



QUANTUMGROUP

## PRODUCTDISCLOSURESTATEMENT

Quantum Property Syndicate No. 12

ARSN: 111-225-060

Quantum Property Trust No. 12

ARSN: 111-225-015





#### Important Notice

Quantum Syndicate Management Limited ("QSM") ACN 086 965 684, the holder of Australian Financial Services Licence ("AFS Licence") Number 237301 is the Responsible Entity of Quantum Property Syndicate No.12 ARSN: 111-225-060 and Quantum Property Trust No. 12 ARSN: 111-225-015 .

This Product Disclosure Statement ("PDS") is an important document and should be read in its entirety. The PDS is dated 19th October 2004. A copy of this PDS has been lodged with the Australian Securities and Investments Commission ('ASIC') on 19th October 2004. The ASIC takes no responsibility as to the contents of this PDS.

No person is authorised to provide any information or to make any representation in connection with the Offer which is not contained in this PDS. Any information or representation not in this PDS may not be relied upon as having been authorised by QSM in connection with the Offer.

This PDS has been issued by QSM being the Manager and Responsible Entity of this Offer. The Manager does not guarantee the repayment of the capital or the performance of the Assets of the Syndicate. This Offer to invest does not take into account the investment objectives, financial situation and particular needs of any Applicant. It is important you read the entire PDS before making a decision to invest. It is important that you consider the risk factors in light of your particular investment needs, objectives and financial circumstances (including financial and taxation issues) and seek professional advice from your accountant, stockbroker, lawyer or other professional advisor before deciding to invest in this Offer. The Manager emphasises that all Applicants should consider in particular the risks outlined in section 20.

The Offer is only open to persons receiving this PDS in printed or electronic form within Australia. This PDS does not constitute an offer in any jurisdiction in which, or to any person to whom, it would be unlawful to make such an offer. No action has been taken to register or qualify the Offer or otherwise permit an offering of Interests in any jurisdiction outside Australia. The distribution of this PDS is limited and may be restricted



# Contents

Section	Page
1 Managing Director's Letter	2
2 Key Investment Features	3
3 The Offer	4
4 The Property	5
5 Background and Role Of Quantum	6
6 The Responsible Entity	8
7 Fees	9
8 Corporate Governance	10
9 Details Of The Contract To Purchase	11
10 Tenancy Details	12
11 Structure	14
12 Finance	16
13 Applications	17
14 Minimum Subscriptions	18
15 Acquisition Summary	19
16 Financial Forecasts	19
17 Assumptions	24
18 Rental Guarantee and Additional Services	26
19 Sensitivity Analysis	26
20 Risk Factors	26
21 Superannuation Funds	27
22 Custodian	27
23 Experts' Reports	30
24 Syndicate and Trust Constitutions	46
25 Other Important Issues	48
26 Additional Information	48
27 Glossary	50
28 Application Form	51
29 Directory	58

## Responsible Entity

Quantum Syndicate Management Limited

ACN: 086-965-684

Holder of Australian Financial Services Licence Number 237301

by law. Persons who come into possession of this PDS who are not in Australia should seek advice on and observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of securities laws.

The Stock Exchange of Newcastle ('NSX') takes no responsibility for the contents of this document, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this document.

Tower Trust Limited has not been involved in the preparation of and has not caused the issue of this document and makes no representation as to accuracy or completeness of the contents (including any opinion or forecast) contained in this PDS and does not accept any liability for its contents.

## Electronic PDS

QSM will issue the PDS on the following website:  
[www.quantumgroup.com.au/thewharf.php](http://www.quantumgroup.com.au/thewharf.php)

The Corporations Law prohibits any person from passing on to another person the application form unless it is attached to a hard copy of this PDS or accompanies the complete and unaltered version of this PDS. While QSM believes it is unlikely that during the period of the Offer the electronic version of the PDS will be tampered with or altered in any way, QSM cannot give any absolute assurance that this will not occur. Any Investor in doubt concerning the validity or integrity of an electronic copy of the PDS should immediately request a paper copy of the PDS directly from QSM.

## Definitions

A number of words and terms used in this PDS have defined meanings which appear in the glossary.

## What you need to do

Read  
this PDS carefully

Consider  
all the risk factors (see section 20)

# 1 Managing Director's Letter

Dear Investor

On behalf of the Directors of Quantum Syndicate Management Limited ("QSM"), it is my pleasure to offer you the opportunity to subscribe for Interests in Quantum Property Syndicate No.12 and Quantum Property Trust No.12.

Under this Offer QSM will raise \$25,033,490 to acquire the leasehold over 4 individual lots, trading as restaurants at The Wharf, Woolloomooloo, SYDNEY.

The Manager of the syndicate, QSM, specialises in property funds management. At present QSM has approximately \$138 million of property assets under management.

Our most recent product launch was Quantum Property Syndicate No.11, a \$10.95m commercial property located at 370 Queen Street in the Brisbane CBD.

In summary, the property/investment will provide the following benefits:

- 100% leased to top quality tenants with long-term leases.
- Water views over Woolloomooloo Bay and the Sydney city skyline.
- Tax-advantaged distributions.
- Good potential for capital growth.

I encourage you to read this Product Disclosure Statement carefully and seek independent financial advice.

I recommend to you, on behalf of the Directors, the opportunity to subscribe for an Interest in the Syndicate and/or Trust and welcome you as either an existing Quantum investor or a new investor.



Peter Gribble  
Managing Director



Complete  
the Application Form to this PDS

Send  
the completed Application Form together  
with your Application money to QSM

## 2 Key Investment Features

This Product Disclosure Statement ("PDS") offers the opportunity for persons to acquire an Interest in Lots 5, 6, 7 and 8 (being retail property) located at The Wharf, Cowper Wharf Road, Woolloomooloo, New South Wales.

The investment will offer;

- Professional property management.
- Exposure to a retail property investment.

Relevant forecasts can be found at section 16.

### Key Features

Total Syndicate Funding: \$25,033,490  
 Property purchase price: \$22,000,000  
 Property valuation (#): \$24,800,000  
*# based upon individual leasehold strata interests*

Feature	Description	PDS Section Reference
Attractive returns	Returns vary depending on nature of investment.	16
Long term	The investment term is 6 years from the date of the Syndicate Constitution.	11
Illiquid	The Manager does not guarantee to buy or redeem interests.	13 24
Risks	Investors participating in the Offer will have all the risks of investment and of ownership associated with leasehold retail property and related borrowings.	20
Superannuation suitable	Complying and self managed superannuation funds can participate in the Offer via an investment in Quantum Property Trust No.12. The Manager expects the Trust will be a widely held trust.	21
Expertise of the Manager	Investors will have the benefit of the professional skills and commitment of a manager experienced in the management of property assets.	5
Regular reports	The Manager will keep Investors informed of the progress of the Syndicate on a regular basis. Investors will receive annual and quarterly reports.	15



### 3 The Offer

You should carefully consider the contents of this PDS, including the risk factors as set out in section 20, before completing an application form at the end of this PDS.

The offer is for applicants to subscribe for an Interest in the Syndicate or Units in the Trust, at one dollar (\$1) each or multiples of one dollar (\$1).

Finance may be provided to all applicants for an interest in the Syndicate ("an Owner").

Owners will all be required to pay a Guarantee Fee from their portion of the Net Income of the Syndicate to the Trust in connection with any Finance provided to them (refer to section 12).

The minimum Contribution for an Owner is \$89,523 and for a Unit Holder is \$50,000. The standard contribution for an Owner is \$179,047, or \$149,009 for a Unit Holder (refer to section 13 and section 14). The Manager may at its discretion allow an Applicant to apply for a lesser amount. Such applicants should contact the Manager directly.

#### The Offer will close upon the earlier of:

- Reaching the Total Syndicate Funding of \$25,033,490. The minimum Total Syndicate Funding required pursuant to this PDS will be \$20,000,000; or
- 12 months from the date of this PDS.

If the minimum subscription is raised but not the Total Syndicate Funding by the settlement date of the Property the Manager may subscribe for the remaining subscriptions ("Underwriting Units / Interests") on the same terms and conditions as any other Owner or Unit Holder and hold until selling the Underwriting Interests and/or Units to investors under the PDS while the PDS remains open. The Manager may charge an additional fee of 5% of the value of the Underwriting Interests / Units sold to investors to take account of finance charges paid by the Manager during the period post settlement.

Quantum may source a funding facility to enable the Manager to hold Underwriting Interests. These Interest may be offered to investors post settlement of the Property. The cost of this facility would be met by the Manager.

Complying and self-managed superannuation funds can participate in the Offer. The Manager expects the Trust will be a widely held trust (refer to section 21).

All fees payable to Quantum can be found in section 7.



## 4 The Property



Strata leasehold retail lots 5, 6, 7 & 8 in Strata Plan 71494, at The Wharf, Woolloomooloo, 6F Cowper Wharf Road, Woolloomooloo, Sydney are located within a retail, commercial, residential and hotel waterfront development. The retail lots are located centrally, being approximately 1.25kms east of the Sydney GPO and comprise two levels of internal space of 1,495sqm and terrace areas of 456sqm, totalling 1,951sqm. Each strata lot is held under a 99 year lease terminating on 18 January 2099 with The Waterways Authority.

The 4 lots are fully leased until 2010 to four restaurants, trading as Manta Ray, Otto Ristorante Italiano, Nové Cucina and Kingsley's Steak and Crabhouse.

The retail component of the master development comprises one stratum lot, which has been sub-divided into 8 separate strata lots plus common property and this investment relates to 4 of those retail lots.

The lots are constructed over a historic wharf situated in Woolloomooloo Bay, which were originally built between 1910 and 1916 and were fully refurbished between 1997 and 2000. The whole of the property is listed as a State Heritage Item on the grounds of being historically, aesthetically and socially significant. It is also listed on the National Trust Register.

# 5 Background and Role Of Quantum

The Quantum Group ("Quantum") currently manages approximately \$182 million worth of property and financial assets. Quantum conducts a diversified boutique funds management business and operates a complete superannuation compliance and administration service. It has a strong background, knowledge and experience in property, accounting and investment markets. Quantum's aim is to bring Applicants with limited capital the opportunity to invest in a significant commercial property via this Offer.

## Funds Under Management

<b>Quantum manages</b>	
Property syndicates	\$138m*
Investment portfolios	\$37m
Mortgages	\$7m
<b>Total</b>	<b>\$182m</b>

\*includes development end value for some syndicates

## Property Syndicates

Quantum has formed eleven public property syndicates and seven private syndicates since 1994. Quantum operates ASIC registered property schemes in which a single syndicate is created for the purchase of a particular property.

Syndicates created to date have included exposure to:

- Commercial property.
- Industrial property.
- Residential development.
- Retirement living development.
- Medical centre development.

'Quantum's aim is to bring Applicants with limited capital the opportunity to invest in a significant commercial property'

Quantum Property Syndicate No. 9



Current property syndicates managed by Quantum		
Syndicate	Description	Date established
QPDS No. 4	City Beach	June 2000
QPS No. 6	Mater Medical Centre	January 2001
QPS No. 8	Forbes St, Woolloomooloo	June 2002
QPS No. 9	155 Queen Street, Brisbane	June 2003
QPS No. 11	370 Queen Street, Brisbane	June 2004
SK Chatswood*	Storage King Chatswood	August 1999

Transactions completed during 2003-2004			
Trust/Property	Description	Status	Date
Clarke Street Unit Trust	Lvl 3&4, 20 Clarke Street, Crows Nest	Sold	February 2003
QPS No. 3	40 Pacific Highway, St Leonards	Sold	June 2003
QPS No. 7	Storage King Granville	Sold	May 2004
QPS No. 1	Storage King St Peters	Sold	August 2004
SK Lane Cove	Storage King Lane Cove	Contracts exchanged	May 2004

(note: the above syndicates do not form part of this Offer)

\* Contracts exchanged to sell the property on 15 July 2004.

## Investment Portfolios

Quantum manages self managed superannuation funds and self managed pension funds for investors. We complete all the administration and taxation work as well as investment advice and portfolio selection.

## Mortgages

The Quantum Mortgage Trust is an ASIC registered mortgage scheme ARSN: 095-909-096 that pools investor's funds to invest in registered mortgages. Funding is provided across a variety of property markets. A disclosure document is prepared for each mortgage for consideration by investors.

Quantum Property Syndicate No. 8





Quantum Property Syndicate No. 11

## Commercial Property

**Quantum Property Syndicate No.11**  
370 Queen St, Brisbane

This property, with a net lettable area of 3,930 sqm offers a mix of commercial and retail space and is located in Brisbane's Queen Street in the heart of the CBD. The property was acquired on 29 June 2004 for \$10.95m.

**Quantum Property Syndicate No.9**  
155 Queen St Mall, Brisbane

This property, with a net lettable area of 1,985 sqm offers a mix of retail and commercial space and is located in Brisbane's Queen Street Mall in the heart of the CBD. The property was acquired on 27 June 2003 for \$23.7m.

**Quantum Property Syndicate No.8**  
99 Forbes Street, Woolloomooloo

This Syndicate commenced in June 2002. The property is a 5 level commercial property located on the eastern fringe of the Sydney CBD. A development application was approved in December 2003 to convert the level 2 car park into commercial space.

The property was purchased for \$12.1 million and has a net lettable area of 3,663 sqm plus, 2 levels of car parking for 96 vehicles.

**Quantum Property Syndicate No.3**  
40 Pacific Highway, St Leonard's

This 3 level commercial property, located on Sydney's Lower North Shore was acquired in May 1999. This property was sold for \$5.7m in June 2003 providing an internal rate of return (after tax) of 15.8% pa.

## Clarke Street Unit Trust

Lvl 3 & 4, 20 Clarke Street, Crows Nest

This property was acquired in 1997. The property consisted of two levels of commercial strata office space located in Sydney's Lower North Shore. This property was sold in February 2003 providing an internal rate of return (after tax) of 17.2% pa.

## Development Property

**Quantum Property Syndicate No.6**  
Mater Medical Centre

This syndicate is undertaking the planned development of a specialised medical centre annexed to the Mater Misericordiae Hospital in North Sydney. Construction of this state of the art medical centre development is expected to commence in late 2004. The centre will support the hospital and its services of operating theatres, cardiac centre and intensive care wards.

**Quantum Property Development Syndicate No.4**  
City Beach Residential Development

This is a residential beach-front apartment development in Wollongong NSW. The development comprises three stages:

### Stage 1 - Fairways

A 60 unit residential development, built by Barclay Mowlem and completed in November 2002. The marketing campaign for the 60 units generated a combined sales value of \$28.1m.

### Stage 2 - The Pavillions

A 52 unit residential development which commenced construction in September 2003. Hansen Yuncken, one of the top five residential builders in New South Wales, were appointed to build stage 2. As at 1 October 2004, \$29.4m worth of exchanges had taken place equating to 92% of all units.

### Stages 3 & 4

These stages were a proposed development of 110 high quality retirement lifestyle apartments. In May 2003 investors voted to ratify a sale to Jempac Developments Pty Ltd.

Contracts were exchanged in April 2003 and settled in December 2003 for a price of \$16.55m

**Quantum Property Syndicate No. 2**  
Taren Point

The scheme raised funds in June 1999 in order to exchange contracts for the purchase of 2 Alexander Ave from Toyota Motor Corporation Australia Ltd. The site was Toyota's NSW head office.

The syndicate subdivided the land into five different lots, all with their own street frontage, enabling individual access. These lots were then sold, with the syndicate retaining one lot for the development of a retirement village. The syndicate was granted Development Consent for a 289 unit retirement village, by the Sutherland Council in the second quarter of the 2002 financial year. Shortly after gaining the Development Consent contracts were exchanged for the sale of this final lot of land.

## Industrial Property

Quantum Syndicate Management currently manages 2 industrial "Storage King" branded storage facilities:

**Storage King Chatswood** - 69-75 Victoria Avenue was purchased in August 1999 as a vacant possession industrial site. The trust upgraded the site to a self-storage facility, which opened for trading in February 2000. Contracts were exchanged to sell the property in July 2004 for \$3.75m with a settlement period of up to 9 months.

**Storage King Lane Cove** - This facility at 27 Mars Road was purchased in September 1999 as a vacant possession industrial site. The trust then upgraded the site to one of the largest self-storage facilities in Australia. Contracts were exchanged to sell the property in May 2004 for \$10.5m with a delayed settlement being on or before 31 May 2005.

Quantum Property Development Syndicate No. 4



## Key Individuals of Quantum

### Directors of the Responsible Entity, QSM

#### Chairman - Geoffrey Hodgkinson B.Ec, FCPA, FAICD



Geoffrey joined the Board of Quantum in January 2003 as a non-executive Director. Geoffrey was previously Managing Director Banking of N.M Rothschild & Sons (Australia) Limited and prior to that he was an Assistant Governor of the Reserve Bank of Australia. He brings to the Board a wide range of valuable experience gained in the financial services industry.

#### Peter Gribble B.Ec, CPA, ANIA, FITA, AFPA (Snr)



Peter is a qualified accountant and is the Managing Director of Quantum. His knowledge of the commercial property markets, with the correct tax and legal structure is the foundation to any project. With over fourteen years experience in investment markets and having transacted over \$250 million of investment and/or financial transactions directly for clients, Peter provides a balanced overview to property and investment management.

#### Jonathan Martin B.Bus AIFS ATAA ASIA



Jonathan is the Director responsible for portfolio development and management at Quantum. He is directly responsible for investments in listed shares, fixed interest, derivatives, property and other asset classes. In addition to portfolio management, he also manages Quantum Finances Pty Ltd, which is the finance arm of Quantum, which has developed a network of financiers to fund Quantum's property acquisitions.

#### James Maitland Dip Bus ITA



James is the Financial Controller of Quantum, responsible for the internal accounting and management of Quantum companies and the public syndicates. James has previously been the Financial Controller of a range of businesses throughout Australia and is currently completing a Bachelor of Economics at University of NSW.

### Core Property Management Team

#### Tory Tompson B.LandEc. (Hons), AAPI



Tory is a registered valuer and is the Acquisitions and Development Manager of Quantum. She is responsible for identifying and assessing new projects. Prior to joining Quantum, Tory worked for Multiplex Developments as a Development Manager on residential projects and for Stanton Hillier Parker as a valuer for commercial office buildings, shopping centres, industrial buildings and residential developments.

#### Tonu Aisatullin B.Arch



Tonu is a Registered Architect with over 20 years experience in architecture and project management. Prior to joining Quantum he was Senior Associate at Dickson Rothschild, a Sydney based architectural, urban design and planning group where he project managed numerous multi unit residential and commercial developments, and urban design projects including Bankstown Plaza and Hunter Street Mall, Newcastle. Tonu was also involved in a number of Sydney Olympic projects including the International Broadcast Centre at Homebush and the Olympic and Paralympics training venues throughout Sydney. As Development Manager for Quantum, Tonu is responsible for coordinating and managing property development projects from start to finish.

## 6 The Responsible Entity

The Responsible Entity (or Manager) of the Syndicate is Quantum Syndicate Management Ltd. QSM's role is to manage the assets of the Syndicate on behalf of investors. QSM is the holder of an AFS Licence issued by ASIC, which permits it to be the Responsible Entity of the Syndicate.

QSM has extensive experience in property funds management.

The Responsible Entity has/will:

- Negotiated in good faith on the purchase of the Property.
- Completed due diligence and feasibility studies on the proposed Property.
- Arranged a legal team to review leases and the contract of purchase.
- Combine suitable Investors into the Syndicate.
- Collect monies from Investors.
- Secured the contract and exchange on the Property.
- Effect settlement of the Property.
- Appoint an external professional property manager.
- Provide quarterly reports to Investors.
- Arrange distributions to Investors.
- Arrange an auditor to the Syndicate/Trust.
- Keep books and complete accounting, taxation and compliance issues.
- Maintain an Investor register.
- Arrange Annual Investors meeting of the Syndicate.



## 7 Fees

In July 2003, ASIC published a fee disclosure model that seeks to create a standardised set of descriptions and common terms to improve investor understandability of the fees payable on any investment product. In June 2004 ASIC provided a revised version which is adopted below.

This table shows fees and other costs that you may be charged. The fees and costs may be deducted from your money, from the returns on your investment, or from the fund assets as a whole. You should read all of the information about fees and costs, as it is important to understand their impact on your investment.

Significant Fees	Amount	How & when paid
<b>Fees when you money moves in or out of the fund</b>		
<i>Establishment Fee:</i> this is the fee to set up your initial investment.	5% of the Valuation of the Property (2% marketing fee, 3% prepaid management fee for the additional management in the first 12 months).	On settlement of contracts the Manager will be paid the establishment fee from the funds raised.
<i>Contribution Fee:</i> this is the fee for the initial and every subsequent investment that you make (or that may be made on your behalf, e.g by an employer).	Not applicable.	Not applicable.
<i>Withdrawal Fee:</i> this is the fee for each withdrawal you make (including any instalment payments and your final payment).	Not applicable	Not applicable.
<i>Transfer Fee:</i> this is the fee if you choose to seek to sell your Interest prior to the sale of the Property.	The Manager undertakes to assist holders of an Interest to sell their Interests. The Manager is entitled to receive a fee of \$1,000 or up to 0.75% of the value of the Interest sold (which ever is the greater) in respect of administrative costs incurred. If the interest sold is \$150,000 you will be charged \$1,125.	Paid when the sale of Interests occurs and deducted from the value of Interests sold.
<i>Termination Fee:</i> this is the fee when you finally close your investment.	Not applicable	Not applicable
<b>Management costs</b>		
<i>Management Fees:</i> these are the fees and costs for operating the fund.	0.75% per annum of the Assets of the Syndicate (if the Assets total \$5,000,000 then annual fee to the syndicate will be \$37,500) or 7% of the gross income (whichever is higher).	The Manager will invoice the syndicate monthly, on the last day of each month from the day of settlement of the Property.
<i>Investment costs:</i> these are the fees and costs for investing in the assets.	Not applicable.	Not applicable.
<i>Sale Performance Fee.</i>	6% of gross sale price of the Property (if it is sold) or 6% of the value of the Property at date of valuation. This is reduced to 3% if the Property has not increased in value (after deducting therefrom the actual cost of any capital improvements to the Property) by an amount which represents 5% per annum (simple interest) over the purchase price of the Property.	To be paid from the sale of proceeds of the Property. Or if based on a valuation prior to disposal, from the cash of the syndicate.
<i>Custodian Fee:</i> This is the fee to have the Custodian hold the Assets.	The Custodian shall be paid an annual fee of .05% per annum of Gross Assets of the fund up to \$20 million with a minimum fee of \$10,000 per annum, .04% per annum Gross Assets of the Fund over \$20 million with a minimum fee of \$15,000 per annum. These fees are exclusive of any GST payment.	Paid monthly in arrears from settlement of the property.
<b>Additional service fees</b>		
<i>Switching Fee:</i> this is the fee for when you switch between investment options.	Not applicable.	Not applicable.
<i>Adviser Service Fee:</i> this is the fee for extra advice from your advisor about your investment.	Not applicable.	Not applicable.
<i>Capital Expenditure and Project Management Fee.</i>	The Manager shall be paid a fee equal to 5% of the total costs of any capital works to the Property. This fee is to compensate the Manager for additional effort required in the management of such capital works.	This fee shall be paid to the Manager within thirty (30) days of each contract entered into by the Manager for such capital improvements.
<i>Leasing Fee.</i>	If the Manager via QMS secures a lease of all or part of the Property and no fee is payable to an agent for securing that lease of all or part of the Property the Manager via QMS shall be paid a leasing fee equal the average of two (2) quotations received from agents independent of the Manager.	Paid within 30 days of signing of a lease as a Syndicate expense.
<i>Finance Fee.</i>	1.9% of the total Finance arranged by an associate of the Manager for the Owners. This will cover all costs of stamp duty, legals and loan fees.	To be paid from application moneys by Owners only.

