDS.

**A\$ or \$ or AUD or cents** means Australian currency.

**ABN** means Australian Business Number.

**AFSL** means Australian Financial Services Licence.

**AML/CTF Act** means the Anti-Money Laundering and Counter Terrorism Financing Act 2006 (Cth), including all Regulations made under that Act, as amended from time to time.

**ASIC** means the Australian Securities and Investments Commission.

**Bakehouse Quarter or Property** means the property known as the Bakehouse Quarter and located at George Street, North Strathfield, NSW.

**Bakehouse Bonds** means Bakehouse 2020 CPI indexed bonds as described in Section 6.7.

**BlackWall** means BlackWall Property Funds Limited ACN 146 935 131, the proposed investment manager of BQF.

**BlackWall Management Services** means Pelorus Management Services Pty Ltd ACN 099 411 855 which will be a wholly owned subsidiary of BlackWall and renamed BlackWall Management Services Pty Ltd on completion of the Demerger.

**Board** means the board of directors of the Responsible Entity.

**BQF or Fund** means BQF to be registered as a managed investment scheme in conjunction with the Demerger.

**Compliance Plan** means the Fund's compliance plan as lodged with ASIC.

**Constitution** means the constitution of the Fund as amended from time to time.

**Corporations Act** means the Corporations Act 2001 (Cth), as amended from time to time.

**Demerger** means the proposed demerger of Pelorus contemplated by the Notice of Meeting and includes the In-Specie Transfer.

**Demerger Relief** means the relief described in section 9 of the Notice of Meeting and Explanatory Memorandum.

**Development or Project** means the development of the Property into an urban business precinct as described in this PDS.

**Development Agreement** means the agreement between Pelorus and Kirela as described in section 6.4 above.

**Director** means a member of the Board, either individually or combined as the context requires.

**Electronic PDS** has the meaning given to it in the Important Notice section of this PDS.

**Extraordinary Resolution** means a resolution passed by at least 50% of the total votes that may be cast by Investors entitled to vote on the resolution (whether they attend the meeting or not) at a meeting held to consider the resolution.

**FOS** means the Financial Ombudsman Service.

**Fund** or **BQF** means BQF to be registered as a managed investment scheme in conjunction with the Demerger.

**Fund Management Fee** has the meaning set out in section 4.4.

**Group** means Pelorus and its related entities.

**GST** means the goods and services tax as imposed by the GST Act together with any related interest, penalties, fines or other charges.

**GST Act** means A New Tax System (Goods and Services Tax) Act 1999 (Cth).

**ICR** means Indirect Cost Ratio, and has the meaning given to it in section 4.3 of this PDS.

**IDPS** means an investor directed portfolio service or similar scheme such as a master trust or wrap account or a nominee or custody service.

**In-Specie Transfer** means the proposed in-specie transfer of BQF Units by Pelorus to Pelorus Shareholders as contemplated in the Notice of Meeting.

**Investor** means each person for the time being registered under the provisions of the Constitution as the holder of a Unit in the Fund and includes persons jointly registered.

**Kirela** or **Registered Proprietor** means Kirela Pty Limited ABN 77 079 721 127 as trustee for the Kirela Development Unit Trust.

**Liquid** means, in relation to the Fund, the Fund is liquid if "liquid assets" (as defined in the Corporations Act) account for at least 80% of the value of the Fund's assets (or otherwise as provided under the Corporations Act).

**Meeting** means the extraordinary general meeting of Pelorus Shareholders to be held on or about 22 December 2010 to consider and vote on, amongst other things, the In-Specie Transfer.

**Net Asset Value** means the net asset value of the Fund, calculated in accordance with the Constitution.

**Notice of Meeting** means the notice of meeting and explanatory memorandum in relation to the Meeting.

**PDS** means this product disclosure statement dated 22 November 2010.

**Pelorus or Responsible Entity** means Pelorus Property Group Ltd (ABN 45 091 209 639; AFSL 247008), the trustee of BQF and to be appointed as responsible entity of BQF when BQF is registered with ASIC as a managed investment scheme to be renamed Pelorus Private Equity Limited if the Demerger is approved.

**Pelorus Shareholders** means holders of Pelorus Shares.

**Pelorus Shares** means shares in the capital of Pelorus.

**Privacy Act** means the *Privacy Act 1988* (Cth).

**Project or Development** means the development of the Property into an urban business precinct as described in this PDS.

**Property or Bakehouse Quarter** means the property known as the Bakehouse Quarter and located at George Street, North Strathfield, NSW.

**Register** means the register of Investors in the Fund.

**Responsible Entity or Pelorus** means Pelorus Property Group Ltd (ABN 45 091 209 639; AFSL 247008), the trustee of BQF and to be appointed as responsible entity of BQF when BQF is registered with ASIC as a managed investment scheme to be renamed Pelorus Private Equity Limited if the Demerger is approved.

**Special Resolution** means a resolution passed by at least 75% of Investors attending in person or by proxy at a meeting held to consider the resolution.

**Tax** means all income tax, capital gains tax, land tax, payroll tax, GST, withholding tax, rates, stamp duties and other charges and levies payable to any national, state or municipal taxation or excise authority, including any interest, fees, charges and penalties.

**Tax Deferred** means the component of any non-taxable distribution attributable to such factors as building allowances, the depreciation of plant and equipment, interest costs, franking credits, the distribution of capital and the amortisation of loan and PDS costs.

**Term** means the term of the Development Agreement, being 20 years.

**TFN** means Tax File Number.

**Unit** means a fully paid ordinary unit in the Fund, as provided for in the Constitution.

## **CORPORATE DIRECTORY**

### **Responsible Entity**

Pelorus Property Group Limited  
(ABN 45 091 209 639)  
Level 1, 50 Yeo Street  
Neutral Bay NSW 2089  
Ph: (02) 9033 8611  
Fax: (02) 9033 8600  
[www.pelorus.com.au](http://www.pelorus.com.au)

### **Legal Advisers**

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