Distributions to Investors will be net of remuneration payable to QSM and QMS. There will be no management fees charged direct to any Investor except a nominal charge to any Investor requesting the assistance of Quantum complying with the Corporations Law when transferring Interests during the term of the Syndicate and the Trust respectively.

# 8 Corporate Governance

## Syndicate structure

The majority of the Syndicates currently being managed by QSM are registered managed investment schemes under the Corporations Act 2001.

Generally, investors in each of the Syndicates are the beneficial owners of the Syndicate's assets and the Syndicate's liabilities. These assets are managed by QSM who is responsible for the day to day decisions affecting the Syndicates. Legal title to the assets is vested in a Custodian who acts according to a custody agreement with QSM.

## Custodian

Tower Trust Limited is the Custodian. The appointment of a Custodian ensures that there is appropriate segregation of the assets of the Syndicate and the assets of the Responsible Entity.

## Responsible Entity

As discussed above, QSM is the Responsible Entity of the Syndicates and in turn the Directors of QSM are responsible for the corporate governance of the Responsible Entity. The Board consists of four directors with details provided in this report.

The Responsible Entity must hold an AFS Licence issued by the ASIC. The Responsible Entity's remuneration is outlined in the individual Syndicate's Constitution's and comprises a base management fee and a performance fee. The notes forming part of the annual financial reports for each Syndicate details the Responsible Entity's remuneration.

## Compliance Committee

The duty of the Compliance Committee is to monitor the Responsible Entity's compliance with the registered Compliance Plan and report its findings to the Responsible Entity and in some circumstances the ASIC.

The members of the Compliance Committee are:

**Andrew Thomas**

BSc (Hons), C Eng, FCILA, FCLA, CIP, ACII FEUDI-ELAE  
Chairman (Independent)

Andrew is a part owner of Freemans, a company that provides risk adjustment services.

**Edmund Khalaf**

B.Bus, FCPA, FNIA

Independent Member

Edmund is the Chief Financial Officer of Select Australasia a \$400m turnover business.

**Christopher Nicholls**

Dip Law, (SAB)

Independent Member

Chris is a solicitor and principal of Oatley Legal Services and previously employed by ASIC.

**Geoffrey Hodgkinson**

Independent Member

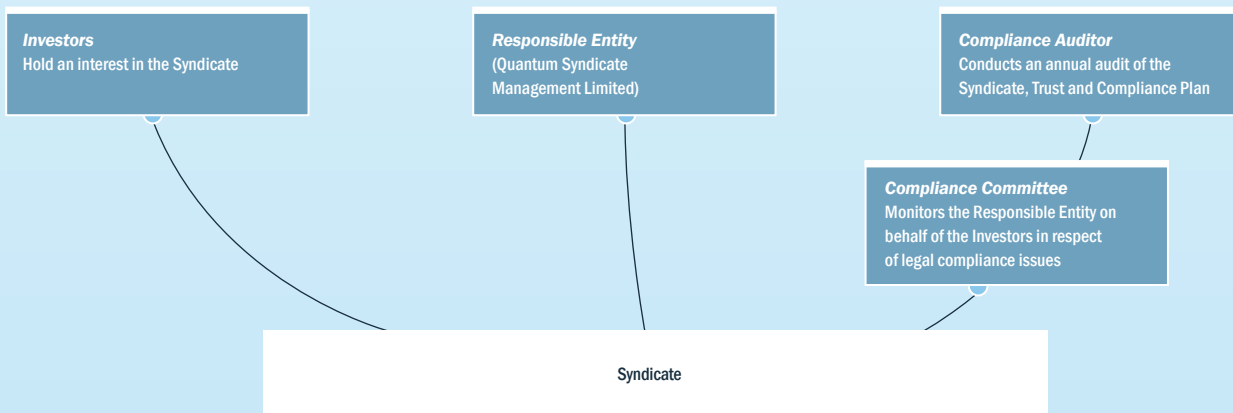
**Jonathan Martin**

Executive Member

## Compliance Plan

The Responsible Entity has registered a Compliance Plan with the ASIC for each registered scheme. The Compliance Plan sets out the procedures that will be undertaken by the Responsible Entity to ensure compliance with the Corporations Act 2001 and the individual Syndicate's Constitution. The compliance process is independently audited annually.

Depiction of the relationship between the Responsible Entity, the Investors, the compliance committee and compliance auditor.

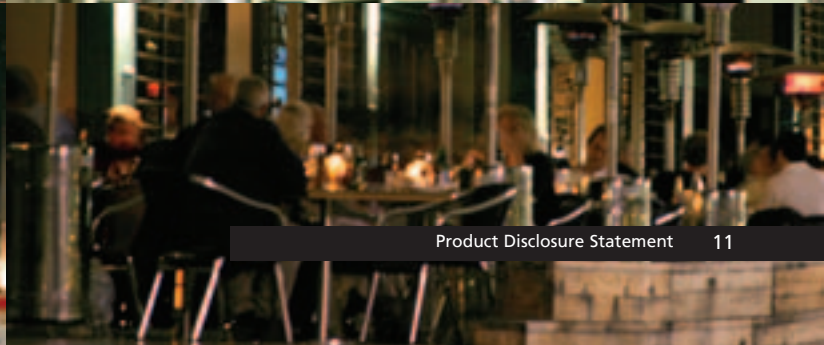




## 9 Details Of The Contract To Purchase

Purchase Price:	\$22,000,000
Folio Number / DP:	Lots 5, 6, 7 & 8 in Strata Plan 71494
Vendor:	Rothams (NSW) Pty Ltd
Expected Completion Date:	21 December 2004

The Manager has instructed the Custodian to enter into a contract to purchase the Property from the Vendor for \$22,000,000, with a settlement date of no later than 21 December 2004. Contracts were exchanged on 28 September 2004 when a 5% non refundable deposit of \$1,100,000 was paid. The schedule to settle is structured to provide Quantum with time to raise capital under this PDS. The contract has been entered into on an arms length basis and is structured around a Put and Call Option.



# 10 Tenancy Details



## Manta Ray (lessee: Wool Bay Pty Limited)

Manta Ray is a seafood grill restaurant that has been operating since March 2000. The turnover has increased year on year, except between 2001 to 2002, however it increased by over 19% for the following two financial years.

Turnover growth is as follows:

Period	Growth
June 01	
June 02	-13.33%
June 03	19.61%
June 04	19.21%

Lease terms are as follows:

Lease start	27 September 2000
Lease end	26 September 2010
Base Rent p.a. as at 1/10/04	\$284,680 (\$571/m <sup>2</sup> )
Turnover rent	10% of gross sales less the current base rent
Reviews	Annual CPI reviews with market review on 27 September 2005
Area	540m <sup>2</sup> (Strata plan 559m <sup>2</sup> )
Option term	10 years
Bank Guarantee	\$83,333 (equal to 4 months of starting base rent)
Guarantor	None



## Otto (lessee: Otto Ristorante Italiano Pty Limited)

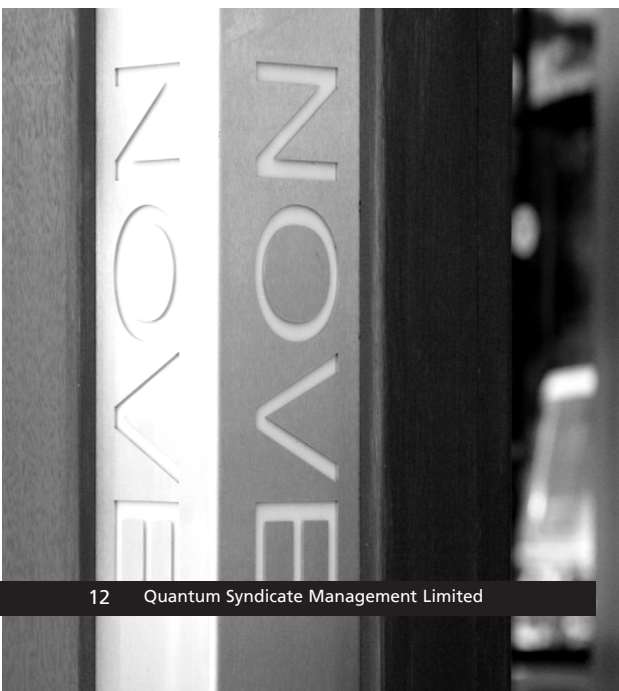
Otto is a wine bar and modern Italian food restaurant that has been operating since March 2000. The last financial year was a record year for turnover.

Turnover growth is as follows:

Period	Growth
June 01	
June 02	4.18%
June 03	-7.29%
June 04	17.63%

Lease terms are as follows:

Lease start	1 April 2000
Lease end	31 March 2010
Base Rent p.a. as at 1/10/04	\$360,000 (\$853/m <sup>2</sup> )
Turnover rent	10% of gross sales less the current base rent for sales up to \$5,000,000 plus 8.5% of gross sales in excess of \$5,000,000
Reviews	Market review on 1 April 2005
Area	Lease silent (Strata plan 480m <sup>2</sup> )
Option term	5 years
Bank Guarantee	\$90,000 (equal to 3 months of starting base rent)
Guarantor	Richard John Laws and McRoss Developments Pty Ltd



## Nove (lessee: Otto Ristorante Italiano Pty Limited)

Nove is an authentic Italian restaurant serving regional Italian specialties such as pasta, gourmet pizza by the slice, as well as traditional fish and meat dishes, that has been operating since September 2001.

Turnover growth is as follows:

Period	Growth
June 2003	
June 2004	3.70%

Lease terms are as follows:

Lease start	6 June 2001
Lease end	31 March 2010
Base Rent p.a. as at 1/10/04	\$160,000 (\$600/m <sup>2</sup> )
Turnover rent	10% of gross sales less the current base rent for sales up to \$1,500,000 plus 8.5% of gross sales in excess of \$1,500,000
Reviews	Market review 1 April 2006
Area	266.8m <sup>2</sup> (Strata plan 266m <sup>2</sup> )
Option term	5 years
Bank Guarantee	\$37,500
Guarantor	Richard John Laws and McRoss Developments Pty Ltd

**Kingsleys (lessee: Kingsleys Crab House Pty Limited)**

Kingsleys is a steak and crab restaurant serving predominately non seafood meals, that has been operating since August 2000.

Turnover growth is as follows:

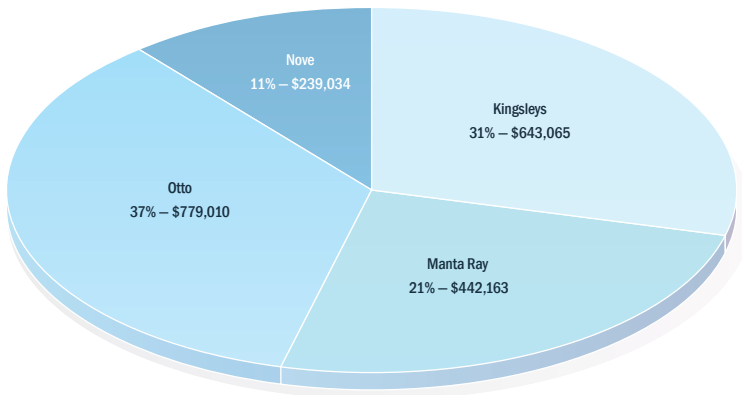
Period	Growth
June 2002	
June 2003	11.22%
June 2004	10.37%

Lease terms are as follows:

Lease start	22 July 2000
Lease end	21 July 2010
Base Rent p.a. as at 1/10/04	\$269,930 (\$479/m <sup>2</sup> )
Turnover rent	10% of gross sales less the current base rent
Reviews	Annual CPI reviews (22 July) with market review on 22 July 2006
Area	573.1m <sup>2</sup> (Strata plan 644m <sup>2</sup> )
Option term	None
Bank Guarantee	\$62,500 (equal to 3 months of starting base rent)
Guarantor	Kingsley Smith and John Warrick Jefferson (Limited to \$200,000)



**Rent and Income Profile**  
Financial Year 2004



# 11 Structure

The title to the Property will be held by the Custodian on behalf of all Owners and Unit Holders.

## Applicants who wish to participate in the Offer have 2 options;

1. To subscribe for an Interest in the Syndicate and thereby hold a proportionate beneficial Interest in the Property, and/or
2. To subscribe for Units in the Trust which will itself hold an Interest in the Syndicate. As the Trust will not borrow, an investment in the Trust is open to complying superannuation funds.

## Syndicate

Each Applicant applying for an Interest in the Syndicate will be an Owner. Each Applicant must complete an application form attached to this PDS.

All such Syndicate Applicants will have the opportunity to have Finance provided by the Manager to fund their Interests. The Manager may arrange a finance package of up to 75% of the value of the Property, as part of financing any application by an Owner if so required, (refer to section 12).

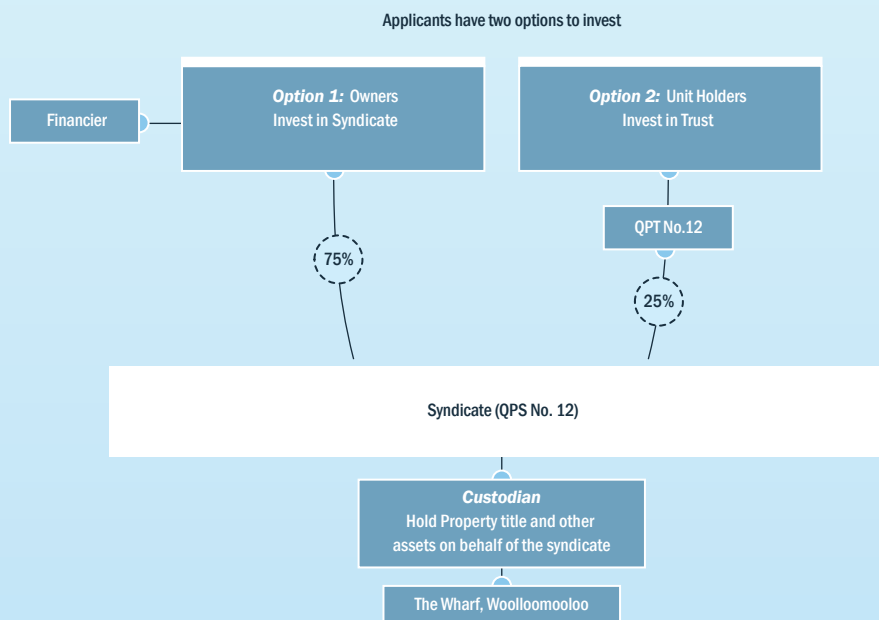
## Trust

Each Applicant applying for Units in the Trust must complete an application form attached to this PDS. The Manager will not arrange Finance for any Applicant of Units in the Trust.

## Total Syndicate Funding

Total funds to be raised pursuant to this PDS will be \$25,033,490 of which \$16,500,000 or up to 75% of the value of the Property may be borrowed by the Owners and secured against the Property.

The diagram below depicts the relationship between the Investors, Custodian and Financier.



## The Custodian

Tower Trust Australia Limited will be appointed the Custodian which will hold the Assets of the Syndicate and the Trust.

## Financier

The Financier will lend money secured by the Assets (refer to section 12).

## The Responsible Entity

Quantum Syndicate Management Ltd will be the Responsible Entity for the Syndicate and the Trust.

## The Compliance Auditor

The Compliance Auditor will be an independent auditor and not the same auditor as the auditor of the Manager (refer section 8 and 29).

## The Compliance Committee

Members of the Compliance Committee are identified at section 8 of this PDS.

### Listing of Quantum Property Trust No.12

The Manager may lodge an application for listing Units on offer in the Quantum Property Trust No.12 on the NSX. The fact that the NSX may list the Units of the Trust is not to be taken in any way as an indication of the merits of the Trust or the Listed Units.

The NSX takes no responsibility for the contents of this PDS, makes no representations as to its accuracy or completeness and expressly disclaims any liability whatsoever for any loss whatsoever arising from or in reliance upon any part of the contents of this PDS. Any initial costs other than those payable to the NSX or the Unit Register (approximately fourteen thousand dollars per annum) will be paid by the Manager.

### Income of the Syndicate

At the end of each year (30 June) the Manager will apportion the Net Income of the Syndicate to the Trust and the Owners according to their respective proportion of ownership of the Syndicate, including all non-cash deductions such as depreciation and allowances.

The Manager will then calculate the Guarantee Fee (refer section 12) and pay this amount to the Trust on behalf of the Owners.

Prior to making any cash distribution from the Net Income of the Syndicate, in any year and in priority to any other payment, the Manager may pay the cost of Finance for the next 12 months.

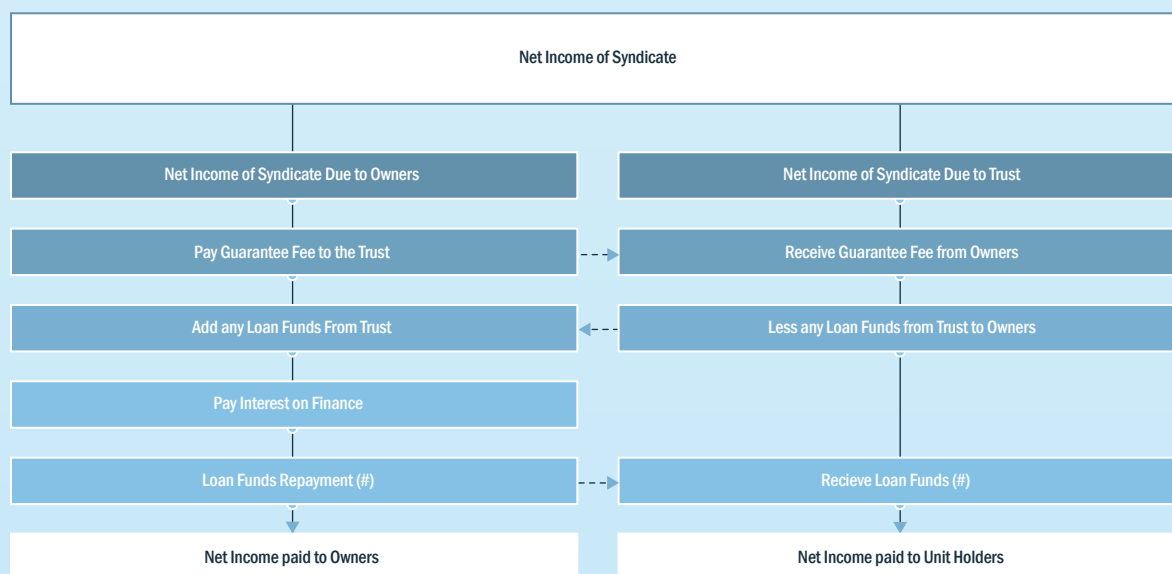
This will be deducted from the Owners accounts and to the extent that such account balance is insufficient, a loan will be provided by the Trust, being Loan Funds.

The Net Income of the Syndicate apportioned to the Trust will be distributed to Unit Holders all being presently entitled, calculated according to the number of Units held by them after first deducting cost of the Trust.

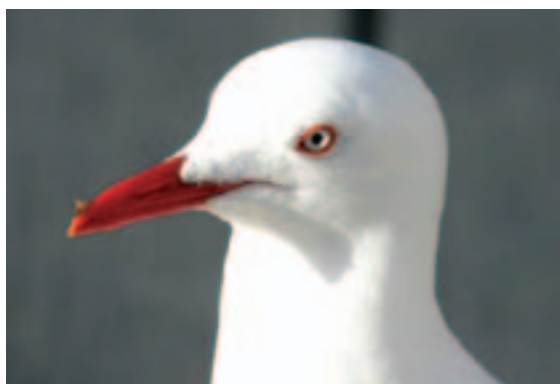
The Manager may direct payment of distributions to Owners prior to reduction in Loan Funds if taxes are payable by an Owner or a capital call is made on all Owners.

### How the income is distributed

The Manager will distribute the Net Income of the Syndicate every quarter ended June, September, December and March, within 90 days after each quarter. The Manager may hold over distributions.



(#) To the extent that the Net Income Due exceeds the Finance costs, the surplus will be directed first to reduce any Loan Funds and thereafter be paid to the Owners



### Time Frame

The term of both the Syndicate and the Trust are six (6) years from the date of execution of the respective Constitutions, dated 20 September 2004. This term may be extended if the Unit Holders and the Owners, by Special Resolution, so agree. Both the Syndicate and the Trust must be terminated within twelve (12) years of the execution of their respective Constitutions.

# 12 Finance

## Borrowings

The Manager will arrange Finance for Owners to \$16,500,000 (or up to 75% of the purchase price of the Property). The Manager will act in this respect on behalf of each Owner under a Power of Attorney.

The Trust Constitution allows the Manager to provide security over the Assets on behalf of the Owners.

In accordance with normal market practice, upon default, the Financiers recourse will be limited to the Assets. This avoids complex cross guarantees between Owners and the necessity for any Owner to assess the credit risk of another Owner.

Any Finance will be arranged by an affiliate of Quantum - Quantum Finances Pty Ltd (ABN: 85 069 485 641) ("QF"). QF will for a fee arrange the Finance for Owners. This fee will be 1.90% of the amount Financed and be payable directly by the Owners, from which the borrowing costs of these loans being; stamp duty, legal fees and establishment fees will be deducted.

## Guarantee Fee

The Owners will pay a Guarantee Fee payable at 30th June each year (based upon a Reference Rate, which the Manager has set at 10.50% during the Forecast Period) to the Trust in consideration of the Trust having to provide the Trust's Assets as security to the Financier for the benefit of the Owners. This fee will be deducted from the Net Income of the Syndicate attributable to the Owners and will be paid to the Trust by the Manager annually.

The Guarantee Fee is payable on the aggregate Contributions made by the Trust to the Syndicate.

Should an Owner not wish to borrow funds to purchase an Interest in the Syndicate, the Owner will not have to pay the Guarantee Fee.

## Loan Funds

The Net Income of the Syndicate attributable to the Owners may be less than the aggregate of the Financing costs and the Guarantee Fee. In these circumstances the Trust through the Manager will lend an amount equal to the shortfall, (the "Loan Funds") to the Owners.

The Loan Funds will be unsecured and will accrue interest at a fixed rate of 10% per annum and be capitalised on the Owners accounts.

The rate on these Loan Funds including any further Loan Funds, will be reset at no less than the rate of interest charged by the Financier to Owners plus a margin of two percent (2%).

## Interest Rates And Term Of The Loan

As of the date of this PDS, Finance has not been formally approved.

Finance will be arranged prior to the completion date of the Contract of Sale.

It is the Managers intention to arrange Finance with a fixed interest rate for a period of 2 to 6 years or as deemed appropriate by the Manager at the time of settlement. It is anticipated that two finance facilities will be arranged:

(i) First mortgage bank finance up to 65% of the purchase price of the Property.

(ii) Second mortgage finance up to 10% of the purchase price of the Property.

Aggregate Finance should not, for the purposes of this scheme, exceed 75% of the value of the Property. The expected initial Finance drawn will be 75% of the purchase price of the Property. Should the Manager purchase Underwriting Interest / Units it may be required by a financier to consent to the Property being used as security. Should this be the case the additional finance would be for a term of no more than 12 months and the aggregate finance would not exceed 90% of the purchase price of the Property.

The Manager notes that funds under (ii) above may be provided by the Quantum Mortgage Trust (ARSN: 095-909-096).

Forecast interest rates on the Finance facilities are;

**First Mortgage Finance;** 6.50% fixed for 4 years.

**Second Mortgage Finance;** 9.50% fixed for 4 years.

As the interest rates have yet to be determined the pre-paid interest amount for an Owner may change. The Manager will advise all Owners of any change in the pre-paid interest amount.

The Manager intends to negotiate and operate both Finance facilities to enable pre-payment of interest on an annual basis to the 30th June each year (the first interest payment will be 6 months to 30th June 2005, then a payment of interest in advance for 12 months to 30th June 2006). However due to a portion of the annual lease income being based on the turnover of the tenants, the Manager will defer any decision on the pre payment of interest pending satisfaction that the total lease income including turnover is sufficient to meet annual interest payments after first deducting all syndicate costs. This will provide, at least initially, an interest rate benefit and more importantly protect all Investors from adverse cashflow consequences arising from any short fall in Net Income of the Syndicate.

The Manager notes that Finance facilities have yet to be approved and the above rates and terms are indicative only. These indicative rates have been used in the financial forecasts in this PDS (refer to section 16 and 17).

Upon termination of the Syndicate, for whatever reason, the Manager intends to exercise its discretion so that the Assets are distributed to Owners net of the following priority payments:

1. Loan principal outstanding to the Financier.
2. Interest outstanding to the Financier.
3. Loan Funds outstanding to Unit Holders.
4. Guarantee Fee outstanding to Unit Holders.

Pro-rata adjustment will be made in respect of amounts pre-paid.



# 13 Applications

Each Applicant must subscribe for an Interest via an Application Form attached to this PDS.

The total Contributions sought to fund the Syndicate are \$25,033,490.

Source of Funds for Interest		
Cash Subscribed		\$8,533,490
Owners Finance		\$16,500,000
<b>Total Syndicate Funding</b>		<b>\$25,033,490</b>

Breakdown of Interest Issued		Applicants	Contribution
Unit Holders Contributions	\$6,258,373	42	\$149,009
Owners Equity	\$2,275,118	24	\$94,797
Owners Finance	\$16,500,000		\$687,500
<b>Total Owners Contributions</b>	<b>\$18,775,118</b>		<b>\$782,297</b>
<b>Total Syndicate Funding</b>	<b>\$25,033,490</b>		

The Manager cannot predict how many Applicants will require Finance, however it notes that the maximum that can be Financed under this Offer is 75 % of the value of the Property, however the Manager has forecast the Finance to be 75% of the purchase price being \$16,500,000.

If the anticipated Finance is arranged for Owners then the Manager would expect the above subscriptions based upon 24 Owners and 42 Unit Holders in the Trust.

It is noted in Section 20 that at least 20 Unit Holders for the Trust

are required for the Trust to meet the "widely held trust" definition, pursuant to the Superannuation Industry (Supervision) Act 1993.

The Interest of the Syndicate will be owned 75% by Owners and 25% by the Trust.

The table below also shows the corresponding calculations for both a 1/12th and 1/48th Interest, in the event an Applicant wishes to apply for an Interest other than a standard 1/24th Interest. A portion of an Interest (as outlined below) is a portion of the total monies applied for by Owners.

Breakdown of Owners Contributions						
	1/24th		1/48th		1/12th	
Equity		\$94,797		\$47,398		\$189,593
Finance		\$687,500		\$343,750		\$1,375,000
<b>Total Interest</b>		<b>\$782,297</b>		<b>\$391,148</b>		<b>\$1,564,593</b>
Source of Funds						
Finance	\$687,500		\$343,750		\$1,375,000	
Cash Provided	\$179,047		\$89,523		\$358,093	
<b>Total</b>		<b>\$866,547</b>		<b>\$433,273</b>		<b>\$1,733,093</b>
Application of funds						
Total Finance Costs	\$36,813		\$18,406		\$73,625	
Interest Security Deposits	\$47,438		\$23,719		\$94,875	
Units Issued	\$782,297		\$391,148		\$1,564,593	
<b>Total</b>		<b>\$866,547</b>		<b>\$433,273</b>		<b>\$1,733,093</b>

## Application for Interests in the Syndicate

A standard application for Owners is expected to be for \$179,047, by 24 Owners, however the Manager will accept an Application for a minimum of \$89,523.

Owner Contributions will include an amount to be used to pay for interest on Finance for the first six months to June 2005, the initial cost of acquiring the Owners Finance, and an amount known as an Interest Security Deposit. This amount is to be held by the Syndicate, and may be used by the Manager to pay interest on the behalf of the Owners to pre pay interest in June 2005, for 12 months to June 2006. This will only be done should the Manager believe that there is sufficient cash reserves and future cash inflows to cover the costs of the Syndicate for the next 12 months.

Applicants will be required to pay to the Manager an Interest Security Deposit as per the table above. The Interest Security Deposit will be placed on an interest bearing deposit. It may be used by the Manager (depending upon commercial considerations) to make prepayments of interest in June 2005. If it is not then used by the Manager to make a prepayment of interest it shall remain on deposit until required by the Manager to make other payments of interest or to meet expenses of the Syndicate. An Applicant in making an Interest Security Deposit

agrees with the Manager that it can be used by the Manager for the payment by the Manager on behalf of the Applicant of any interest whether then payable or which the Manager decides should be paid in advance on the Applicant's Finance or the Applicant's share of any other expenses of the Syndicate. If not fully utilised by the Manager within three years of the making of the Interest Security Deposit by the Applicant it will be refunded to the Applicant. The Applicant has no right before the expiration of that 3 year period to require the repayment of all or part of an Interest Security Deposit.

The standard application would be broken down as follows:

Equity Contribution	\$94,797
Interest	\$23,719
Finance Charges	\$13,094
Interest Security Deposit	\$47,438
<b>Total Cash Provided</b>	<b>\$179,047</b>

### Application for Units in the Trust

A standard application for Units is expected to be for \$149,009, by 42 Unit Holders, however the Manager will accept an Application for a minimum of \$50,000 per Unit Holder.

Breakdown of Unit Holders Contributions		
	Amount Invested	Percentage Ownership in Trust
Anticipated Contributions	\$149,009	2.38%
Minimum Contribution	\$50,000	0.80%
Other Contributions — say	\$100,000	1.60%
Other Contributions — say	\$200,000	3.20%

Upon completing an Application Form, each Applicant will be bound by the terms of the Syndicate Constitution and/or Trust Constitution, which provide in effect that;

1. The Property must be sold in 6 years unless more than 75% of Owners by value agree the term is extended.
2. That those Investors who do not wish to remain in the Syndicate or the Trust (after 6 years) may be able to exit. A mechanism exists whereby the Owners or Unit Holders must first respectively offer their Interests to other Owners or Unit Holders and the Manager. If relevant Owners or Unit Holders or the Manager do not purchase the Interest, the Owners or Unit Holders may sell to any other person.

The Manager will initially issue a deposit receipt for Application monies received. Upon the successful raising of funds, a Syndicate or Unit certificate will be issued to each Owner or Unit Holder respectively. A statement of borrowings will also be issued to Owners

The Manager has the right to accept or reject any Application in full or in part. Any rejected Application money will be returned to Applicants within 30 days after the settlement of the property.

#### Opening And Closing Of Subscription List

Applications and accompanying cheques may be lodged with the Manager after the issue of this PDS.

Unless otherwise determined by the Manager, the subscription list will open no later than the date of this PDS and will remain open until the later of:

- The day immediately prior to the date of completion of the purchase of the Property; or
- 12 months from the date of this PDS.

The Manager reserves the right to close the issue at any earlier date or to extend the closing date.

#### No Redemption

The Manager does not anticipate it will be in a position to redeem any Interests, unless the Property is sold. Investors must consider this to be a long term investment (refer sections 15 and 20).

#### Sale Or Transfer Of Interests

Holders of Interests must comply with the provisions of the relevant Constitution and the Corporations Act if they wish to transfer any of the same. The Constitutions provide that holders must first offer their relevant Interest to other Owners or Unit Holders as the case may be. If the Trust is listed, then Units can be sold on the NSX (refer to section 11).

Should such an offer not be accepted within 3 months of the Owner registering an Interest for sale with the Manager, the relevant Interest may be offered to outside parties. A transfer of any Interest must be in writing, signed by both the transferor and the transferee and stamped before it is lodged with the Manager for registration.

The Corporations Act 2001 requires a holder of an Interest wishing to sell such Interest to any person to whom it proposes to offer its Interests to lodge a notice with the Manager that complies with the relevant legislation.

Such notice must contain all other information required by law.

A person wishing to sell its Interest will be liable under applicable law to any purchaser of its Interest who suffers loss or damage by reason of any false or misleading statement in, or material omission from, the notice.

The Manager undertakes to assist holders of an Interest to comply with the secondary trading provisions of applicable legislation and will provide such holders upon request with a pro-forma notice containing this information. The Manager is entitled to receive a fee of \$1,000 or up to 0.75% of the value of the Interest sold (which ever is the greater) in respect of administrative costs incurred.

## 14 Minimum Subscriptions

The minimum Contribution for an Owner is \$89,523 and for a Unit Holder is \$50,000, (refer to section 12 and section 13).

Should Finance be required, payment of the interest in advance, finance charges and Interest Security Deposit must be included with your application, (refer section 3 and 13).

The Manager anticipates the following number of Interests to be issued:

	Standard	Minimum
Unit Holders	42	125
Owners	24	48

# 15 Acquisition Summary

## Purpose of Syndicate

The purpose of the Syndicate is for Investors (whether as Owners or Unit Holders) to participate in the ownership of a retail property.

## Acquisition Procedure

The Manager has completed due diligence on the Property and has had a number of consultants prepare reports on the Property.

Completion of the contract to purchase the Property is conditional upon the raising of the minimum Contributions as per this PDS, at this point the Manager may provide funds to effect settlement.

Should the contract fail to complete, the Vendor will retain any monies paid by the Manager and rescind the contract.

## Reporting and Distribution

The Manager will report to Investors on a quarterly basis and make a quarterly distribution.

## What do I get for my investment?

Each Applicant will own an Interest in the Property.

## Am I responsible for borrowings?

All borrowings will be in the name of the Owners. The Assets will be used as security by the Financier. The Financier will only have recourse to the Assets.

## What happens to my money before the Property is acquired?

All Contributions will be collected and held by the Custodian. Monies will be returned to you in full, including interest at the

applicable Macquarie Bank cash management account rate, if for any reason;

- i) The minimum Contribution is not achieved by settlement date;
- ii) The Offer is oversubscribed and your application is not accepted;
- iii) An application is rejected by the Manager.

## What is the term of the Syndicate?

The term of the Syndicate is for six (6) years and maybe extended for up to a maximum of twelve (12) years (refer section 11).

## What if I want to sell?

Your investment should be regarded as an investment for six (6) years. However should you wish to sell your Interests within this period, the Manager will assist you in:

- i) Advising all other Owners or Unit Holders and the Manager that you wish to sell and provide a notice to them as required under the relevant Constitution and the Corporations Act;
- ii) Transferring an Interest should an Applicant find a willing Owner or Unit Holder to purchase their Interest;
- iii) Transferring an Interest should an Applicant find a willing purchaser who is not an Owner or Unit Holder.

The Manager may offer to purchase your Interest at anytime.

If the Trust is listed then Units can be sold on the NSX (refer to section 11).

## What are my risks?

Investors are directed to section 20, in addition we advise that:

- i) Investments in the Syndicate should be viewed as long term;
- ii) An investment in the Syndicate will be illiquid as there may be no secondary market; and
- iii) Investors have no rights to require their Interests to be bought by the Manager or to have their Interests redeemed.
- iv) Movements in interest rates, should the Manager not fix interest rates.

# 16 Financial Forecasts

## Syndicate Income

**The Manager notes that the following Forecasts are based on assumptions as detailed in section 17. Applicants should review these assumptions.**

Whilst the Manager expects the Property to be held for six years, forecasts are only shown for the first four and half years to minimise the uncertainty of using assumptions as to the renewal and relevant terms of leases.

In respect of the prospective financial information provided the Manager has relied upon the assumptions of the Registered Valuer who valued the Property and who provides a summary of that valuation in section 23. The Manager has also relied upon the retail experts report by UrbisJHD to provide expected growth rates on the turnover, which is part of the rent received. The Manager believes that these assumptions are reasonable.

The table below summarises the Syndicate income based upon the forecast period (refer to section 17):

	6 months to 30-06-2005	Year to 30-06-2006	Year to 30-06-2007	Year to 30-06-2008	Year to 30-06-2009
Lease Income	\$1,062,213	\$2,207,898	\$2,324,822	\$2,384,785	\$2,445,229
Bank Interest	\$10,603	\$49,150	\$52,023	\$53,399	\$54,776
Syndicate Income	\$1,072,816	\$2,257,048	\$2,376,845	\$2,438,184	\$2,500,005
less Property Outgoings	\$142,377	\$287,751	\$292,438	\$298,641	\$305,288
<b>Gross Income of the Syndicate</b>					
Before Expenses	\$930,439	\$1,969,296	\$2,084,407	\$2,139,543	\$2,194,717
Management Fee	\$74,355	\$154,553	\$162,738	\$166,935	\$171,166
Accounting and Audit	\$23,000	\$23,690	\$24,401	\$25,133	\$25,887
Custodian fee	\$11,000	\$11,550	\$12,128	\$12,734	\$13,371
Other Expenses	\$20,000	\$41,200	\$42,436	\$43,709	\$45,020
Total Expenses	\$128,355	\$230,993	\$241,702	\$248,511	\$255,444
<b>Net Income of the Syndicate</b>	<b>\$802,084</b>	<b>\$1,738,303</b>	<b>\$1,842,705</b>	<b>\$1,891,033</b>	<b>\$1,939,274</b>

Note: Refer to Assumptions - Section 17.

## Distribution Forecast

The table below reflects the distribution available to Owners and Unit Holders before non-cash deductions. This is based upon 24 Owners and 42 Unit Holders (refer section 13).

	6 months to 30-06-2005	Year to 30-06-2006	Year to 30-06-2007	Year to 30-06-2008	Year to 30-06-2009
Net Income of the Syndicate	\$802,084	\$1,738,303	\$1,842,705	\$1,891,033	\$1,939,274
Trust Interest	\$200,521	\$434,576	\$460,676	\$472,758	\$484,818
Owners Interest	\$601,563	\$1,303,728	\$1,382,029	\$1,418,275	\$1,454,455
<b>Breakdown of Trust Interest in the Syndicate</b>					
Trust Interest	\$200,521	\$434,576	\$460,676	\$472,758	\$484,818
add Guarantee Fee	\$328,565	\$657,129	\$657,129	\$657,129	\$657,129
add interest on Loan Funds	-	-	\$21,890	\$65,439	\$109,719
Gross Taxable Distribution <sup>o</sup>	\$529,086	\$1,091,705	\$1,139,696	\$1,195,327	\$1,251,666
less Loan Funds and interest provided to Owners	-	\$491,902	\$435,490	\$442,794	\$450,893
Cash distribution available to Unit Holders	\$529,086	\$599,803	\$704,205	\$752,533	\$800,774
<b>Breakdown of Owners Interest in the Syndicate</b>					
Owners Interest <sup>o</sup>	\$601,563	\$1,303,728	\$1,382,029	\$1,418,275	\$1,454,455
less Guarantee Fee	\$328,565	\$657,129	\$657,129	\$657,129	\$657,129
less interest on Finance <sup>^</sup>	\$1,707,750	\$1,138,500	\$1,138,500	\$1,138,500	\$1,138,500
Less interest on Loan Funds	-	-	\$21,890	\$65,439	\$109,719
Owner's Profit/(Loss)	(\$1,434,751)	(\$491,902)	(\$435,490)	(\$442,794)	(\$450,893)

<sup>o</sup>Pre non cash deductions.

<sup>^</sup>Based upon assumption "f" in section 17

## Interests to be Issued

Two types of Interests in the Property are being offered. An Applicant may subscribe either for an Interest in Quantum Property Syndicate No.12 (the "Syndicate") becoming an Owner, or applying for Units in the Quantum Property Trust No.12 (the "Trust") becoming a Unit Holder (refer to section 13). The expected Investors standard Contribution is below.

The expected Investors standard Contribution is below.

	Unit Holder	Owner
Standard Investment	\$149,009	\$179,047
Finance (borrowings)	Nil	\$687,500

## Unit Holder Distribution

The following distribution is calculated based on the Unit Holder being a complying Superannuation Fund. An Applicant other than a complying Superannuation Fund should take into account its relevant tax rate in reviewing the distribution table below. A tax rate of 15% on taxable income has been used.

The distribution table below is based on the standard investment allocation (1/42th), not the minimum investment.

Unit Holders Cashflow	6 months to 30-06-2005	Year to 30-06-2006	Year to 30-06-2007	Year to 30-06-2008	Year to 30-06-2009
Gross Taxable Distribution	\$12,597	\$25,993	\$27,136	\$28,460	\$29,802
Non Cash Deductions	\$4,295	\$6,013	\$3,459	\$3,200	\$2,995
Net Taxable Distribution	\$8,302	\$19,980	\$23,676	\$25,260	\$26,806
Tax (Payable)/Benefit	(\$1,245)	(\$2,997)	(\$3,551)	(\$3,789)	(\$4,021)
Loan Funds provided	-	(\$11,712)	(\$10,369)	(\$10,543)	(\$10,736)
Cash Timing Differences	-	(\$8,996)	\$8,996	-	-
Cash Distributions available to Unit Holders <sup>1</sup>	\$12,597	\$5,285	\$25,762	\$17,917	\$19,066
Unit Holders Yield on Cash Distributions	8.45%	3.55%	17.29%	12.02%	12.80%
Cash Distributions after Tax	\$11,352	\$2,288	\$22,211	\$14,128	\$15,045
Unit Holders Yield on Cash Distributions After tax	7.62%	1.54%	14.91%	9.48%	10.10%
Unit Holders Gross Distributions after Tax	\$11,352	\$22,996	\$23,584	\$24,671	\$25,781
Unit Holders Yield on Gross Distribution after Tax	7.62%	15.43%	15.83%	16.56%	17.30%

<sup>1</sup>Actual cash forecast to be paid to the Unit Holder. Note that in the first 18 months the Manager expects there to be timing differences in the payment of cash distributions. These are shown above as cash timing differences.

To calculate for a minimum contribution, multiply the above numbers by 0.33.

The forecast gross distributions available to Unitholders represents the Unitholders share of the Net Income of the Syndicate plus the Guarantee Fee and interest earned on the loan provided to Owners. The forecast cash distribution represents the forecast gross distribution less the loan (including capitalised interest) provided to the Owners. The loan to Owners is repaid to Unit Holders on the winding up of the Syndicate, after repayment of the 1st and 2nd mortgages.

The above calculation is based upon a standard investment of \$149,009 (refer to section 13). The Unit Holders' gross distribution of \$22,996 in the year to 30 June 2006 has been calculated based upon the Gross taxable distribution of \$25,993 less tax of \$2,997.

## Owner Distribution

An Applicant other than an individual at the top marginal tax rate or whose combined income after the deduction falls under the top marginal tax rate should take into account its relevant tax rate in reviewing the distribution table below.

The distribution table below is based on the standard investment allocation (1/24th), not the minimum investment.

Owners cashflow	6 months to 30-06-2005	Year to 30-06-2006	Year to 30-06-2007	Year to 30-06-2008	Year to 30-06-2009
Owners Interest	\$25,065	\$54,322	\$57,585	\$59,095	\$60,602
Yield on total owners contribution <sup>1</sup>	6.4%	6.9%	7.4%	7.6%	7.7%
less Guarantee Fee	(\$13,690)	(\$27,380)	(\$27,380)	(\$27,380)	(\$27,380)
less interest on Finance	(\$71,156)	(\$47,438)	(\$47,438)	(\$47,438)	(\$47,438)
less interest on Loan Funds	0	0	(\$912)	(\$2,727)	(\$4,572)
Owners Profit/(Loss)	(\$59,781)	(\$20,496)	(\$18,145)	(\$18,450)	(\$18,787)
Non Cash Deductions	\$24,732	\$35,932	\$22,526	\$18,982	\$15,726
Taxable Distribution	(\$84,514)	(\$56,428)	(\$40,672)	(\$37,432)	(\$34,513)
Tax (Payable)/Benefit	\$40,989	\$27,368	\$19,726	\$18,154	\$16,739
Owners Profit/(Loss)	(\$43,424)	(\$29,060)	(\$20,946)	(\$19,277)	(\$17,774)
Tax Refund/(Payable)	\$40,989	\$27,368	\$19,726	\$18,154	\$16,739
Owners Yield after Tax	22.9%	15.3%	11.0%	10.1%	9.3%

<sup>1</sup>Based upon \$782,297 (being equity and Finance and annualised in the first year)

To calculate for a minimum contribution, multiply the above numbers by 0.50

The above calculation is based upon a standard investment of \$179,047 (refer to section 13).

## Statement of Financial Position

The table to the below represents the pro-forma statement of financial position for Quantum Property Syndicate No.12 on the assumption that the Offer is fully subscribed.

Assets	
Property	\$22,000,000
Acquisition Costs	\$1,270,490
Cash (Vacancy/incentive/capex fund)	\$523,000
<b>Total Syndicate Assets</b>	<b>\$23,793,490</b>
Liabilities	
Liabilities	\$Nil
<b>Net Assets</b>	<b>\$23,793,490</b>
Equity	
Interest Offered	\$25,033,490
Offer Costs	(\$1,240,000)
<b>Total Equity</b>	<b>\$23,793,490</b>
Number of Units Issued	\$25,033,490
Net Asset Backing per Interest	\$0.95

## Source and Application Of Funds

The following table reflects forecast sources and application of funds.

Sources of Funds		
Total Syndicate Funding		\$25,033,490
Application of Funds		
Acquisition of Property		\$22,000,000
Estimated Property Acquisition/Offer costs		
Legal fees/due diligence	\$75,000	
Vacancy/incentive/capex fund	\$523,000	
Stamp duty	\$1,195,490	
Offer costs (management fee)	\$1,240,000	
<b>Total</b>		<b>\$3,033,490</b>
<b>TOTAL</b>		<b>\$25,033,490</b>

### Proforma Statement of Financial Position

The Manager has made a provision of \$400,000 to meet any capital works, lease incentives and any unforeseen costs in running the Syndicate. An additional \$123,000 has been placed aside to meet the Managers net tangible assets (NTA) condition contained in its licence (being 0.5% of the schemes asset value being \$24.8m). The NTA is an amount QSM is required to have by way of net tangible assets, as a condition of its licence under section 914A of the Corporations Act 2001, in respect of each scheme. These funds will be held by the Manager to cover the NTA fee and will be returned upon the closure of the schemes.

### Key Accounting Policies

The key policies which have been adopted in the preparation of the preceding financial information are outlined below to assist in its general understanding.

### Basis of Preparation

The financial information has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The financial information has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

### Valuation of Investments

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

*View from Property, not part of the Property of the Syndicate*



## Property

Land and buildings are measured on the cost basis unless otherwise stated. Cost includes the cost of acquisition, and any development costs including; borrowing costs and holding costs whilst under development. It is the policy of the Syndicate and Trust to have an independent valuation every three years, with annual appraisals being made by the Manager to ensure it is not in excess of the recoverable amount.

## Plant and equipment

Plant and equipment are measured on the cost basis. The carrying amount of plant and equipment is reviewed annually by the Manager to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to present values in determining recoverable amounts.

## Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, are depreciated on a diminishing value basis (unless otherwise stated) over their estimated useful lives to the entity commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

## Income Tax

Under current tax legislation, the Syndicate and Trust are not liable to pay income tax provided its taxable income and taxable realised capital gains are fully distributed to Investors.

## Leasing Fees

Leasing in relation to the initial leasing of the property after a redevelopment are capitalised to the carrying value of the property.

Costs that are directly associated with negotiating and executing the on-going renewal of tenant lease agreements (including commissions, legal fees and costs of preparing and processing documentation for new leases) are deferred and amortised over the lease term in proportion to the rental revenue recognised in each financial year.

## Leasing Incentives

Leasing incentives that are offered while the property is under development are capitalised to the carrying value of the property.

Lease incentives in the form of up-front payments, contributions to certain lessees costs, relocation costs and fit-outs that are offered in relation to the on-going operation of the property are recognised as an asset and amortised over the period to which the lease relates.

Incentives provided to lessees in the form of lessor-paid fit-outs and improvements that remain assets of the lessor, for example by becoming part of the structure of the property which is retained beyond the lease term, are capitalised to the carrying value of the property.

## Repairs and Maintenance

Repairs and maintenance costs relating to the Property are charged against revenue as forecast to be incurred. These repairs and maintenance costs will consist of those that, under the relevant lease agreements, are non-recoverable from tenants.

## Net Income of the Syndicate

Net income of the Syndicate represents income earned from the rental of the Property including base and turnover rentals less the direct expenses payable relating to the Property and is brought to account on an accruals basis.

## Offer Costs

Offer costs have been recognised directly against the Syndicates equity as a reduction of the proceeds from the issue of Interests and are separately disclosed in the Statement of Financial Position. The marketing portion of the management fee will be capitalised on the Assets of the Syndicate (being 2% of the purchase price or \$496,000), the balance is written off as a pre-paid management fee for the first year in the Syndicate. Please refer to section 7.

In accordance with Urgent Issues Group Abstract 23, offer costs have been recognised directly against Owners equity as a reduction of the proceeds from the issue of Interests and separately disclosed in the Statement of Financial Position. The Manager notes that all costs associated with the issue of this PDS will be met by the Syndicate from the net capital raised, including PDS printing costs.

## Adoption of Australian Equivalents to International Financial Reporting Standards

Australia is currently preparing for the introduction of International Financial Reporting Standards (IFRS) effective for financial years commencing 1 January 2005. This requires the production of accounting data for future comparative purposes at the beginning of this financial year.

The Manager's directors, along with its auditors, are assessing the significance of these changes and preparing for their implementation. As the Syndicate and Trust have a 30 June year end, priority has been given to considering the preparation of an opening balance sheet in accordance with AASB equivalents to IFRS as at 1 July 2004. This will form the basis of accounting for Australian equivalents of IFRS in the future, and is required when the Syndicate and Trust prepare their first fully IFRS compliant financial report for the year ended 30 June 2006.

Set out below are the key areas where accounting policies will change and may have an impact on the financial report of the Syndicate and Trust. At this stage the Manager has not been able to reliably quantify the financial impacts.

## Impairment of Assets

Under the Australian equivalent to IAS 36 Impairment of Assets the recoverable amount of an asset is determined as the higher of net selling price and value in use. This will result in a change in the Syndicate and Trusts current accounting policy which determines the recoverable amount of an asset on the basis of discounted cash flows. Under the new policy it is likely that impairment of assets will be recognised sooner and that the amount of write downs will be greater. Reliable estimation of the future financial effects of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

## Investment Property

Under AASB 140 Investment Property, when measured at fair value; the changes in fair value are recognised in the profit and loss account. The opening balance held in the asset revaluation reserve account will need to be transferred to undistributed income at transition. It is not expected that this will affect the Syndicate or Trust as their assets are valued at cost not fair value.

## Operating Leases - Incentives

Under AASB 117 Leases, lease incentives are to be separately classified as assets at cost and recognised as an expense, on a straight line basis over the life of the lease. These assets then form part of the value of the property when determined under fair value, or cost with impairment testing. The future financial effect of this change in accounting policy is impracticable because the conditions under which impairment will be assessed are not yet known.

# 17 Assumptions

The financial forecasts in section 16 are based upon the following assumptions. Some assumptions are identical to those used by the registered Valuer who valued the Property (refer to section 23). The Manager and its associate, Quantum Securities Pty Ltd (a holder of Australian Financial Services Licence) have been the managers of 18 property syndicates in the last 9 years. These syndicates have acquired a diverse range of properties across commercial, industrial and residential developments. These assumptions are also based on the experience and expertise of the Manager.

As a large portion of the total rental for the property is made up of turnover rental, we have commissioned a retail expert, UrbisJHD (refer to Section 23), to forecast the potential turnover over the lease terms and have used this report for Forecast Period. The Manager has relied on the full Valuation for the base rent market reviews for the Forecast Period.

The Manager regards all these assumptions as reasonable.

- (a) Accounting & Audit; Based upon expected costs for these services, starting at \$23,000 pa indexed.
- (b) Bank Interest Income; Based upon 3.5% pa of bank balance.
- (c) Custodian Fee; Based upon 0.04% pa of Property value over \$22m with a minimum fee of \$10,000 pa.
- (d) Indexation; Indexation is as per indexation in the full CB Richard Ellis Pty Ltd report.
- (e) Interest rates; Forecast interest rate on the Finance (refer to section 9).
- (f) Interest on Finance; It is assumed that interest will be prepaid for the 12 months in June each year.
- (g) Legal, and Other; Based upon expected legal and due diligence expenses as quoted by each relevant party.
- (h) Management Fee; Based upon 3% of Property value as a pre paid management fee for 12 months in advance, and 2% marketing costs. Total fee is 5% of Property value (being \$1,240,000). Ongoing fee is based upon 0.75% of Property value indexed to CPI or 7% of gross income.
- (i) Property Outgoings; Based upon forecast outgoings by reference to actual outgoings and industry benchmarks and include, council, water, land tax, insurance, cleaning, capital maintenance budget and property management, all indexed each year.
- (j) Other Expenses; A contingency has been provided for other expenses that maybe payable in the future and has been indexed.
- (k) Lease Income; Based upon tenants fulfilling their obligations in accordance with the terms of their leases. (refer above and to section 20).
- (l) Taxation: Tax payable/benefits for Owners at 48.5% and 15% for Unit Holders. Note that if the additional capital raised and finance facility are used to supplement rental income as opposed to receipt of rent this will not constitute taxable income for Investors.
- (m) Non Cash Deduction; Based upon acceptable depreciation rates and allowances in a report provided by Napier & Blakeley Pty Ltd.

The assumptions are based upon contractual arrangements of the Manager, the terms of leases or specific information within the knowledge or experience of the Manager and its associate's.

## Goods and Services Tax

All fees, income and expenditure referred to in this report are GST exclusive and as such the Manager will increase each respective figure by the required GST applicable and either claim back as an input tax credit or collect the GST and remit it to the Australian Taxation Office.

The Property will be purchased under the going concern provisions of the GST Act and as such no GST will be applicable on the purchase and the Manager would expect to sell the Property in the future under the same arrangements.

## Managers Comment on its Financial Forecasts and Assumptions

In considering this investment, the Manager cautions Applicants to consider the capital value of the Property at termination of the Syndicate. The Manager is not able to provide any forecast or projection as to the capitalised value of the Property at such time, or at any time during the term of the Syndicate. Further, recent capital growth in commercial/retail property may not continue.

The Manager believes all assumptions made in this PDS are reasonable, however issues and problems may arise that the Manager has not foreseen which may have an impact on the overall performance of this Investment (refer to section 20).

General photo of  
The Wharf,  
Woolloomooloo



## 18 Rental Guarantee and Additional Services

Quantum Management Services Pty Ltd (QMS) will enter into a contract with the Manager to provide leasing and promotional services for the Manager and the Property. This fee will be as follows;

Fee Type	Outline of Fees
Leasing	If the Manager or QMS secures a lease of all or part of the Property and no fee is payable to an agent for securing that lease of all or part of the Property the Manager shall be paid a leasing fee equal the average of two (2) quotations received from agents independent of the Manager.
Promotion	QMS will be paid an hourly fee of \$350 per hour for work in relation to promotional activities and will not exceed \$20,000pa without Investors approval.

QMS will also provide a guarantee for an amount of \$350,000, for a period of three years (from settlement) so that the total rental income, after all expenses, is sufficient to meet Interest on Finance from settlement, for a three year period (excluding the Trust Guarantee Fee or interest on Loan Funds) and after utilising any Syndicate cash reserves.

## 19 Sensitivity Analysis

### Interest Rates

The Manager intends to fix the interest rates on the Finance for between 2 to 6 years (refer to Section 12), however changes in interest rates will have an effect on the forecasts presented in this PDS.

The forecast interest rate on the combination of the first and second mortgages is 6.9%. If actual interest rates vary the rates of return may vary as follows;

1% Increase in the Finance costs	6 months to 30-06-2005	Year to 30-06-2006	Year to 30-06-2007	Year to 30-06-2008	Year to 30-06-2009
<b>Unit Holders</b>					
Yield on gross distribution after tax	7.6%	15.4%	16.4%	17.4%	18.4%
<b>Owners</b>					
Yield After Tax	25.7%	17.1%	13.3%	12.7%	12.2%
<b>1% Decrease in the Finance costs</b>					
<b>Unit Holders</b>					
Yield on gross distribution after tax	7.6%	15.4%	15.5%	15.7%	16.2%
<b>Owners</b>					
Yield After Tax	20.1%	13.4%	8.9%	7.6%	6.6%

## 20 Risk Factors

Quantum's appraisal of this investment opportunity is set out in this PDS, however you should make your own appraisal. That appraisal should not necessarily be restricted to the factual information presented in this PDS and should also take into account the following factors:

### External factors

#### Property Market

The property market can fall as well as rise. There is no guarantee as to the state of the property market throughout the term of the Syndicate. During the term of the Syndicate the Constitution provides that the Property may not be sold without the approval of at least 75% of the Owners. The Syndicate terminates on 20th September 2010, unless by Special Resolution the Owners agree to postpone the sale of the Property and continue to the end of the term of the Syndicate, as long as the loan finance outlined in section 12 can be renegotiated to allow for this. It may be necessary to sell the Property in adverse market conditions.

This investment ought to be viewed as a long-term property investment. Among the factors that may affect the Property are:

- Down turn in the economy;
- Changes in interest rates outside the interest rates assumed in the forecasts in the PDS;
- The level of demand for commercial and retail property; and
- Taxation or other legislative changes.

#### Legislative Changes

Comments made in this PDS in relation to taxation are based on the Manager's understanding of tax law as at the date of this PDS. If Australian laws change with respect to direct or indirect taxes, this could affect Investors distributions. The Manager recommends Investors obtain their own professional taxation advice.

### Insurance

Insurance may not cover all events or all claims made. Further, appropriate cover for terrorism may not be available, or the cover that is available may not be adequate or commercially viable.

### Competing properties

New developments may be constructed close to the Property which could then compete directly against the Property, potentially reducing its viability.

### Forecast Assumptions

Although the Manager has endeavoured to ensure that the assumptions made in the forecasts are reasonably based, there are a number of factors which may affect the achievement of those results. Investors should carefully review the assumptions and forecasts to make their own assessment of the future performance of the Syndicate. The Manager notes that timing differences in cash flows may occur due to the nature and timing of turnover rent. This rent is paid yearly in October for each year ending June.

### Internal Factors

#### Tenants

Any default by tenants under the terms of their leases, insolvency of tenants, failure of tenants to exercise lease options, delays exceeding forecasts in securing new tenants, or rental rates less than those forecast for new tenants may result in a reduced income being generated by the Property.

The term of each lease of the tenants has been outlined in section 10. There is no guarantee as to the tenants paying rent or renewing their leases.

There is a risk that the Manager is unable to re-lease space vacated by a tenant on equivalent terms.

A large portion of the rent is currently based upon turn-over of the tenants. This may change at market reviews as the base

rental may increase. The Manager has placed aside \$400,000 to cover incentives, capital costs and other costs associated with the Syndicate. An additional guarantee of \$350,000 is also provided (refer to section 18) by a wholly owned subsidiary of the Manager.

#### Term

This is a long-term investment and should be treated as such. The term of the Syndicate is twelve (12) years, however, the initial term is six (6) years.

#### Liquidity

This is not a liquid investment. There is no established secondary market for the sale of Interests in the Syndicate or Units in the Trust, notwithstanding that the Units may be listed on the NSX.

#### Finance

The effect of the Owners financing their Interests by using the Assets as security (as outlined in section 12) will increase the risks to Unit Holders. The interest on any such financing must be paid or the Owners will be in default to the Financier and the Financier may sell the Property as mortgagee in possession. Any rise or fall in property values therefore has a disproportionate effect on Unit Holders. This risk is partially offset by the prepayment of interest on the Finance and the payment of the Guarantee Fee to the Unit Holders by the Owners (refer section 12).

#### Development Risk

Any building work that is undertaken will be overseen by experienced consultants engaged by the Manager to ensure that

the work is completed according to specifications, within budget and on time, however as with all building work, there are risks with delays, cost over-runs and risks relating to quality of workmanship.

#### Funding

In the event of the Manager being unable to re-finance the Property on favourable terms at expiration of the initial Finance or any subsequent loan term, it may be necessary to sell the Property to discharge the Loan regardless of the state of the property market. This may require sale of the Property in adverse market conditions.

#### Further Contributions

If the Syndicate incurs a loss or requires capital, further Contributions may be payable by Owners or Unit Holders (refer section 24). Should an Investor not meet a call of funds within 14 business days, a penalty or loss of capital could occur (refer section 24).

#### Due Diligence

The Manager has engaged experts and has considered their reports. The Manager has relied upon these reports in assessing the risks associated with the Property.

#### Interest Rate Risk

Whilst the Manager intends to fix interest rates to minimise risk, it may elect not to do so due to the turnover rent being paid in October each year, and as such distributions may vary due to interest rate movements. Refer to section 19.

## 21 Superannuation Funds

Legislation under the Superannuation Industry (Supervision) Act 1993, section 71(1A) provides that a superannuation fund which invests in a unit trust that is not a "widely held unit trust" may be in breach of the in-house asset rules.

A trust is a widely held trust if it is a unit trust with fixed entitlements to all income and capital and must have 20 or greater entities, who between them have fixed entitlements to 75% or more of the income or capital of the trust. Associated entities are taken to be a single entity. The Manager anticipates that the Trust will have greater than 20 entities and be classed as a widely held trust. The Manager advises all trustees of superannuation funds to seek professional advice prior to subscribing for Units under the Trust, as there are no structured means to redeem Units before the expiry of the Trust, unless the Units are listed on the NSX.

## 22 Custodian

#### Introduction

The Manager has appointed the Custodian to act as its agent, as a Custodian must hold the legal title to the assets of the Syndicate and Trust. The Custodian must perform its other obligations under the Custody Deed in a proper and professional manner and with due skill and care. In performing these obligations the Custodian must act in the best interests of the Manager.

#### Duties and Obligations

The Custody Deed provides that the Manager must collect the rental income of the Property and pay the total rental and other income in respect of the Property to the Custodian. The Manager will then instruct the Custodian to pay the rates, taxes, insurances, repairs and maintenance and other such expenses in respect of the management, control and administration of the Property.

#### Remuneration of the Custodian

The Custodian will be entitled to receive an annual fee of \$11,000 for acting as custodian for the Syndicate. The Custodian's fees will be paid quarterly in arrears.

The Custodian is also entitled to be reimbursed by the Manager for the following:

- i) its costs for dealing with any claim made in respect of the assets of the Syndicate, except where such a claim arises out of the wrongful act or omission, negligence or default of the Custodian; and

- ii) any taxes and duties, costs, charges and expenses approved by prior written consent from the Manager incurred in the performance of its obligations under the Custody Deed or in connection with the termination of the Custody Deed.

#### Termination of Custody Deed

The appointment of the Custodian of the Syndicate automatically terminates when the Syndicate is terminated and the Custodian has completed all of the duties under the Constitution. The Manager may terminate the appointment of the Custodian under the Custody Deed by giving 60 days written notice to the Custodian. The Custodian may terminate its appointment under the Custodian Deed by giving 60 days written notice to the Manager or such other period as the Manager and Custodian agree. Either party may terminate the Custody Deed immediately if the other party has breached any duty or obligation under the Custody Deed, provided the party not in breach has notified the other party of the breach and if it is curable, it has not been cured within 7 days of that notification; or if an "Insolvency Event" occurs in respect of the other party. An Insolvency Event includes a receiver, manager or liquidator being appointed, an application for winding up being made, a scheme of arrangement being entered into and a party being unable to pay its debts when they fall due.



*General photos of precinct*





# 23 Experts' Reports

## Valuers Report



14 October 2004

The Directors  
Quantum Syndicate Management Limited  
Level 9, Shaw House  
49-51 York Street  
Sydney NSW 2000

CB Richard Ellis Pty Ltd  
ABN 57 057 373 574  
Level 26, 363 George Street  
Sydney NSW 2000  
DX 10262  
T 61 2 9333 3333  
F 61 2 9333 3330  
www.cbre.com.au

Dear Sirs

### Summary of Valuation Report

Lot 5, Lot 6, Lot 7 and Lot 8 in SP71494 at The Wharf at Woolloomooloo, Cowper Wharf Roadway, Woolloomooloo NSW

### Instructions

At your request, CB Richard Ellis (CBRE) has prepared this letter summarising the valuation results from our completed, self contained valuation report. The purpose of our report was to render our opinion of market value of each strata lot as at 1 October 2004.

The value conclusions are subject to the assumptions and limiting conditions contained in the report and reflect all information known by the valuers at CBRE who worked on the report for the subject properties and the market conditions within the general area of each property.

Our report is based upon the most current information available at the time that each valuation was prepared. CBRE accepts no responsibility for subsequent changes in information as to income, expenses or market conditions. Any subsequent change in lease terms will also have a corresponding change to the value. Our valuations have been prepared subject to certain particulars of lease terms and conditions which form part of the sale and leaseback arrangements. We confirm that our valuations have been prepared in accordance with the Corporations Act.

We also confirm that CB Richard Ellis is not operating under an Australian Financial Services Licence when providing this advice.

### Reliance on this Letter

We have prepared this letter summarising our report and which outlines key factors that have been considered in arriving at our opinions of value. This letter alone does not contain all of the data and support which is included in our report.

CBRE has provided Quantum Syndicate Management Limited with a valuation of the property. The valuation is not a guarantee or prediction of the future performance of the property.

### Brief Description of the Properties

The subject comprises of 4 leasehold retail strata units within the restored heritage Woolloomooloo Finger Wharf which is a mixed use property comprising of 8 separate strata units. The retail component comprises 8 separate strata retail units located on the western side of the wharf, with the 4 subject lots situated at the northern end. The strata lots are subject to a 99 year ground lease expiring in January 2099.

Each lot comprises a restaurant arranged predominantly at ground level, with additional level 1 (mezzanine) area. Each also benefits from a further terrace area beneath a permanent awning, upon title, for outdoor dining. Each have an aspect over the water towards the domain, with the city skyline behind.

A summary table has been prepared detailing the main characteristics in respect to each of the strata lots.

Property	Strata Area (approx)	Tenant (main)	Net Base Rental \$PA	Current Turnover Rental \$PA*	Total Net Income \$PA	Next Rent Review	Lease Expiry Date
Lot 5 Woolloomooloo Wharf	559 sqm	Manta Ray	\$237,360	\$157,483	\$394,843	27/9/05	26/9/10
Lot 6 Woolloomooloo Wharf	480 sqm	Otto	\$317,636	\$419,010	\$736,646	1/4/05	31/3/10
Lot 7 Woolloomooloo Wharf	266 sqm	Nove	\$137,495	\$79,034	\$216,529	1/4/06	31/3/10
Lot 8 Woolloomooloo Wharf	644 sqm	Kingsleys	\$216,864	\$373,135	\$589,999	22/7/05	21/7/10
<b>Total</b>	<b>1,949 sqm</b>		<b>\$909,354</b>	<b>\$1,028,662</b>	<b>\$1,938,017</b>		

\*Based upon unaudited gross sales figures for the 12 months ending 30 June 2004.

## Market Commentary

Demand for retail assets is extremely strong at present across all sectors of the market with opportunities to secure offerings on the open market scarce at present.

## Valuation Rationale

In arriving at our opinions of market value, we have placed primary emphasis on the capitalization of market net income approach. An explanation of the application capitalisation of market and/or passing income is provided in the following sub sections.

### (a) Capitalisation of Income Approach

This methodology uses a single year's estimate of stabilised net operating income to provide a value indication and involves making considerations as to net market and passing income and any other relevant capital adjustments that are required to be made relating to outstanding rent free incentives, rental reversions, the present value of profit/overage rental.

With regards to the individual retail strata units, we have adopted a yield of 6.00%. This takes into account the size (including breakdown of upstairs, downstairs and terrace space), position along the wharf, current tenant profile and the likelihood of percentage rent, the remaining term and structure of the current lease including the potential for base rental uplifts in the near future.

With regards to the percentage rental, we have capitalised this only until the end of the current leases and also at a higher capitalisation rate of 10.00%, which we feel reflects the unsecured and subsequent higher risk nature of that portion of the income.

The assessment of market rental and capitalisation rate is derived from the analysis of sales evidence applicable to properties selling subject to existing tenancies and also from market lease transactions.

### (b) Direct Comparison Approach

The direct comparison approach involves making positive and negative adjustments between the subject property and a range of comparable sales evidence for properties in similar locations, on a rate per square metre of land area.

## Summary of Values

Individual property values estimated by CBRE as at 1 October 2004, according to the lease terms outlined in the reports, are shown in the following table. For all details of the valuations, please refer to the self contained valuation report.

Strata Lot	Strata Area	Tenant	Passing Net Income	Market Net Income	Adapted Value	Initial Yield	Capitalisation Rate	Rate psm of Strata Area
5	559.0	Manta Ray	\$394,843	\$402,680	\$6,700,000	5.89%	6.00%	\$11,986
6	480.0	Otto	\$736,646	\$736,646	\$7,000,000	10.52%	6.00%	\$14,583
7	266.0	Nove	\$216,528	\$216,528	\$3,400,000	6.37%	6.00%	\$12,782
8	644.0	Kingsleys	\$589,999	\$589,999	\$7,700,000	7.66%	6.00%	\$11,957

We consider that if the Lots were to be traded in-one-line, the achieved value would be lower than the aggregate of our adopted individual values set out above. We believe this has been reflected in the recent purchase of the four lots by Quantum Syndicate Management Limited for \$22,000,000 (Twenty Two Million Dollars).

As the values are assessed as at the 1 October 2004, we have assumed that there will be no change in market conditions, physical attributes of the properties or other factors, likely to cause a material change in values from the date of inspections.

## Disclaimer

Paul Hall and Simon Fairfax, of CB Richard Ellis Pty Ltd, have prepared this summary which appears in the Product Disclosure Statement. Messrs Hall and Fairfax were involved only in the preparation of this summary as the principal valuers in the valuation referred to herein, and specifically disclaim liability to any person in the event of any omission from, or false or misleading statement included in the Product Disclosure Statement, other than in respect of the valuations and summary.

CB Richard Ellis Pty Ltd were involved in the preparation of the valuations and summary which appears in this Product Disclosure Statement only to the extent of the involvement of Messrs Hall and Fairfax as the principal valuers and specifically disclaims liability to any person in the event of any omission from, or false or misleading statement included in the Product Disclosure Statement, other than in respect of the information provided within the aforementioned valuation and summary herein.

We confirm that the valuers do not have a pecuniary interest that would conflict with a proper valuation of the property.

Yours sincerely  
CB Richard Ellis Pty Ltd



Paul Hall AAPI B.Com (L.E)  
Senior Valuer – Valuation & Advisory Services



Simon Fairfax BSc(Hons) MRICS AAPI  
Senior Director – Valuation & Advisory Services

12 October 2004

The Directors  
Quantum Syndicate Management Limited  
Level 9  
49 York Street  
SYDNEY NSW 2000  
Email : toryt@quantumgroup.com.au

Dear Directors,

## THE WHARF AT WOOLLOOMOOLOO - ASSESSMENT OF TURNOVER POTENTIAL

Quantum Syndicate Management Limited (Quantum) has recently entered into a contract to purchase the real estate currently occupied by the four northernmost restaurants at The Wharf Woolloomooloo. As part of its due diligence process Quantum commissioned UrbisJHD to provide an independent report assessing the turnover potential for this group of restaurants. Our report dated 30 September 2004 comprises some 29 pages and has been based on information available as at that date.

This letter summarises the key findings from that report as detailed below.

### Location and Performance

1. The Wharf at Woolloomooloo opened in 2000 as a first-class residential, retail and hotel development. It is well located near the Sydney Central Business District (CBD), the Royal Botanical Gardens, The Domain, Circular Quay and other attractions.
2. The key components of The Wharf are residential apartments, the W Hotel and the boardwalk including a retail offer and an adjacent private marina.
3. The retail component of The Wharf includes eight outlets, comprising seven cafés/restaurants and a day spa. The four northern tenancies are occupied by the restaurants Manta Ray, Otto, Nove and Kingsleys. Collectively these restaurants have a total Gross Leasable Area (GLA) of 1,752 sq.m and a total seating capacity for around 615 people.
4. These four restaurants have been extremely successful and their total turnover has increased from \$15.3 million in 2001 to \$21.7 million (excluding GST) in 2004. This equates to an average turnover productivity level of approximately \$12,400 per sq.m. All of the restaurants have achieved turnover growth in most years, and in 2004 Manta Ray and Otto experienced strong growth of 19% and 18% respectively. As would be expected, the highest turnovers are achieved in the warmer months, particularly December and January.
5. For the last three months (June-August 2004) the pattern of growth has changed and has been low or negative compared with the same months in the previous year. There are a number of reasons for this turnover decline including additional competition from new restaurants at King Street Wharf, Flying Fish at Jones Bay Wharf and new restaurants at Bondi Beach, as well as subdued spending at restaurants generally in Sydney in the lead up to the federal election in October.

### Market Segments

6. The key market segments for the restaurants at The Wharf include the local residential trade area population, local and CBD office workers, and tourists to Sydney including both international and domestic visitors.
7. Approximately 9,400 persons live within a 10 minute walk to The Wharf, and the total residential population of the trade area, extending from Pyrmont through to Rose Bay, was 180,030 persons in 2001. The characteristics of the trade area residents are such that they are generally affluent with high incomes and they also have a relatively high level of food catering spending.
8. The local workforce population in Woolloomooloo, Potts Point and Kings Cross, within a 10 minute walk, is estimated at approximately 10,500 in 2001. The restaurants also serve the Sydney CBD which has a total workforce of over 250,000 people.
9. Growth in the total available spending market relevant to The Wharf restaurants (i.e. spending on food catering) is forecast to average 5.2% per annum over the forecast period including inflation.

### Competition

10. The key competitors for the restaurants at The Wharf at Woolloomooloo are other destination restaurant precincts around inner Sydney. The major precincts near the CBD are Darling Harbour including Harbourside, Cockle Bay Wharf and King Street Wharf; The Rocks; and Opera Quays. King Street Wharf has recently expanded with more restaurants opening over the last year, including a Kingsleys restaurant under a different ownership to The Wharf outlet. We understand the King Street Wharf is becoming increasingly popular and is likely to have contributed to the recent decline in turnover at The Wharf restaurants.
11. Outside the Sydney CBD area there are also restaurant precincts or key competitors at Oxford Street Darlinghurst, Bondi Beach, Fox Studios and the new Flying Fish restaurant at Jones Bay Wharf.
12. In the future there will be restaurant precincts at Luna Park and Westfield Bondi, with a possible precinct at the Sydney Fish Markets.
13. Locally, there are a small number of pubs and cafés on, or near, Cowper Wharf Road, including a Kingsleys outlet.

### Turnover Potential

14. In outlining our forecasts of turnover potential for the restaurants it has been necessary to make a number of assumptions, the most important are :
  - The Australian and Sydney economy remains basically stable over the forecast period of 2004-2010.
  - Consumer price inflation (CPI) averages 2.5% per annum over the forecast period.
  - The historic turnover information for the four restaurants that we have been provided with is accurate, as are the areas and lease details.
  - There will be ongoing and competent management by each of the restaurant operators and there will be no major changes to ownership or key staff.
  - The competitive environment for the restaurants is as outlined in our report.
  - There are no changes to the premises, other than ongoing maintenance and minor refurbishments as necessary.
  - There is no co-ordinated marketing program for The Wharf.
  - No major new competing destination restaurant precincts opening over the forecast period, only incremental increases in competition over time.
  - No expansion of the seating capacity at the restaurants.

15. Based on the foregoing assumptions, taking into account the market served by the restaurants, competitive factors and the past and current trading performance of the restaurants, our forecast turnover potential (excluding GST) for the restaurants at The Wharf is estimated as follows :

Year	Manta Ray		Otto		Nove		Kingsleys		Total
	\$m	%Growth	\$m	%Growth	\$m	%Growth	\$m	%Growth	
2000	0.7		1.2						1.9
2001	3.5	433%	7.3	490%			4.5		24.5
2002	3.1	-13%	7.6	4%	2.1		5.2	17%	17.9
2003	3.7	20%	7.0	-7%	2.5	17%	5.8	11%	19.3
2004	4.4	19%	8.3	18%	2.5	4%	6.4	10%	22.1
2005	4.0	-9%	8.0	-3%	2.4	-6%	6.2	-3%	20.4
2006	4.2	4%	8.3	4%	2.5	4%	6.5	4%	21.6
2007	4.3	4%	8.7	4%	2.6	4%	6.7	4%	22.4
2008	4.5	3%	8.9	3%	2.7	3%	6.9	3%	23.1
2009	4.6	3%	9.2	3%	2.7	3%	7.1	3%	23.8
2010	4.7	2%	9.4	2%	2.8	2%	7.3	2%	24.2

1. Year ended June

Source: Quantum Syndicate Management; UrbisJHD

16. Growth for the 2005 financial year is expected to be negative but followed by positive growth thereafter through to 2010. The negative growth in 2005 is attributable to a number of factors including :
- The decline in actual turnover in July-August compared with the same months in 2003.
  - The ongoing impact of additional competition.
  - A general slowdown in upscale restaurant business in Sydney in the lead-up to the October federal election.
  - The very high growth achieved in the 2004 financial year in October and November 2003 attributable to the impact of the Rugby World Cup held in Sydney at that time.
17. In our view The Wharf is unlikely to recapture the high growth experienced in previous years. Having said this however, our forecast turnover potential is based on "do nothing" assumptions whereby there is no major capital expenditure undertaken at the restaurants nor is there a concerted marketing program for The Wharf.

#### Limitations on Report

18. This report is prepared on the instructions of the party to whom or which it is addressed and is thus not suitable for use other than by that party. As the report involves future forecasts based on a number of identified assumptions, it can be affected by a number of variables. The report represents for the party to whom or which it is addressed the best estimates of UrbisJHD Pty Ltd relating to the subject matter of the report based on the assumptions identified, but no assurance is able to be given by UrbisJHD Pty Ltd that the assumptions either are or will remain valid for the forecast period, or that the forecasts will be achieved. UrbisJHD Pty Ltd accepts no liability for any loss or damage suffered by any person as a consequence of any of the forecasts given in this report not being achieved.

#### Important Notice and Disclaimer

19. UrbisJHD Pty Ltd consents to this report being included in a product disclosure statement (Offer Document) to be issued by Quantum in connection with the sale of financial products in a scheme the underlying asset of which is the real estate occupied by the four northernmost restaurants of The Wharf.
20. In providing this report, UrbisJHD Pty Ltd is not providing advice about financial products, or the suitability of the investment set out in the Offer Document either generally or for any person or type of person in particular. Such an opinion can only be provided by a person who holds an Australian Financial Services Licence authorising that person to provide financial product advice. UrbisJHD Pty Ltd is not operating under an Australian Financial Services Licence in providing this report.
21. UrbisJHD Pty Ltd has not been involved in the preparation of any part of the Offer Document. UrbisJHD Pty Ltd, its directors, officers and employees therefore cannot, and do not, make any warranty or representation as to the truth, accuracy or completeness of any statement contained in the Offer Document. UrbisJHD Pty Ltd specifically disclaims liability to any person in the event of omission from, or false or misleading statement included in the Offer Document, other than in respect of the contents of this report.
22. In accordance with industry practice, UrbisJHD Pty Ltd has received a professional fee for the preparation of this report. The fee is based on market rates for professional services of the nature provided by UrbisJHD Pty Ltd. With the exception of its professional fee, UrbisJHD Pty Ltd is not aware of any other interests (whether pecuniary or otherwise) or associations or relationships between Quantum, and/or any of its associates, and Urbis JHD Pty Ltd and/or any of its associates, that could reasonably be regarded as being capable of influencing UrbisJHD Pty Ltd in providing this report.
23. Neither the whole or any part of this report, or any reference thereto, may be included in any published document, circular or statement, or published in part or in full in any way without the prior written approval of UrbisJHD Pty Ltd in relation to the form and context in which it may appear, apart from inclusion within the Offer Document.

Yours sincerely,  
URBIS JHD PTY LTD



Peter G V Holland  
Director

14 October 2004

Prepared by Jozsi Feszt and David Wallace

The Directors  
Quantum Syndicate Management Limited  
Level 9  
49 York Street  
SYDNEY NSW 2000  
Tel 02 9262 4443 Fax 02 9262 2071

Feszt & Feszt  
Level 1, 34 Mitchell Street  
McMahon's Point  
NSW 2060  
p. 99297342  
e. feszt@bigpond.com  
e. jrwc corp@bigpond.net.au

Dear Sirs,

Re: Woolloomooloo Wharf Restaurant Strata Purchase

## Executive Summary

- The restaurants are showing good revenue streams and competitive growth levels. At these revenue levels we would expect all of the restaurants to be profitable.
- The level of profit at these revenue levels for each business should be between 8% and 12% under the current rental terms
- The restaurants have demonstrated consistent growth (with the exception of one year at Otto which appears to have been recovered in the last financial year)
- It is unlikely that the % growth levels will be maintained - we would not expect Otto to continue at 17% growth this year and Manta Ray at 20% growth
- Revenue growth is limited by the seating capacity of the restaurants as there are only limited avenues for price increases and they often do not exceed CPI
- We have estimated the construction of the revenue separately - this demonstrates in our mind that Otto has limited growth potential at our estimate of 65% capacity. Kingsley's has growth potential due to its size but we note that much of the additional capacity is not in the prime waterfront location or at ground level. Manta Ray has some good opportunity for growth but probably the least propensity to deliver on the potential. Nove has opportunity but the growth in real terms is limited by their lower price point
- The restaurants are well established, well positioned and have brand clarity in the market place. Their position and make up as a whole are an attraction to driving traffic to the precinct and to some extent they rely on each others success.
- We note the new entrant to the precinct an Asian fusion restaurant due to open in early October will benefit the precinct if the owners are able to continue their previous track record for success
- The positioning of the restaurants in terms of price, menu style and service have demonstrated success and the precinct is well balanced in terms of its offering

## The Restaurants

### Otto

The rise of Otto clearly shaped the fortunes of the precinct in Woolloomooloo. It began with such a high profile partly due to its owners and partly due to the prior success of the operators in Melbourne. Currently, and despite losing a chef's hat in the most recent SMH Good Food Awards, this business is firmly established as one of the fine restaurants in Sydney. Its ability to attract consistent trade across both lunch and dinner and the presence of its owner most days has ensured that it is, while not flavor of the month, still a fixture on the lists of the influential and wealthy.

The food is consistently good and the service, while a touch Italian in attitude, still up there amongst Sydney's best. We feel it has developed its market beyond those just wishing to be seen and has genuinely settled into a positive trend at the right kind of level. We see no interest from the outside that they striving to be Sydney's best or win awards and media acclaim which in our view is a positive for any landlord. The focus appears to be on maintaining and growing their business within the sector which they are comfortable and clearly their revenue streams are showing that this has been successful.

At these revenue levels we would expect them to be showing a healthy profit level of 10% under the current rental terms and would anticipate that they would be happy to continue for some time. We feel their potential for revenue growth is limited to perhaps another 8% of total available capacity which would be equal to approximately \$650,000 in revenue - at this point we feel growth is limited and that this growth will only be achieved over a period of years and will plateau after that point.

### Kingsley's

Similar to Otto this business has a well established reputation and reasonably high profile owner/operator with a proven track record. The business is showing better revenue than we would have anticipated and has a simple formula in terms of service and product style which is timeless in its appeal. They are again not seeking to hit the restaurant heights and have a well established market and loyal clientele.

The risk with this Restaurant is that in selling one of their previous establishments Kingsley's did not adequately protect their name or brand. Consequently the purchasers of the previous business in King Street have opened another restaurant in King Street Wharf which if they continue to expand and potentially under perform could erode the brand and confuse the market place with a negative effect on this Woolloomooloo operation.

Profit levels should be positive and at the higher end of their sector (perhaps 12%-14%) but the growth opportunity in this business is limited by the quality of the views and proximity to the water of the available capacity. Again we would expect no more than 10% growth in revenue over a three year period.

### Manta Ray

Relatively under performing compared to its immediate neighbors this restaurant has a good formula but works in a more competitive market. The seafood restaurant sector is dominated by Cockle Bay, Darling Harbour and King Street Wharf. While the quality of the produce here is probably one notch up from these competitors they do not command the same profile. The restaurant was struggling for a period with management changes and chef issues but the return of the owner from Melbourne has assisted a turn around and the restaurant appears to be on a more solid footing in the past twelve months. The quality of service and food has improved and the marketing nous of the owner will ensure that this and their sister restaurant in Cockle bay will continue to target the right sector.

This business has the greatest potential for growth but is also probably the most susceptible to industry fluctuations. Like Kingsley the unused capacity is not at the forefront of the restaurant and does not command the best views. Revenue growth prospects should be about 5% per annum for a period of three years until a plateau is reached. Profitability here would in our view be slightly less than its

neighbors based on current revenue - likely to be around the 7%-8% mark over a period of 3 years.

#### Nove

The establishment of this business as an off shoot of Otto was a smart move. The synergies and benefits from economies of scale should be considerable and the operation has gained solid profile by association. The quality and service are good and the product offering is consistent and well priced. The fortunes of the business are intrinsically tied to the fortunes of Otto which may deliver a limited risk but would provide an attractive proposition to any potential purchaser.

Growth will be limited by the size of the restaurant and the ability to increase pricing perhaps 5% per annum but this business should show handsome profits of 15% if it is managed well.

#### Risks and Recommendations

The risks for Quantum primarily are associated with:

- The relatively short length of the existing term in each lease and the capacity to retain the current tenants
- The current rental terms have a high ratio of turnover rental component - this gives the landlord limited certainty as to the total rental due in any given period. Effectively the landlord is sharing some of the risk in terms of the restaurants fortunes in assessing its investment and return
- There is no guarantee these tenants will either stay for the term of their lease - they may sell and assign the lease - or renew their terms for any option available
- 50% of the last financial year rental is derived from turnover rental (1 million)
- The assignment of the lease should the current operators choose to sell their business protects the landlord in that the new operator will be have equal or greater standing and ability and not have an inferior capacity in financial terms. In reality the ability to prove the credential of an alternate provider is highly subjective and does not give any guarantees to ongoing success or ability to pay rent
- The current rental levels are reasonable at current revenue levels
- The turnover rental allows for the landlord to share in the success of the restaurants but is more common in a start up business with an unknown element - established restaurants generally do not have turnover rental components
- While all of the restaurants are due for market review there is no guarantee that the base rentals will increase although in this instance the likelihood for a decrease is slim
- A landlord can never be certain that all revenue is declared and that they are receiving the full amount of turnover rental that is due

#### Thoughts and Recommendations

- You may choose to negotiate new leases with each of the operators which secure there tenure for a significant period and change the terms of the rental
- We would recommend you qualify your risk and negotiate a higher base rent and remove or reduce the turnover component and allow the operator to take the risk - while this may effectively reduce the rental amounts received it will qualify the investment
- Should any of the operators choose to sell their business they will benefit from a longer lease term, fixed rental increases a fixed base rent and the opportunity for a business purchaser to also purchase the freehold. The nature of these businesses is that if they were put to market we would attract considerable interest and at the price bracket they would be within the freehold purchase would be an attractive proposition to a business purchaser.
- The extension of the lease term will allow for a greater price to be achieved at the sale of the business for each operator and could be attractive to the operators in any restructuring of the leases

#### Capability Statement

Willing Hands was established by Jozsi Feszt in 1974 as Sydney's first specialist hospitality recruitment service. This business continues to be extremely successful and was instrumental in establishing Chefs as recognised trades' people under immigration law enabling Sydney to benefit from the skills and experience from many European chefs and managers. Willing Hands has been involved with the recruitment and placement of some of Sydney's most celebrated chefs in the past thirty years and established relationships with many of Sydney's most prominent restauranteurs of today.

The development of Feszt & Feszt as a brokerage, advisory and consultancy business runs in tandem with the recruitment arm and was a natural progression, as the Chefs who had been placed by Willing Hands began to purchase their own establishments.

Feszt & Feszt is now the most renowned and only specialist restaurant brokerage business in Sydney. Feszt & Feszt is an owner operated business with the principal Jozsi Feszt continuing to be actively involved in all transactions, advisory service and consultancy undertaken by the business. Feszt & Feszt has a long and continuing relationship with Burling Realty one of the premier commercial real estate agents in Sydney.

While Feszt & Feszt are most frequently chosen to act on behalf of high profile clients and restaurants it deals with business transactions across a broad range of the industry from fine dining restaurants through to cafes and take away and includes bars, hotels and nightclubs.

Some recent sales completed by Feszt & Feszt include; The Italian Village, The Rocks, Sydney; Sails Restaurant, Mc Mahon's Point, Sydney; Rogues Nightclub, Oxford Street, Sydney; Quayside Restaurant, East Circular Quay, Sydney; Lavender Blue, McMahan's point, Sydney; Shimbashi Restaurant, Finger Wharf Wollomooloo; Aqua Luna, East Circular Quay.

Feszt & Feszt is primarily a Sydney based business but has clients along the breadth of the eastern seaboard and beyond including current clients in Brisbane, Noosa, the Gold Coast, Cairns and northern New South Wales.

Feszt & Feszt's consultancy business has an impressive client list including Sydney Opera House, Sydney Harbour Foreshore Authority, Sydney Olympic Park Authority, Taronga Zoo, Adelaide Festival Centre and Royal Botanic Gardens.

In addition to these they have long running associations with many Sydney based restaurants from the industry sector including a ten year and ongoing service provided to the owners of Pruniers in Woollahra and Jonahs at Whale Beach.



14 October  
File Ref 2000482.DI2

The Directors  
Quantum Syndicate Management Limited  
Level 9  
49 York Street  
SYDNEY NSW 2000

Prepared by  
Napier & Blakeley Consulting Pty Ltd  
ACN 006 774 705  
Level 11  
309 Kent Street  
SYDNEY NSW 2000  
Tel 02 9299 1899 Fax 02 9299 9525

Dear Sirs

Lots 1-8 in SP 71494 (formerly Lot 3 in DP 1007565 as at May 2003),  
Woolloomooloo Finger Wharf NSW

In accordance with Quantum Syndicate Management's instructions, Napier & Blakeley Consulting has prepared a summary of their Technical Due Diligence report, dated May 2003, in relation to the retail tenancies of Lot 3 in DP 1007565, which we understand have now been strata subdivided into Lots 1-8 in Strata Plan 71494), at Woolloomooloo Finger Wharf, Woolloomooloo, New South Wales.

The subject premises are known as Lots 1-8 in Strata Plan 71494 (formerly Lot 3 in DP 1007565 as at May 2003), situated at Woolloomooloo in the City of Sydney and County of Cumberland.

The site is located at Woolloomooloo Wharf on Cowper Wharf, Woolloomooloo, New South Wales and generally comprises a four storey Victorian finger wharf originally used for the storage of wool and more recently converted to its present mixed development form.

The results of our findings are as follows;

## 1. Building Structure and Fabric

The Wharf is supported off steel and timber piles sunk into the seabed and supporting a concrete slab which in turn supports the timber, steel and concrete wharf structure. The external walls of the subject premises comprise bolted timber and steel column / post sections with horizontal steel beams and interspersed with aluminium framed shopfronts. The southern portion of the retail tenancies has timber posts and beams with timber framed windows. The floors to the Level 1 retail tenancies are formed from concrete slabs. Internal walls are formed from a combination of lightweight plasterboard stud partitions and blockwork walls.

The structure and fabric was noted to be in sound condition overall with mainly minor cosmetic repairs required in the short to medium term.

In preparing our report, Napier & Blakeley Consulting relied upon a report prepared by Robert Bird & Partners (International Consulting Engineers) and dated 12 May 2003 in respect of the supporting piles to the Wharf. Robert Bird & Partners concluded that the piles are generally in good condition, although further investigations and remedial works are recommended in the short term to the Medium Density Polyethylene (MDPE) protective sleeves to the steel piles.

Long standing problems were identified with the aluminium framed shopfronts to the retail tenancies. These include: missing hinge screws and deformed / cracked frames around hinges, loose / missing seals, deformed / loose floor guide tracks, and loose / deformed door head guide runners. The defects appear to be attributable to poor specification and installation and should be attended to in the short to medium term. An estimated cost for remedial works in this respect is \$15,000.

The overall appearance of the premises was noted to be good and the individual tenancies generally appeared to be maintained to a good standard.

## 2. Building Services Generally

Under the current arrangement the owner of the wharf provides basic statutory services such as lighting, fire protection, fire detection and emergency warning as well as building services points of connection within or adjacent to the tenancies.

It is the tenants' responsibility to supply and install services required for their purposes including air conditioning equipment, special lighting, hydraulic fittings, etc. The tenants' are also responsible for costs associated with modifications to the statutory services such as fire services, emergency lighting, EWIS, etc. to suit the layout of the tenancy.

## 3. Mechanical Services

### 3.1 Air Conditioning Systems

Air conditioning to the retail areas is supplied and installed by the individual tenants.

The base building mechanical services system provides condenser water to each tenancy to allow the tenant to install water cooled air conditioning equipment and the necessary air distribution equipment.

The base building condenser water system supplies condenser water to the retail area water-cooled air conditioning equipment, along with other areas which fall outside the scope of this report. The system comprises two condenser water pumps, two sea water pumps, two sea water filters, two sea water to fresh water heat exchangers, a water treatment system, a gas fired heating water boiler and one heating water boiler.

The condenser water plant is in good condition and appears to be regularly maintained and serviced. The base building condenser water system will have an overall economical operating life of between 20 and 25 years, however we anticipate that the sea water filters and possibly the heat exchangers and sea water pump casings will need to be replaced during this time. To ensure the reliable operation of the system over its life, it will need regular maintenance because of the hostile environment.

### 3.2 Ventilation Systems

Ventilation required in the retail areas on the west side of the wharf are supplied and installed by the tenant occupying the space.

The base building mechanical services system comprises sheet metal ductwork risers only running between the tenancy and the roof to allow the tenant to provide an exhaust fan on the roof and complete the connection in the tenancy.

## 4. Electrical Services

### 4.1 Electrical Supply

The site is supplied from a substation located on the footpath of Cowper Wharf Roadway adjacent to the car park entry ramp. The substation is made up of three 1500kVA transformers. The substation supplies two main switchboards within a main switch room. The substation is presently in good condition and the switchboards are also in good condition.

There are two separate unmetered 800 Amp 3 phase busbar ducts on which each retail area has a sealable fuse tee-off box connecting the submain to a respective retail tenancy distribution board. Meters panel are located on the external wall of each retail tenancy, within the car park.

The condition of the busbar system is presently good and we believe that current carrying capacity is sufficient.

### 4.2 Communications

The building distributor frame for the site is located within a communication room on Level 1. The communications cable from the building distributor frame connects to floor distributors at each respective service room. Communication cables from the floor distributors continue to respective retail tenancies. All elements were in good condition and have sufficient capacity for future growth.

### 4.3 Power and Lighting

Generally Distribution Boards, socket outlets and lighting fitting, switch etc within retail areas are in good condition and function as expected.

### 4.4 Emergency Lighting and Exit Signs

The buildings public and common areas have a computerised central addressable emergency lighting and exit lighting system.

Each retail unit has its own independent stand-alone emergency lighting and exit sign system, which visually appears acceptable.

## 5. Hydraulic Services

The cold water, natural gas, hot water, and drainage services run the length of the Wharf at high level in the basement car park. Pipework rises to each retail tenancy where it is terminated with and isolation valve / termination point.

Hot water is generated by a central heating water plant, which is located in the basement. The plant comprises two gas fired water heaters, three hot water storage tanks and a hot water circulating pump.

The hydraulic services are in good condition and there were no signs of damage or leaks. The heating water plant was in good condition and appeared to be regularly maintained.

It is considered that the piped services have an economical operating life 30 years whilst that of the heating plant is considered to be between 10 to 15 years.

## 6. Fire Services

The retail tenancies are protected by a sprinkler system. The systems are connected to an electric motor powered sprinkler pump and a diesel engine powered sprinkler pump. The piped services appear in good condition and there were no signs of damage or leaks. The pumps were in good condition and are tested regularly.

Hydrant and hose reels are located throughout the retail tenancies. These are connected to a diesel engine powered hydrant pump.

The building has an addressable smoke detection system throughout which appears in good condition.

The building has an EWIS system throughout. The speakers of the system appear to be in good condition.

## 7. Building Code of Australia (BCA) Review

It is considered that the 'base building' departs from the 'deemed-to-satisfy' provisions of the BCA. However, given that the redevelopment of the building occurred only in the recent past (finishing circa 1999) it may be the case that 'alternative building solutions' were employed in overcoming some inherent compliance issues due to the age of the building and to accommodate some design aspects.

In this regard, it is considered highly desirable to obtain copies of any certificates of occupation / classification offered for both the base building and the subsequent fit outs. This will offer some assurance as to Council's acceptance of the building in its current form due to the relatively recent completion of the base building works.

A summary of our findings is as follows:

- The structure, fabric and service installations of the building are in good condition and well maintained overall.
- There is a need to effect some remedial works to the structure and fabric in the short to medium term. These are principally required to the MDPE covering to the steel piles and the folding shopfront doors.
- There will be an ongoing need for planned preventative maintenance to the building's structure, fabric and services.
- Departures from BCA compliance should be further investigated.

We confirm that Quantum Syndicate Management as purchasers of four of the strata title units contained within the above property can rely upon the Technical Due Diligence report, project number 2000482 dated May 2003, prepared for and on behalf of Peseta Enterprises Pty Limited, Ashe Morgan Winthropo, their mortgage lenders and the ultimate purchasers of the strata title units.

We give consent for this letter to be used in Quantum Syndicate Management's Product Disclosure Statement for the properties.

Yours sincerely



Napier & Blakeley Consulting Pty Ltd

# Depreciation Schedules



14 October 2004

The Directors,  
Quantum Syndicate Management Limited  
Level 9, Quantum House  
49-51 York Street  
SYDNEY NSW 2000

Level 11  
309 Kent Street  
SYDNEY NSW 2000  
T 02 9299 1899  
F 02 9299 9525  
E sydinfo@napierblakeley.com  
napierblakeley.com

Dear Sir

## Property Tax Allowances Schedules Retail Lots 5,6,7 and 8, 6 Cowper Wharf Road WOOLLOOMOOLOO NSW

Further to the instruction from Tory Tompson dated 14 October 2004 please find below a summary of the capital allowances and associated tax deductions relating to the Purchase of the retail lots 5,6,7 and 8 in the above property. This letter and the allowances should be read in conjunction with our detailed reports on the individual lots dated 7 October 2004.

### Purchase Of Retail Lots 5,6,7 and 8, 6 Cowper Wharf Road Woolloomooloo NSW Diminishing Value Method - Tax Allowance Flow

Year	Division 40 and 43 Totals \$
1 - (191 days only)	349,599
2	638,159
3	581,179
4	537,585
5	503,231
6	475,410
7	452,336
8	432,810
9	416,015
10	401,381
11 +	8,248,595
Totals	13,036,300

Should you have any queries please do not hesitate to contact David Liddelow or Moira Swords of this office.

Yours faithfully

*Napier & Blakeley Consulting Pty Ltd.*

Napier & Blakeley Pty Ltd



# Independent Accountant's Report

14th October 2004

Quantum Syndicate Management Ltd  
Mr Peter Gribble  
Lvl 9, Shaw House, GPO Box 2593  
49-51 York St, Sydney, NSW,2000

Level 11  
37 Bligh St  
Sydney, NSW 2000  
Phone (02) 9232 4111  
Facsimile (02) 9223 1785  
Email [eric@ericallan.com.au](mailto:eric@ericallan.com.au)  
Eric Allan & Co. Pty Ltd  
Chartered Accountants

Dear Sirs

## INDEPENDENT ACCOUNTANT'S REPORT

### 1 INTRODUCTION

In accordance with your request, this Independent Accountant's Report (" Report") has been prepared for inclusion in a Product Disclosure Statement ("PDS") to be dated on or about 14th October 2004. The Offer in the PDS is for 25,033,490 interests of \$1.00 each in the Quantum Property Syndicate No.12.

The expressions defined in the PDS (Section 27) have the same meaning in this Report.

### 2 SCOPE OF EXAMINATION

You have requested Eric Allan & Co Pty Ltd to prepare a Report on prospective financial information for the Syndicate as set out in Section 16 of the PDS and incorporating:

- Forecast financial information for the 4 ½ years ending 30th June 2009 (" Financial Forecasts and Assumptions" Section 16 and 17)
- The Pro-forma Statement of Financial Position as at the Completion Date ("Pro-forma Statement of Financial Position" Section 16.)

The directors of Quantum Syndicate Management Ltd ("Responsible Entity") are responsible for the preparation and presentation of the Forecasts and pro-forma Statement of Financial Position, including the best -estimate assumptions on which they are based.

Our review of the Forecasts and Pro-forma Statement of Financial Position was conducted in accordance with Auditing Standards AUS 902 "Review of Financial Reports".

Our procedures consisted primarily of inquiry and comparison and such other analytical review procedures as we considered necessary so as to adequately evaluate whether the assumption appear reasonable in the circumstances and whether the Forecasts and Pro-Forma Statement of Financial Position have been presented in a manner consistent with the Directors assumptions. In the case of assumptions that fall outside the scope of our expertise, we have relied on reports prepared by other experts. In particular the valuation report prepared by CB Richard Ellis Pty Ltd summary is included in Section 23 of the PDS.

Our review is substantially less in scope than an audit examination conducted in accordance with all applicable Australian Auditing Standards. A review of this nature provides less assurance than an audit and, accordingly, we do not express an audit opinion on the Forecasts or Pro- forma Statement of Financial Position included in the PDS.

### 3 RESPONSIBLE ENTITY'S PROSPECTIVE FINANCIAL INFORMATION

The Forecasts and the pro-Forma Statement of Financial Position are based on the Responsible Entity's best-estimate assumptions, being assumptions of future events which the Responsible Entity expects to take place as at the date of this Report. The Forecasts and Pro-Forma Statement of Financial Position are prepared to provide investors with a guide to the potential future performance and distributions of the Trust, based upon the achievement of certain economic, operating, development and trading assumptions about events and actions that have not yet occurred and may not necessarily occur.

There is a degree of subjectivity involved in the preparation of the Forecasts and Pro-forma Statement of Financial Position. Accordingly, investors should have regard to the investment risks set out in the Section 20 of the PDS.

## 4 STATEMENTS

### 4.1 Preparation and Presentation

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the Forecasts and pro-Forma Statement of Financial Position have not been properly prepared and presented in accordance with:

- the underlying assumptions set out in Section 17 of the PDS.
- the recognition and measurement principles prescribed in Accounting Standards and other mandatory professional reporting requirements in Australia;
- the accounting policies of the Trust; and
- the Trust's Constitution

### 4.2 Assumptions

Based on our review, which is not an audit, nothing has come to our attention that causes us to believe that the assumptions underlying the Forecasts and Pro-forma Statement of Financial Position, when taken as a whole, do not provide a reasonable basis for the preparation of the Forecasts and Pro-forma Statement of Financial Position.

The underlying assumptions of the Forecasts and Pro-forma Statement of Financial Position are subject to significant uncertainties and contingencies often outside the control of the Responsible Entity. If events do not occur as assumed, actual results and distributions achieved by the Trust may vary significantly from the Forecasts and Pro-Forma Statement of Financial Position. Accordingly, we do not express an audit opinion on the Forecasts or Pro-forma Statement of Financial Position, nor can we confirm or guarantee the achievement of the Forecasts or Pro-forma Statement of Financial Position, as future events, by their very nature, are not capable of Independent substantiation.

## 5 INDEPENDENCE, DISCLOSURE OF INTERESTS AND OTHER INFORMATION

The only pecuniary or other interest that Eric Allan & Co Pty Ltd has in relation to the PDS arises from the right to receive a professional fee for the preparation of this Report and other related advice. This is disclosed in Section 26 of the PDS.

Except for the above, Eric Allan & Co Pty Ltd has not received, nor will receive, any pecuniary or other benefit, whether direct or indirect, for or in connection with the making of this Report. Eric Allan & Co Pty Ltd was not involved in the preparation of any other part of the PDS and did not authorise or cause the issue of any other part of the PDS. Accordingly, Eric Allan & Co Pty Ltd makes no representations or warranties as to the completeness or accuracy of the information contained in any other part of the PDS.

Eric Allan & Co Pty Ltd consents to the inclusion of this Report in the PDS in the form and context in which it is included. At the date of this Report, this consent has not been withdrawn.

Yours faithfully



Eric J Allan

Eric Allan & Co. Pty Ltd

The Directors  
Quantum Syndicate Management Limited  
Level 9 Quantum House  
49-51 York Street  
SYDNEY NSW 2000

Level 16  
25 Bligh Street  
Sydney NSW 2000  
Australia

Correspondence  
GPO Box 4736  
Sydney NSW 2001  
Australia

Tel: 61 (2) 9231 3088  
Fax: 61 (2) 9231 3488  
RobertRichards@revcorplaw.au.com

15 October 2004

Dear Sirs,

Quantum Property Trust No. 12  
Quantum Property Syndicate No. 12  
Taxation Report

## PREAMBLE

This report has been prepared for inclusion in a Product Disclosure Statement ("PDS") to be dated on or about 15 October 2004 to be issued by Quantum Syndicate Management Limited ("Quantum") whereby:

1. A trust to be known as Quantum Property Trust No. 12 ("the Trust") and a syndicate to be known as Quantum Property Syndicate No. 12 ("the Syndicate") will be formed to acquire property being strata lots 5, 6, 7 and 8 in Strata Plan 1494 ("the Property"). The strata lots provide the owner of those lots (which on completion of the acquisition will be Tower Trust Limited as custodian of the Trust and the Syndicate) with interests in Lots 5, 6, 7 and 8, The Wharf, Cowper Wharf Road, Woollloomooloo, New South Wales ("the Wharf");
2. The Wharf is owned by the Waterways Authority. The Waterways Authority will provide a long term leasehold to Tower Trust Limited;
3. Persons ("Unit Holders") will be invited to acquire units ("the Units") in the Trust;
4. Persons ("Owners") will be invited to acquire interests in the Syndicate;
5. On acquisition of the Property the Property is to be leased (to non-associated lessees on arm's length terms).

Unit Holders and Owners might be individuals, trusts, companies or superannuation funds. The Trust and the Owners will acquire the Property jointly. Quantum will manage the Property.

The Trust will be a "widely held trust" as defined by section 71(1A) of the Superannuation Industry (Supervision) Act 1993 (the "SIS Act").

The Trust and the Syndicate have expected 6 years lives unless persons holding 75% or more of the interests in the Trust and the Syndicate vote to extend that term. I am instructed that it is expected that the term will be extended; that is investment in Units and in the Syndicate will be long-term investments.

Settlement of the Property is expected to be on or before 21 December 2004.

## B TAX ON RENTAL OF PROPERTY

### Unit Holders

#### Summary.

A Unit Holder's interest in income derived by the Trust from rental of the Property would be derived by reason of the Unit Holder's ownership of units in the Trust.

In summary the relevant law is as follows:

- o Unit Holders (and not the trustee of the Trust) will be assessed on the net income of the Trust to which they are presently entitled (see section 97 of the Income Tax Assessment Act 1936). The constitution of the Trust has been drafted to ensure that as at each 30 June the Unit Holders are presently entitled to all of the net income of the Trust derived for that year ended on that 30 June;
- o The trustee of the Trust will only be assessed on net income of the Trust to which no Unit Holder is presently entitled (section 98 of the Income Tax Assessment Act 1936). It is envisaged that there will be no such income;
- o Unit Holders will not be entitled to offset a share of any losses of the Trust (incurred for tax purposes) against their own assessable income (the Trust however can carry forward any such losses for offset against any of its future years' assessable income);
- o If the Trust derives a capital gain, a share of that capital gain will be included in the assessable income of any Unit Holder presently entitled to a share of the income of the Trust. A Unit Holder might be entitled to a "capital gains tax discount" as a consequence of being entitled to any such share;
- o Unit Holders who have not provided a tax file number to the Trust might have tax deducted from any distribution made to them at the highest marginal tax rate plus Medicare Levy (currently aggregating 48.5%).

#### Net income of the Trust.

So are as is presently relevant section 95 of the Income Tax Assessment Act 1936 states that "net income" in relation to a trust estate means the total assessable income of the trust estate calculated "as if the trustee were a taxpayer in respect of that income and were a resident, less all allowable deductions..."

#### Assessable income.

Assessable income of the Trust will include its share of:

- o lease income,
- o any income from the investment of surplus of not immediately distributable funds, and
- o any capital gains.

#### Allowable deductions.

Losses and outgoings deductible to the Trust would include its share of:

- o all operating losses (not being expenses of capital - such as expenses incurred in the acquisition of the Property - see section 8-1 of the Income Tax Assessment Act 1997);
- o depreciation and "building allowance" as allowed by Divisions 40 and 43 of the Income Tax Assessment Act 1997 of plant and the Trust's interest in the Property (I understand that you have received reports from Napier and Blakely Pty Ltd a summary of which will be attached to the PDS which provide details as to the aggregate amounts of Division 40 and 43 deductions which that firm believes will be available to the Trust and the Syndicate);

#### Capital gains.

#### Sale of the Property.

The Trust will not have acquired its interest in the Property as trading stock (which, broadly speaking, would mean that on sale of the Property the Trust will not be subject to the specific rules contained in the tax law applicable to trading stock).

Rather, on sale of the Property an amount would, if the Property is sold for more than its cost, be included in the assessable income of the Trust by reason of the "capital gains tax" provisions contained in Part 3 of the Income Tax Assessment Act 1997.

The cost base of the Property to the Trust will be reduced by any building allowance deduction available to the Trust. The cost base of the Trust's interest in the Property will not (for capital gains tax purposes) be indexed.

#### Disposal of Units.

If a Unit Holder disposes of Units held by him in the Trust that Unit Holder may be subject to capital gains tax (again assuming that the Units were not acquired as trading stock - if they were acquired as trading stock profits on sale of the Units would be assessed according to the "ordinary income tax" and losses on sale of the Units would be deductible according to the "ordinary income tax"). Generally, the "capital gains tax" rules are as indicated above.

#### Capital payments from the Trust.

Certain non-assessable distributions made by a Trust might reduce the cost base of a Unit Holder's Units in the Trust for capital gains tax purposes (by the amount of those distributions). If any such distributions exceed the cost of those units those excess distributions may be subject to capital gains tax. I am instructed that Quantum does not believe that there will be any such distributions.

#### Split trusts.

The Trust is not a "split property unit trust" and accordingly the Taxation Office's Taxation Ruling No IT 2684 (in which the Taxation Office states that only limited deductions are allowable to investors in such trusts) is not presently applicable.

#### Discount capital gains.

I am instructed that the Trust (and the Owners) will hold the Property for at least six years (and most probably longer).

As a consequence any gain made on disposal of the Property will be a "discount capital gain" (the Property being held for more than a year).

Only one half of the gain would be included in the assessable income of a Unit Holder being an individual. Only one third of the gain would be included in the assessable income of a Unit Holder being complying superannuation fund. No discount is allowed to a company.

#### Owners

Owners will hold direct ownership interests in the Property (notwithstanding that the Property is to be registered in the name of Tower Trust Limited).

The assessable income of an Owner will include any share of that Owner in lease income from rental of the Property, any income from the investment of surplus funds, and any capital gain made on sale of the Property.

An Owner will be entitled to allowable deductions for any share of that Owner in operating losses, and depreciation and "building depreciation" (see above) incurred by or allowed to the Syndicate.

Only one half of a capital gains (as referred to above) would be included in the assessable income of an Owner being an individual. Only one third of the gain would be included in the assessable income of an Owner being a complying superannuation fund. No discount is allowed to a company.

## C BORROWINGS

### Interest - Outline of Structure

It is envisaged that Owners would borrow ("the Borrowings") to acquire interests in the Property.

I have been instructed that:

- (i) it is Quantum's intention that all interest on the Borrowings be prepaid. Normally prepayments will be for 12-month periods from 1 July to 30 June (so as to match the accounting periods of the Syndicate);
- (ii) there are commercial advantages in prepaying interest. If the interest is prepaid the lender will provide the borrower with a rate discount. A prepayment of interest is a cost effective way of "fixing" the rate of interest; rental payable on the leases of the Property will be primarily based on the turnover of the lessees. Quantum believes that it should limit prepayments of interest until it has had the opportunity of evaluating the consistency of rental income;
- (iii) Quantum wishes to ensure that as at June 2005 that if it wishes to prepay interest it then has sufficient funds to make any such prepayment;
- (iv) accordingly Quantum proposes that each Owner will pay to it at the time of lodging an application for an interest in the Syndicate (in addition to any other amounts) a sum equal to the first 6 months of interest to be paid as a consequence of a Borrowing and by way of an "Interest Security Deposit" a sum equal to the expected cost of prepaying a further 12 months of interest in June 2005;
- (v) the Manager will in November /December 2004 prepay (on behalf of each Owner) the first 6 months of interest;
- (vi) the Manager will invest the total amount of "Interest Security Deposits" as interest bearing deposits (the deposits may be with the lender of the Borrowing but the Manager is not obliged to make that deposit with that lender and its expectation is that it will not make those deposits with that lender);
- (vii) in June 2005 the Manager may withdraw that deposit and use the proceeds to pay to the lender a further 12 months interest (in advance). Quantum is not obliged to make any such prepayment of interest - it is a decision that will be made by Quantum in May / June 2005;
- (viii) if the total of the "Interest Security Deposits" are not then withdrawn they will remain invested as interest bearing deposits and will be called upon by Quantum as needed for the purposes of the Syndicate;
- (ix) each subsequent June until the Borrowing is repaid the Manager may pay to the lender a further 12 months interest in advance;
- (x) each payment of interest is for more than \$1,000.

The Property is to be leased. I am instructed that an Owner in acquiring an interest in the Property would expect that in due course (and whilst the Owner holds an interest in the Property) the total amount of assessable income which would be derived by the Owner would exceed all interest and other costs (see below) incurred by the Owner as a consequence of any such borrowing. Whilst there will be some delay before this will be achieved I am instructed that this is a feature of normal commercial negatively geared investments.

#### Deductibility -General

That is for the purpose of the Income Tax Assessment Act 1997 interest would have been incurred by the Owner "in gaining or producing [his] assessable income" (see section 8-1 of the Income Tax Assessment Act 1997).

Accordingly (and subject to my comments below) any such interest expense would be deductible for tax purposes.

## Prepayments

The Income Tax Assessment Act 1936 contains provisions that limit the ability of taxpayers to obtain outright deductions for "advance expenditure" (if these provisions are applicable the expenditure would only be deductible on a pro rata time basis).

These provisions are not presently relevant. In particular Sections 82 KZME of that Act which applies where expenditure is incurred as part of a "tax shelter arrangement" has no present relevance. This is because that provision does not apply to expenditure, which is interest on money, borrowed to acquire "real property or an interest in real property" (Section 82 KMZE (5) of that Act). An Owner would borrow to acquire an "interest in real property" (the Property will be an "interest" in real property).

## Guarantee Fees

It is also envisaged that the Trust would guarantee ("a Guarantee") those Borrowings. It would do so by way of mortgage of its interest in the Property.

Each Owner would pay the Trust a fee (a "Guarantee Fee") for the provision of a Guarantee. This will mean that the Borrowings made by Owners to acquire an interest in the Property would effectively be non-recourse.

If an Owner's interest in the net income of the Syndicate of a year plus any unused portion of any "Interest Security Deposit" is insufficient to pay a Guarantee Fee due by the Owner to the Trust or any interest payable by the Owner on a Borrowing the Trust will lend to the Owner sufficient funds (equal to the difference between the amount of the Guarantee Fee and the amount of that interest and the Owner's interest in the net income of the Syndicate for that year) to enable the Owner to fully pay the amount of any such Guarantee Fee and interest. This is discussed further below.

I am instructed that any such guarantee fee will be set at a commercial rate and will be equivalent (or less) to that which the Owner would need pay on an arm's length basis to an arm's length guarantor to acquire such a guarantee.

In particular, the aggregate of interest and guarantee fees payable by an Owner to acquire an interest in the Syndicate would be equal to or less than what the Owner would pay if the Owner made an arm's length unsecured borrowing to acquire an interest in the Property.

I am also instructed that any guarantee fee so payable by an Owner will be paid twelve monthly in arrears.

In my opinion an Owner will be entitled to be a deduction for the amount of any such fee for which he is liable (pursuant to section 8-1 of the Income Tax Assessment Act 1997) on a daily basis. Given that the term of each loan is for no more than one year (and even assuming that the "guarantee fees" are "borrowing costs" which I do not believe is the case) I believe that section 25-25 of the Income Tax Assessment Act 1997 is not presently relevant (that section limits the deductibility of borrowing costs of a loan to the life of a loan or five years whichever is the shorter).

## Additional borrowings.

If an Owner's share of net income of the Syndicate (for a financial year) is less than the amount required by the Owner to pay the Trust a "guarantee fee" the Trust will lend the Owner that amount. The loan will be non-recourse. The Trust will charge the Owner interest (at an arm's length commercial interest rate) for the provision of this facility. Interest on any such borrowing might also be paid twelve monthly in advance.

For similar reasons as discussed above in respect of interest on borrowing to acquire units I believe interest on borrowings to fund the payment of "guarantee fees" would be similarly deductible.

## D PART IVA

Notwithstanding my comments above Part IVA of the Income Tax Assessment Act 1936 also requires consideration. That Part contains the "general anti tax avoidance" provisions.

That Part applies where a taxpayer receives a "tax benefit" which includes (so far as is presently relevant) "a deduction being allowable to the taxpayer in relation to a year of income where the whole or a part of that deduction will not have been allowable, or might reasonably be expected not to have been allowable, to the taxpayer in relation that year of income if the scheme had not been entered into or carried out." The Part only applies where a scheme was entered into for the dominant purpose of allowing a taxpayer to receive such a "tax benefit".

If Part IVA applies the Commissioner of Taxation can reverse any such tax benefit otherwise allowable to a taxpayer. The Commissioner can impose penalties of up to 50% of any (broadly speaking) tax shortfall. Additional tax by way of interest might also be imposed (calculated from time the taxpayer should have paid any such tax shortfall).

I have considered the application of Part IVA to:

- o the payment of interest by an Owner on borrowings to fund the acquisition of an interest in the Property (including prepayments of any such interest);
- o the payment by an Owner of an "Interest Security Deposit";
- o the payment by an Owner of a "guarantee fee", and
- o the payment by an Owner of interest on a borrowing made to fund the payment of a "guarantee fee".

A scheme will only be a scheme to which Part IVA applies if (so far as presently relevant) a taxpayer first obtained a "tax benefit" (section 177C of the Income Tax Assessment Act 1936) and it "would be concluded that the person, or one of the persons, who entered into or carried out the scheme or any part of the scheme did so for the purpose of enabling the relevant taxpayer to obtain a tax benefit in connection with the scheme" (section 177D of the Income Tax Assessment Act 1936).

A "tax benefit" (again so far as is presently relevant) is the allowance of a deduction which would not otherwise be allowable had the scheme not been entered into or carried out. Under the proposed "scheme" (and any arrangement is a "scheme") owners would claim deductions for interest expense (including pre-paid interest expense) and "guarantee fees" payable by them. These deductions would be "tax benefits".

However (as already noted) it is not enough that a taxpayer might be entitled to a "tax benefit". Rather it has to be concluded that the scheme was entered into to allow the taxpayer to achieve a "tax benefit". Section 177D(b) of the Income Tax Assessment Act 1936 lists those criteria to which regard must be had in determining the purpose of a scheme; those criteria (and my observations) are as follows:

### i) The manner in which the scheme was entered into or carried out

Whilst the arrangement is being promoted by Quantum to clients of that firm and entities associated with that firm those clients expect that firm and those entities to identify commercial investment opportunities for them. That is they do not look to that firm and those entities for mere "taxation planning opportunities". Quantum or associated entities manage other projects that are primarily designed to allow investors access to commercial real estate investment opportunities and the current proposal is similar to those other projects. Accordingly I do not believe this factor is of present relevance;

### ii) The form and substance of the scheme

Both the form and substance of the scheme are commercially explicable. Accordingly I do not believe this factor is of present relevance;

iii) The time at which the scheme was entered into and the length of the period during which the scheme was carried out.

Participants in the scheme will acquire their interests and pre-pay 6 months of interest in either November or December 2004. That is the acquisition of interests in the Syndicate and the repayment of the first tranche of 6 months interest is not a year-end tax scheme.

Accordingly I do not believe that the timing of these payments is of any present relevance.

I am instructed that there is no obligation on the Owners for there to a further prepayment of 12 months of interest in June 2005.

Obviously the timing of such a payment (adjacent to the close of a tax year) is indicative of a tax purpose -however I am instructed that other commercial factors are of more importance to or for the Owners than this factor.

iv) The result in relation to the operation of (broadly speaking) the tax law that, but for Part IVA, would be achieved by the scheme.

Participants will be entitled to a tax deduction for the interest and the "guarantee fee" (the payment of a "guarantee fee" will not increase the total amount payable by an Owner were the Owner to borrow on an unsecured basis) in the years in which the amounts are or may be paid.

Certainly the arrangement will initially be "cash negative". However I am instructed that investors in real estate frequently "negatively gear" to allow them to acquire investments which subsequently can be expected to be "tax positive". I am also instructed that it is usually the case that the return on the leasing of real estate to be less than the interest cost on any borrowings which might be required to acquire the real estate. However the arrangement is a long term arrangement and is expected to turn "tax positive".

Accordingly I do not believe this factor is of present relevance.

v) Any change in the financial position of a relevant taxpayer that has resulted, will result or may reasonably be expected to result from the scheme

Unit Holders and Owners will have incurred expenditure to acquire an asset. Owners will have paid interest and guarantee fees. However there is nothing untoward in this. Accordingly I do not believe this factor is of presently relevance.

vi) Any change in the financial position of any person who has, or has had, any connection (whether of a business, family or other nature) with the relevant taxpayer, being a change that has resulted, will result or may reasonably be expected to result from the scheme.

A relevant taxpayer would be an Owner. There are no changes on any present relevance to any person associated with such an Owner;

vii) Any other consequences for the relevant taxpayer, or for any person referred to in sub-paragraph (vi), of the scheme having been entered into or carried out.

None.

viii) The nature of any connection (whether of a business, family or other nature) between the relevant taxpayer and any person referred to in subparagraph (vi).

None.

## E COMPLYING SUPERANNUATION FUNDS

A fund will be "complying superannuation fund" and thus taxed at a 15% "concessional" tax rate if (so far as is presently relevant) the fund is a "regulated superannuation fund" and if "the trustee did not contravene any of the regulatory provisions in relation to the entity in respect of the year of income" (section 42 of the SIS Act).

A "regulatory provision" is a provision of the SIS Act or a regulation made pursuant to that Act (section 38A of the SIS Act).

No borrowing. One such provision is the section 67 (of the SIS Act) "no borrowing rule", section 67 stating - subject to a few exceptions not presently relevant - that the trustee of a regulated superannuation fund must not "borrow money".

The giving of a guarantee (by the trustee of the Trust) will not be the borrowing of money by a fund (or for that matter by the Trust).

Guarantee. Section 34 of the SIS Act 1993 states that "The trustee of a superannuation entity must ensure that the prescribed standards applicable to the operation of the entity are complied with at all times".

Section 31(1) (of the SIS Act) states that "The regulations [to the SIS Act] may prescribe standards applicable to the operation of regulated superannuation funds".

Regulation 13.13 (to the SIS Act) states (so far as is presently relevant):

"For the purposes of subsections 31(1)... of the [SIS] Act, it is a standard applicable to the operation of regulated superannuation funds ... [that] the trustee of fund must not recognise, or in any way encourage or sanction, a charge over, or in relation to a members benefits" in or of a fund.

The provision of a charge by the Trust will not be the recognition of a charge by a fund over or in relation to a member's benefits in a fund. Whilst a fund by reason of being a party to the investment arrangement the subject of the PDS recognises that the Trust will charge its interests in the Property this charge will not be over or be in relation to a member's benefits in or of a fund.

In house assets. A superannuation fund will fail an "in house asset" test if the ratio of the market value of the "in house assets" of the fund to the market value of the total assets of the fund exceed 5% (section 75 and 82 of the SIS Act).

A "widely held unit trust" (such as the proposed Trust) will not be an "in house asset" (section 71(i) (h) of the SIS Act).

## CONSENT

Robert Richards and Associates has concented to this report being included in the proposed PDS and has not withdrawn that concent.

## DISCLAIMER

This report only provides a general overview of the income tax consequences to Unit Holders and Owners. Individual Unit Holders and Owners should form their own opinion (including consulting with their own - if any - professional advisers) about their specific taxation circumstances. I have not undertaken a review of the accuracy of any fact or assumption contained in the Product Disclosure Statement.

Yours faithfully



Robert Richards

## 24 Syndicate and Trust Constitutions

### Syndicate Constitution

This section summarises the main terms of the Syndicate Constitution. The duties and responsibilities of the Manager relevant to the Syndicate are set out in the Syndicate Constitution.

### Holding of Property and Management of the Syndicate

The Manager is responsible for the Assets and has instructed a Custodian to hold those Assets on behalf of the Owners. Quantum as the Manager will manage the Syndicate in accordance with the Constitution and has full and complete powers and management of the Property.

### Establishment of the Syndicate

The Manager shall stand possessed of the Assets for the Owners from time to time subject to the terms of the Constitution.

### Authorised investments

The Manager must not invest Contributions except in:

- i) The Property;
- ii) Improvements, extensions, maintenance and refurbishment of the Property;
- iii) Bank or cash deposits; and
- iv) Short dated fixed interest securities maturing within 366 days.

### Duration of the Syndicate

The Syndicate will:

- i) Run for 6 years from the date of the Constitution; and
- ii) All Property must be sold prior to the sixth anniversary unless 75% of Owners agree for a further period, which must be not more than 12 years from the date of the Constitution.

### Application for Interests

Every Applicant wishing to acquire an Interest in the Syndicate must lodge an application form as attached to this PDS, stating the amount of their Contribution. The Manager has the sole discretion to accept or reject the application either in whole or in part. The Owners acknowledge the terms of this Constitution upon completing and lodging an application as attached to this PDS and agree to be bound by the terms of the Constitution.

### Further Contributions

The Manager may request all Owners to make Further Contributions.

If, in the Manager's reasonable opinion, the Syndicate requires a Further Contribution, the Manager must give to each of the Owners a notice specifying:

- (i) The circumstances which give rise to the need for the Further Contribution; and
- (ii) The amount of the Further Contribution which each Owner is required to pay to the Manager on behalf of the Syndicate.

The amount of any Further Contribution, which an Owner must pay to the Manager, will be in proportion to their Interest in the Syndicate and such Further Contribution will be required to be paid within fourteen (14) days of the notice.

If an Owner has not paid its Further Contribution, interest at the rate of twelve (12%) per annum (the Manager may at its absolute discretion waive any interest or increase the rate of interest) will be charged on the Further Contribution.

If the Further Contribution and interest is unpaid within ninety (90) days by Special Resolution shall determine what further action (if any) is required to enforce or recover the Further Contribution, including but not limited to a reduction of the defaulting Owner's Interest by the amount of the Further Contribution and interest.

### Income of the Syndicate

As at the 30th June each year an Owner shall be presently entitled to that share of the Net Income of the Syndicate calculated according to the number of Interests held by them in proportion to the aggregate number of Interests issued by the Syndicate and shall be entitled to immediate payment of that amount. The Manager may deduct tax prior to making a payment of income.

### Sale of Interests

The Manager is not obliged during the continuance of the Syndicate, to repurchase from the Owner, or to cause the redemption of any Interests. The Manager does not intend to list the Syndicate on an exchange.

### No redemption or buy-backs

The Manager is not obliged during the continuance of the Syndicate, to re-purchase from the Owner, or to cause the redemption of any Interests.

### Retirement and Removal of Manager

The Manager will retire, within thirty (30) days of being served a written notice by Owners who agreed by Special Resolution, that the Manager should retire, or if the Manager is placed into liquidation other than for the purpose of amalgamation, reconstruction or a purpose of a similar kind, or in official management; or if the Manager ceases to carry on business; or if a receiver and manager is appointed in relation to the property of the Manager and is not removed within ten (10) days of appointment.

### The Manager's Fees

The Manager is paid a fee of five percent (5%) of the valuation of the Property of which approximately 2% will be passed on in marketing fees. In addition the Manager may deduct a fee equal to 7% of the gross income of the Property or 0.75% of the value of the Assets or \$80,000.00 per annum, whichever the greater, which will be indexed each year in accordance with movements in the Consumer Price Index or the value of the Assets.

An additional management fee may be paid by the Syndicate for the services provided by the Manager during the period in which it acted. That additional management fee shall be equal to an amount of six percent (6%) of the gross sale price of the Property (if it is sold) or six percent (6%) of the value of the Property at the Date of valuation. This is reduced to three percent (3%) if the Property has not increased in value (after deducting from the actual cost of any capital improvements to the Property) by an amount which represents an increase of five percent (5%) per annum (simple interest) over the purchase price of the Property.

### Responsible Entity's powers

The Manager has the power to purchase Property and to Loan monies for the Syndicate and to manage the Syndicate in a manner that maximises the return on the Assets.

### Expenses of the Manager

All costs, charges and expenses properly incurred and Taxes imposed in connection with the administration, establishment and management of the Syndicate and incurred by the Manager or any agent engaged by the Manager shall be paid out of the Assets.

### Arrange Loans

In accordance with the Constitution, the Manager may, from time to time, on behalf of the Owners:

- (a) Arrange Loans from a financier to the Syndicate;
- (b) Execute such Loans and any replacement Loans for and on behalf of the Syndicate; and
- (c) Apply such Loans as payment of Contributions and Further Contributions.

### Termination of the Syndicate

Generally the Syndicate will terminate:

- i) Upon a Resolution (50% of Owners);
- ii) Upon an order of a court;
- iii) When the Manager determines the Syndicate purpose can not be satisfied;
- iv) Upon six years from the date of the Constitution.

### Termination Cancelled

The termination will be cancelled if more than 75% of Owners agree to continue the Syndicate for such further period (of not more than twelve (12) years from the Commencement Date) as the Manager might nominate; and more than seventy five per cent (75%) of the Owners are in favour of the Syndicate continuing.

### The Custodian

The Manager shall appoint Tower Trust Limited as the Custodian for the Syndicate (refer section 22 for details of the Custodian deed).

### Annual Accounts to Owners

The Manager shall cause accounts of the Syndicate to be prepared in respect of every year ended 30 June. The accounts of the Syndicate must be prepared in accordance with generally accepted accounting principles and must be audited and reported on as the Manager determines. The Manager must keep proper accounts of the Syndicate or cause them to be kept. The Manager if required by Law or by resolution of Owners, will appoint an auditor for the Syndicate and may replace any auditor.

### Trust Constitution

In so far as applicable, the terms of the Constitution for the Trust mirror the provisions contained in the Syndicate Constitution.

Appropriate amendments have been made so that the Trust Constitution is applicable to the circumstances of the Trust and, in particular, reflects the Investors interest as Unit Holders in the Trust, the Managers position as the Responsible Entity of the Trust and the assets of the Trust as being an Interest in the Syndicate.

Further specific provisions have been inserted to facilitate a vote in any Owner's meeting concerning the Syndicate to be made by the Trust on behalf of the Unit Holders. The mechanism put in place allows for the Unit Holders to hold a prior meeting and resolve the manner in which the Trust is to have its vote recorded for the full value of the Trust's Interest in the Syndicate at the Syndicate meeting. The resolution required at the Unit Holders meeting is the same resolution which is required under the Corporations Act for the subject matter of the Syndicate meeting.

Under the Trust Constitution, the Manager is entitled to fees to the same extent as under the Syndicate Constitution. However for as long as the Manager is the Manager it will not charge or collect fees as Manager of the Trust. In other circumstances, the fees payable will be the same as they are for the Syndicate.

### Manager may convene a meeting

The Manager may at any time convene a meeting of Owners.

### Requisitions for meetings

If the Manager receives in writing by the Owners, who are entitled to cast at least ten percent (10%) of all votes that may be cast at a meeting, a request that the Manager convene a meeting, the Manager must convene a meeting of Owners within sixty (60) days of receiving that request.

### Conduct of proceedings

Every Owner is entitled to be present in person or to be represented by proxy. An Owner being a corporation is entitled to appoint a representative in accordance with the Corporations Law. Every Owner present in person or by proxy or by representative has one vote on a show of hands and on a poll has a vote in proportion to their Interest registered by the Manager, before the meeting.

### A Poll

A poll may be demanded by not less than two (2) Owners holding not less than twenty five percent (25%) of the value of all Interests or any seventy five percent (75%) of Owners present in person or by proxy or by representative or by the chairperson.

### Voting

On a show of hands, each Owner present in person or by proxy has one vote. Upon a poll every Owner present in person or by proxy will have one vote for each 1% (or fraction of that percentage) of the total of all Interests in the Syndicate which the Owner holds. Subject to the Constitution all motions will be decided by a majority vote. In the case of joint holders, only the person whose name appears first in the relevant register may vote.

### Quorum

A quorum for a meeting is at least two (2) Owners who hold in aggregate at least 25% in value of the Interests or any four (4) Owners. Persons need not be physically present but can be present by proxy.

### Modifications to Syndicate Constitution

The Manager may make any modification to the Syndicate Constitution with the consent of a Special Resolution of Owners, or without that consent if the Manager reasonably considers the modification does not adversely affect the rights of Owners.

### Sale of Any Property

The Manager must consult with Owners before the sale of any part of the Property and arrange for the sale and marketing of the Property (including agreeing to the terms of the sale). The sale price must not be less than agreed by Special Resolution (or failing this) by the Manager.

## 25 Other Important Issues

### Insurance

The Manager will ensure that public risk insurance, replacement buildings insurance and workers' compensation insurance are effected in relation to the Property with a respectable and responsible insurance company.

### Audit - Accounts and Compliance Plan

The Manager will appoint a registered company auditor to audit the accounts of the Syndicate for each financial year and the Compliance Plan for each financial year.

### Compliance Plan and Committee

The Manager must establish, maintain and operate a Compliance Committee in accordance with the Corporations Law for both the Trust and the Syndicate. The Manager must also develop and maintain a Compliance Plan in accordance with the Corporations Law (including arranging for an annual audit).

### Labour standards and environmental, social or ethical considerations

The Manager does not take into account labour standards and environmental, social or ethical considerations for the purpose of selecting, retaining or realising investments for the syndicate. While the Manager's due diligence on the Property has not raised any matters of concern from an environmental perspective, it is possible that the property could require remediation for environmental issues and this would generally be factored into any decision to sell, purchase or retain the property.

### Complaints Handling

If an Investor has a complaint regarding the Manager or any other area in relation to the operation of the Syndicate, such complaint can be sent to the Manager and a reply and suggested solution

regarding the complaint will be sent within 14 days back to the Investor. The Manager has appointed a Complaints Officer to deal with complaints in relation to the Syndicate who reports to the directors of The Manager. The Manager must provide adequate resources to allow the Complaints Officer to undertake the role, the Manager and the Complaints Officer must take all reasonable steps to resolve any complaints.

The Manager is a member of the Financial Industry Complaints Service (FICS) a complaints resolution scheme satisfactory to ASIC. If you are not satisfied with how we respond to your complaint, you can contact FICS. FICS address is PO Box 579, Collins Street West, Melbourne Victoria 8007, or you may call them on 1300 780 808.

### Indemnity

The Manager, its offices and the members of the Compliance Committee are each indemnified out of the Syndicate Property for all liabilities and outgoings reasonably and properly incurred by them in performing their respective functions and duties, except as a result of conduct involving a lack of good faith or a breach of the Corporations Law.

### Limitation of liability

Except in the case of neglect, deceit, breach of covenant or breach of the Corporation Law, none of the Manager nor the members of the Compliance Committee are liable to account to or to indemnify any person for anything done in good faith in the performance of their respective functions and duties and the exercise of their respective powers.

### Best interests of Owners paramount

The Manager will perform its functions and exercise its powers in the best interests of Owners and not in the interests of the Manager if those interests are not the same as those of Owners generally.

## 26 Additional Information

### Documents available for Inspection

Copies of the following documents are available for inspection during normal office hours at the office of the Manager from 12 months after of this PDS:

- Syndicate and Trust Constitutions; and
- Compliance Plan.

### Brokerage

Brokerage may be payable out of the proceeds of the management fee payable to the Manager.

### Cooling-Off

The Corporations Act 2001 provides that since the Syndicate and Trust will not be a liquid scheme as defined by that Act, when applications for Interests are accepted, applicants may not exercise any cooling off rights they would have if the Syndicate or Trust was a liquid scheme.

### Consents

Tower Trust Limited has given and has not, before lodgement of this PDS with ASIC, withdrawn its consent to be named in this PDS as the Custodian in the form and context in which it is named.

Tower Trust Limited does not make, or purport to make, any statement that is included in this PDS and there is no statement in this PDS which is based on any statement by Tower Trust Limited. To the maximum extent permitted by law, Tower Trust Limited expressly disclaims and takes no responsibility for any part of the PDS other than the references to its name. Tower Trust Limited does not guarantee the repayment of capital or any particular rate of capital or income return.

Michell Sillar Lawyers has given and has not before lodgement of this PDS withdrawn its written consent to being named in this PDS as the purchase solicitor. Michell Sillar Lawyers has not authorised or caused the issue of any part of this PDS.

CB Richard Ellis Pty Ltd has given and has not before lodgement of this PDS withdrawn its written consent to being named in this PDS with its Valuation Report. CB Richard Ellis Pty Ltd has not authorised or caused the issue of any part of this PDS.

Napier Blakeley Consulting has given and has not before lodgement of this PDS withdrawn its written consent to being named in this PDS with its Technical Due Diligence Report (building report). Napier Blakeley Consulting has not authorised or caused the issue of any part of this PDS.

Feszt and Feszt Pty Ltd has given and has not before lodgement of this PDS withdrawn its written consent to being named in this PDS with its restaurant consultancy report. Feszt and Feszt Pty Ltd has not authorised or caused the issue of any part of this PDS.

UrbisJHD has given and has not before lodgement of this PDS withdrawn its written consent to being named in this PDS with its Retail Consultancy Report. Chesterton Corporate Property Advisors has not authorised or caused the issue of any part of this PDS.

Robert Richards and Associates has given and has not before lodgement of this PDS withdrawn its written consent to being named in this PDS as the Managers solicitor and providing a Taxation Opinion dated 10th October 2004. Robert Richards and Associates has not authorised or caused the issue of any part of this PDS.

Quantum Securities Pty Ltd (QS) has given and has not before lodgement of this PDS withdrawn its written consent to being named in this PDS. Quantum Securities Pty Ltd has not authorised or caused the issue of any part of this PDS.



Quantum Management Services Pty Ltd (QMS) has given and has not before lodgement of this PDS withdrawn its written consent to being named in this PDS. Quantum Management Services Pty Ltd has not authorised or caused the issue of any part of this PDS.

Eric Allan & Co Pty Ltd has given and has not before lodgement of this PDS withdrawn its written consent to being named in this PDS with its Independent Accountant's report. Eric Allan & Co Pty Ltd has not authorised or caused the issue of any part of this PDS. The Manager notes that Mr Eric Allan, a director of Eric Allan & Co Pty Ltd, may wish to invest in this Syndicate.

Napier & Blakeley Pty Ltd has given and has not before lodgement of this PDS withdrawn its written consent to being named in this PDS with its Depreciation Schedules report dated 7 October 2004. Napier & Blakeley Pty Ltd has not authorised or caused the issue of any part of this PDS.

## Disclosures of Interests

### Manager

At the date of this PDS, other than as disclosed in this PDS, the Manager does not have, and throughout the preceding two years the Manager has not had, any interest in the promotion of, or in any Property proposed to be acquired by, the Syndicate. The particular exception is that the manager will receive the fees referred to in section 7 and the reimbursement of the deposit fees paid refer to section 9. The Manager will only receive these fees if the Syndicate is fully subscribed for and the contract for the purchase of the Property is settled.

### Directors

At the date of this PDS, the Directors do not have, and throughout the preceding two years the Directors have not had, any interest in the promotion of, or in any Property proposed to be acquired by, the Syndicate other than declared below.

The Manager is owned by entities associated with and controlled by Peter G Gribble and Jonathan H Martin who are directors of the Manager.

### Associated Companies

At the date of this PDS, the Manager's ultimate holding company is Quantum Group Holdings Pty Ltd (QGH), the Manager nor any subsidiaries of QGH do not have, and throughout the preceding two years these associated companies have not had, any interest in the promotion of, or in any Property proposed to be acquired by, the Syndicate other than:

Quantum Accounting Practice Pty Ltd (QAP) will provide accounting and taxation services to the Syndicate and collect a portion of the fees outlined in section 17. Peter Gribble, a director of the Manager, is a shareholder and director of this company.

Quantum Finances Pty Ltd (QF) will provide finance services to some Owners and collect the Finance fees outlined in section 12. This company is owned by entities associated with and controlled by Peter Gribble and Jonathan Martin who are directors of the Manager.

Quantum Securities Pty Ltd (QS) holds an AFS License and may receive brokerage for sale of Interests. This company is a wholly owned subsidiary of Quantum Group Holdings and is controlled by Peter Gribble, Jonathan Martin and Geoffrey Hodgkinson who are directors of the Manager.

Quantum Management Services Pty Ltd (QMS) may provide leasing and promotional services and receive fees for these services as outlined in this PDS. This company is owned by entities associated and controlled by Peter Gribble and Jonathan Martin who are directors of the Manager.

### Experts and Others

At the date of this PDS, and throughout the preceding two years the Manager is not aware that any expert, nor any firm or company associated with such expert, has any interest in the promotion of, or in any Property proposed to be acquired by, the Syndicate other than:

CB Richard Ellis Pty Ltd is to receive fees of \$10,000 from the Syndicate for its professional services in the preparation of the Valuation Report.

UrbisJHD is to receive fees of \$12,500 from the Syndicate for its Retail Consultancy Report dated October 2004 and summary report dated October 2004.

Feszt & Feszt is to receive fees of \$3,000 from the Syndicate for its Restaurant Consultancy Report dated September 2004.

Napier & Blakeley Pty Ltd is to receive fees of \$700 from the Syndicate for its professional services in the preparation of its Technical Due Diligence Report dated October 2004.

Robert Richards and Associates is to receive fees of \$10,000 from the Syndicate for its professional services in the preparation of the Taxation Report and providing corporation law advice and legal advice in preparation of the PDS, which the Manager will pay from his own funds.

Michell Sillar Solicitors is to receive fees of \$25,000 (budget) from the Syndicate for its professional legal services for the purchase and financing of the Property.

Eric Allan & Co Pty Ltd is to receive fees of \$10,000 from the Syndicate for its professional services in the preparation of the Investigating Accountant's Report.

External members of the Compliance Committee are entitled to receive a total annual fee of \$2,000 pa and increased by 3% per year during the term of the Syndicate, or as agreed by the Manager.

## 27 Glossary

Defined term	Definition
"Act"	means any statute, ordinance, code or law and any regulations thereunder.
"ASIC"	means the Australian Securities and Investments Commission.
"Applicant"	means a person wishing to become an Owner or a Unit Holder.
"Assets"	means Property and other assets of the Syndicate.
"Business Day"	means a day other than a Saturday, Sunday or public holiday in New South Wales.
"Compliance Committee"	means the committee appointed pursuant to the Corporations Law to ensure that the Responsible Entity administers the Syndicate in accordance with the Corporations Law, the Syndicate Constitution, the Trust Constitution and the Compliance Plans.
"Compliance Plan"	means the compliance plan for the Syndicate and the Trust.
"Contribution"	means the amount of consideration to be paid by an Owner to acquire an Interest in the Property or a Unit Holder to acquire a Unit.
"Corporations Act"	means Corporations Act 2001 (Cwlth)
"Custodian"	means Tower Trust Limited.
"Finance"	means funding provided by a financier for the benefit of Owners.
"Further Contribution"	means the amount of money which the Manager may require each Owner to pay to it on behalf of the Syndicate from time to time in accordance with the Syndicate Constitution
"Financier"	means a provider of Finance.
"Forecast Period"	means financial period from 21 December 2004 to 30 June 2009.
"Guarantee Fee"	means that fee paid by the Owners to the Trust from time to time in consideration of the Trust providing its Interest in the Property or other Assets as security for Finance.
"Investor"	means an Owner or a Unit Holder.
"Interest"	means the interest of an Owner or the Trust in the Property.
"Interest Security Deposit"	means an amount of the Owners Contribution equal to the approximate sum of one years interest on Finance
"Loan"	means a loan, a bill acceptance/discount facility or any other type of agreement for borrowing or raising money, made available to or to be entered into by, an Owner as arranged by the Manager.
"Loan Funds"	means loans provided by the Trust to Owners.
"Manager"	means Quantum Syndicate Management Limited or that person appointed pursuant to the Syndicate Constitution in lieu thereof.
"NLA"	means net lettable area of Property.
"Net Income of the Syndicate"	means the net income of the Syndicate as calculated for the purpose of section 90 of the Income Tax Assessment Act 1936 (or any similar provisions of any successor Act).
"NSX"	means the Stock Exchange of Newcastle Ltd
"Offer"	means an offer of an Interest pursuant to this PDS.
"Owner"	means each person who owns an Interest in the Property (not being a Unit Holder).
"Quantum"	means the Quantum group of companies.
"PDS"	means Product Disclosure Statement - this document.
"Property"	means the Property purchased by the Owners and the Trust (which shall be held by the Custodian).
"Real Estate"	means the Property.
"Reference Rate"	means for a year ended 30 June the rate set by the Manager, which shall be the average of the monthly Reserve Bank of Australia unsecured variable term rate for that twelve (12) months prior to that 30 June
"Register"	means the register of persons owning an Interest.
"Resolution"	means a resolution of Owners passed at a duly convened meeting, by postal ballot or by a circulating resolution of Owners where at least 50% of the votes cast are cast in favour of the resolution.
"Responsible Entity"	means the Manager.
"Special Resolution"	means a resolution of Owners passed at a duly convened meeting, by postal ballot or by a circulating resolution of Owners where at least 75% of the votes cast are cast in favour of the resolution.
"Syndicate"	means the Quantum Property Syndicate No.12 constituted under the Syndicate Constitution.
"Syndicate Constitution"	means that agreement between the Trust and the Owners as to the ownership, rental, and disposal of the Property.
"Total Syndicate Funding"	means the total Contributions under this PDS being \$25,033,490, not including Underwriting Interests/Units.
"Trust"	means that trust established to acquire an interest in the Property, being the Quantum Property Trust No.12.
"Trust Constitution"	means that the deed establishing the Trust.
"Underwriting Interests/Units"	means unsubscribed Interests and or Units purchased by the Manager.
"Unit"	means a unit in the Trust.
"Unit Holder"	means a person holding Units.
"Unit Price"	means the face value of a Unit.
"Valuation"	means the value of the Property as per the CB Richard Ellis Pty Ltd Valuation included in this PDS.
"Vendor"	means the seller of the Property.

## 28 Application Form

### Privacy Act 1988 (Cwth)- Collection Statement

If you complete the application form attached to this PDS, you may be supplying "personal information" as defined under the Privacy Act 1988 (Commonwealth) (Privacy Act).

You should be aware that:

- Personal information will be held at our office to maintain your holding and may be disclosed to other entities in the Quantum Group, but only for carrying out the uses therein.
- We will use your personal information for the following purposes:
  - assessing your application; and
  - communicating with you in relation to your holding and all transactions relating to the holding.
- While not all the personal information we ask you to supply is required by law, we may not be able to assess your application if the information is not supplied.
- You can contact us by phone, fax or email and request access to your personal information. In normal circumstances, we will give you full access to your personal information; however, there may be some legal or administrative reason to deny you access, in which case we will tell you the reason. Further, there may be some charge to give you full access where your request requires the compilation of personal information that has been archived or is significant in volume.

You can also obtain a copy of our privacy statement on by requesting it from us.

### Your Guide to the Application Form

Please complete all relevant sections of the application form for either the Syndicate or the Trust, using BLOCK LETTERS. These instructions are cross-referenced to each section of the relevant Application Form. Further particulars and the correct forms of registrable names to use on these application forms are contained in the table below. If you have any queries concerning the completion of this application form, please call our office on: 02-9262-4443.

- A. Insert the number of Interests you wish to apply for.
- B. Insert the relevant amount of Contributions for an Interest in either the Syndicate or Trust.
- C. Write the full name you wish to appear on the statements of your investment. This must be either your own name or the name of a company. Up to three joint Applicants may register. You should refer to the table below for the correct forms of registrable name. Applications using the wrong form of name will be rejected.
- D. Enter your Tax File Number (TFN) or exemption categories. Where applicable, please enter the TFN for each Applicant. Collection of TFNs is authorised by taxation laws. Quotation of your TFN is not compulsory and failure to do so will not affect your application.
- E. Please enter the postal address for all correspondence. All communications to you from the Manager will be mailed to the person(s) and the address as shown. For joint applicants, only one address can be entered. All applicants must provide an address in Australia.
- F. Please enter your telephone number(s), area code and contact name in case we need to contact you, plus an email address if you have one.
- G. Please complete cheque details as requested.
- H. Please read the declaration before signing the application form.
- I. The form is not validly completed unless signed by the Applicant(s). If signed under a power of attorney and the power attorney has not previously been noted by the Manager, the original, or a copy certified by a person authorised to witness statutory declarations, must be produced. Certified copies will be retained by the Manager. A company must affix its common seal. For companies with a sole director and sole secretary, this must be stated below the single signature.

Return your completed Application Form with your cheque(s) to:

**Mail** Quantum Syndicate Management Limited  
**To** GPO Box 2593  
SYDNEY NSW 2001

**Or**  
**Deliver** Quantum Syndicate Management Limited  
**To** Level 9, Quantum House,  
49 York Street,  
SYDNEY NSW 2000

### Applications will be treated on a "first come, first served" basis.

The attached PDS expires 12 months from the date of the PDS, and provides information about investing in Quantum Property Syndicate No.12 and Quantum Property Trust No.12. The Manager recommends that Investors read the PDS in its entirety before applying for an Interest.

Any person who gives another access to the application form must at the same time and by the same means provide access to the PDS and any supplementary document.

Printed copies of this PDS and any supplementary document are available free of charge on request from the Manager.

You should send in your application form as soon as possible to avoid disappointment.



### Correct Forms of Registrable Name

Only legal entities are allowed to hold Interests. Application must be in the name(s) of natural person(s), companies or other legal entities acceptable to the Manager. At least one full given name and the surname are required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of account designation if completed exactly in the example of correct forms of registrable name shown below.

Type of Investor	Correct form of registrable name	Incorrect form of registrable name
Individuals Use given names, do not use initials	John Alfred Smith	JA Smith
Companies Use company name, do not use abbreviations	ABC Pty Ltd	ABC P/L ABC Co
Trusts Use trustee(s) personal names, do not use name of the trust	Sue Smith <Est Jane Smith A/c>	Sue Smith Family Trust
Deceased Estates Use executor(s) names, do not use names of the deceased etc	John Alfred Smith	Estate of the Late Jane Smith
Clubs/ Incorporated Bodies/ Business Names Use office bearer(s) names, do not use name of the club etc	Michael Smith <ABC Tennis Association A/c>	ABC Tennis Association
Superannuation Funds Use name of trustee of funds, do not use name of the fund	Jane Smith Pty Ltd <Super Fund A/c>	Jane Smith Pty Ltd Superannuation Fund

# Quantum Property Syndicate No.12

- You should read the PDS carefully before applying.
- This application form should not be circulated separately from the PDS.
- Please follow the notes in completing this application form.
- The Responsible Entity has discretion to accept or reject incomplete applications.

PLEASE USE BLOCK LETTERS THROUGHOUT

## Applicant's name and address (Note 1)

Mr/Mrs/Miss/Ms

\_\_\_\_\_  
Surname

\_\_\_\_\_  
Given Names

\_\_\_\_\_  
Contact Name and ACN (company or trust only)

ACN \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_

\_\_\_\_\_  
Address

\_\_\_\_\_  
Suburb

\_\_\_\_\_  
State

\_\_\_\_\_  
Post Code

\_\_\_\_\_  
Telephone Private

\_\_\_\_\_  
Telephone Business

\_\_\_\_\_  
Mobile

\_\_\_\_\_  
Facsimile

\_\_\_\_\_  
E-mail

## Investment Instructions (Note 2)

I/ We apply for an (tick one)

- an Interest in the Syndicate of \$ \_\_\_\_\_ made up as follows (initial Investors).
- an Underwriting Interest in the Syndicate of \$ \_\_\_\_\_ made up as follows (Interest from Quantum).

Capital \$ \_\_\_\_\_ with a loan of

Finance Required \$ \_\_\_\_\_ ( No, I do not require the Manager to arrange Finance).

Total amount provided being: \$ \_\_\_\_\_ Please ensure that you include, Contribution amount, Finance, Interest, Finance costs and Interest Security Deposit. (refer to section 13).

Cheque details: Bank: \_\_\_\_\_ Branch: \_\_\_\_\_

PLEASE MAKE YOUR CHEQUE PAYABLE TO "TOWER TRUST LIMITED-Quantum Property Syndicate No.12-[Applicant Name]" AND POST IT TO; QUANTUM SYNDICATION MANAGEMENT LTD, GPO BOX 2593, SYDNEY NSW 2000

Power

## of Attorney

If my application is accepted, I irrevocably appoint Quantum Syndicate Management Limited ACN: 086-965-684 ("my Attorney") (with power to appoint from time to time remove a substitute or substitutes) in accordance with and subject to the terms of the Syndicate Constitution and this PDS and authorize and empower my Attorney, in my name, or in either of both my Attorney' name:

1. sign all documents necessary to arrange and complete Finance facilities on terms not materially more onerous than those per this PDS on my behalf in the proportion my Interests bears to total issued Interests, including to execute agreements for the Finance in such form and substance as the Manager approves;
2. mortgage and/or charge my Interest in the Syndicate to the Financier of the Finance;
3. any Loans fall due prior to the sale of the Property, to roll them over and discharge them and enter into new Finance;
4. sign all documents necessary to arrange and complete further Finance ("Further Finance") for the purposes of improving, refurbishing, developing or maintaining the Property on my behalf in the proportion my Interests bear to the total issued Interests, including to execute for the Further Finance in such form and substance as the Manager requires;
5. make such amendments to loan documents as the Manager require, whether or not making changes to the parties; and
6. generally to do all other acts or things on my behalf which the Manager considers advisable, desirable or necessary in connection with in relation to Finance or a Further Finance and any of the transactions contemplated by a Finance or a Further Finance as the case may be.
7. I agree to ratify anything my Attorney does under this Power of Attorney and be bound together with any person claiming through or under me, by anything my Attorney does in exercising power under Power of Attorney.
8. Terms in this Power of Attorney have the same meaning as given to them in this PDS.

Continued next page



Income distribution instructions

- Cheque to the above address (payment may take an extra 7 days)
- or pay direct to bank:

\_\_\_\_\_

Account number:                      Account name:                      Branch code BSB:

(Please enter bank name)

Tax file number/exemption (Note 3)

Tax file number: \_\_\_\_\_/\_\_\_\_\_/\_\_\_\_\_ or Exemption: \_\_\_\_\_

Signature (Note 4)

We make this application on the basis set out in the accompanying notes.

Dated: \_\_\_\_/\_\_\_\_/200\_\_\_\_

Signature: \_\_\_\_\_ Signature: \_\_\_\_\_

Witness: \_\_\_\_\_ Witness: \_\_\_\_\_

IF THE APPLICANT IS A COMPANY THIS FORM MUST BE SIGNED BY TWO DIRECTORS UNLESS THE APPLICANT HAS A SOLE DIRECTOR. IF THE APPLICANT HAS A SOLE DIRECTOR WHO IS ALSO THE SECRETARY THAT PERSON MUST SIGN. IN BOTH CASES AND WRITE THE WORD "SOLE DIRECTOR" BESIDE EACH SIGNATURE.

<p>Authorised Investment Advisors and stockbrokers are entitled to receive brokerage and trail commissions. Any brokerage or trail commissions paid are the responsibility of the Responsible Entity and are paid by the Responsible Entity from its own remuneration.</p>		
Office: _____	Telephone: _____	Dealer/Advisor stamp
Advisor: _____	Adviser code: _____	

YOUR GUIDE TO THE APPLICATION FORM. PLEASE USE BLOCK LETTERS THROUGHOUT.

NOTE 1 An application must be by an individual, company or some other legal entity acceptable to The Manager. A company should state its ACN. Applications may be made by up to three individuals and/or companies in joint names. Applicants with a non-Australian address will be deemed non-residents for the purpose of the Income Tax Assessment Act 1936, (or successor Legislation), unless otherwise notified. The address you provide will be entered in the Register. Please provide your telephone numbers (including, in the case of an application by a company or a trust, the name of the person responsible) so that you can be contacted quickly if there is any irregularity in the application and in relation to calls for Contributions.

NOTE 2 Each application must be for a minimum of Contribution of \$433,273 (comprising \$47,398 equity, \$343,750 loan Finance, and \$18,406 interest and finance costs, \$23,719 Interest Security Deposit). Please make your cheque payable to TOWER TRUST LIMITED-Quantum Property Syndicate No.12-[Applicant Name]" and cross it 'not negotiable'. Attach your cheque securely to the application form.

NOTE 3 Please give your tax file number or exemption (as the case may be). You are not obliged to give your tax file number. However, if you do not, tax will be deducted by the Responsible Entity from distributions payable to you from the Trust at the highest marginal rate of income tax as increased by the Medicare levy. For more information about the use of tax file numbers or available exemptions, please read the booklet 'New Tax Rules for Savings and Investments' available from the Tax Office.

NOTE 4 The basis on which you make this application is as follows; You agree to take any number of Units equal to or less than the number of Units applied for. You agree, if paying only a deposit, to pay the balance when due in accordance with the PDS. If the balance is not paid as required, you agree that The Manager can forfeit the deposit. You agree to be bound by the terms of the Trust Constitution. You confirm that the details inserted on the application form are complete and accurate. Applications must be signed by the applicant and, in the case of joint applications, by both or all applicants. Those signing on behalf of a company should indicate the capacity (director or secretary) in which they do so. Another person who is over 18 must witness signatures. The witness DOES NOT need to be a Justice of the Peace or Solicitor.



# Quantum Property Trust No.12

- You should read the PDS carefully before applying.
- This application form should not be circulated separately from the PDS.
- Please follow the notes in completing this application form.
- The Responsible Entity has discretion to accept or reject incomplete applications.

PLEASE USE BLOCK LETTERS THROUGHOUT

## Applicant's name and address (Note 1)

Mr/Mrs/Miss/Ms

\_\_\_\_\_  
Surname

\_\_\_\_\_  
Given Names

\_\_\_\_\_  
Contact Name and ACN (company or trust only)

ACN \_\_\_\_\_ - \_\_\_\_\_ - \_\_\_\_\_

\_\_\_\_\_  
Address

\_\_\_\_\_  
Suburb

\_\_\_\_\_  
State

\_\_\_\_\_  
Post Code

\_\_\_\_\_  
Telephone Private

\_\_\_\_\_  
Telephone Business

\_\_\_\_\_  
Mobile

\_\_\_\_\_  
Facsimile

\_\_\_\_\_  
E-mail

## Investment Instructions (Note 2)

I/ We apply for an (tick one)

- a Contribution of \$ \_\_\_\_\_ for \_\_\_\_\_ [at \$1 per unit] Units in the Trust (initial Investors).
- a Contribution of \$ \_\_\_\_\_ for \_\_\_\_\_ [at \$1 per unit] Underwriting Units in the Trust.

Cheque details: Bank: \_\_\_\_\_ Branch: \_\_\_\_\_

PLEASE MAKE YOUR CHEQUE PAYABLE TO "TOWER TRUST LIMITED-Quantum Property Trust No.12-[Applicant Name]" AND POST IT TO; QUANTUM SYNDICATION MANAGEMENT LTD, GPO BOX 2593, SYDNEY NSW 2000

distribution instructions

Income

- Cheque to the above address (payment may take an extra 7 days)
- or pay direct to bank:

\_\_\_\_\_  
Account number: Account name: Branch code BSB:  
(Please enter bank name)

## Tax file number/exemption (Note 3)

Tax file number: \_\_\_\_\_ / \_\_\_\_\_ / \_\_\_\_\_ or Exemption: \_\_\_\_\_



### Signature (Note 4)

We make this application on the basis set out in the accompanying notes.

Dated: \_\_\_\_/\_\_\_\_/200\_\_\_\_

Signature: \_\_\_\_\_ Signature: \_\_\_\_\_

Witness: \_\_\_\_\_ Witness: \_\_\_\_\_

IF THE APPLICANT IS A COMPANY THIS FORM MUST BE SIGNED BY TWO DIRECTORS UNLESS THE APPLICANT HAS A SOLE DIRECTOR. IF THE APPLICANT HAS A SOLE DIRECTOR WHO IS ALSO THE SECRETARY THAT PERSON MUST SIGN. IN BOTH CASES AND WRITE THE WORD "SOLE DIRECTOR" BESIDE EACH SIGNATURE.

Authorised Investment Advisors and stockbrokers are entitled to receive brokerage and trail commissions. Any brokerage or trail commissions paid are the responsibility of the Responsible Entity and are paid by the Responsible Entity from its own remuneration.

Office: \_\_\_\_\_

Telephone: \_\_\_\_\_

Dealer/Advisor stamp

Advisor: \_\_\_\_\_

Advisor code: \_\_\_\_\_

YOUR GUIDE TO THE APPLICATION FORM. PLEASE USE BLOCK LETTERS THROUGHOUT.

#### NOTE 1

An application must be by an individual, company or some other legal entity acceptable to The Manager. A company should state its ACN. Applications may be made by up to three individuals and/or companies in joint names. Applicants with a non-Australian address will be deemed non-residents for the purpose of the Income Tax Assessment Act 1936, (or successor Legislation), unless otherwise notified. The address you provide will be entered in the Register. Please provide your telephone numbers (including, in the case of an application by a company or a trust, the name of the person responsible) so that you can be contacted quickly if there is any irregularity in the application and in relation to calls for Contributions.

#### NOTE 2

Each application must be for a minimum of Contribution of \$50,000. Please make your cheque payable to "TOWER TRUST LIMITED-Quantum Property Trust No.12-[Applicant Name]" and cross it 'not negotiable'. Attach your cheque securely to the application form.

#### NOTE 3

Please give your tax file number or exemption (as the case may be). You are not obliged to give your tax file number. However, if you do not, tax will be deducted by the Responsible Entity from distributions payable to you from the Trust at the highest marginal rate of income tax as increased by the Medicare levy. For more information about the use of tax file numbers or available exemptions, please read the booklet 'New Tax Rules for Savings and Investments' available from the Tax Office.

#### NOTE 4

The basis on which you make this application is as follows;

You agree to take any number of Units equal to or less than the number of Units applied for.

You agree, if paying only a deposit, to pay the balance when due in accordance with the PDS. If the balance is not paid as required, you agree that the Manager can forfeit the deposit.

You agree to be bound by the terms of the Trust Constitution.

You confirm that the details inserted on the application form are complete and accurate.

Applications must be signed by the applicant and, in the case of joint applications, by both or all applicants.

Those signing on behalf of a company should indicate the capacity (director or secretary) in which they do so.

Another person who is over 18 must witness signatures. The witness DOES NOT need to be a Justice of the Peace or Solicitor.





## 29 Directory

### Responsible Entity:

Quantum Syndicate Management Limited  
ACN: 086 965 684  
Level 9, 49 York Street  
SYDNEY NSW 2000  
Phone (02) 9262 4443  
Fax (02) 9262 2071  
[www.quantumgroup.com.au](http://www.quantumgroup.com.au)

### Directors:

Geoffrey Hodgkinson (Chairman)  
Peter Gribble  
Jonathan Martin  
James Maitland

### Custodian:

Tower Trust Limited  
80 Alfred Street,  
MILSONS POINT, NSW 2061  
Phone (02) 9448 9259  
Fax (02) 9465 2104

### Solicitors:

Michell Sillar Attorneys  
Level 21, Angel Place  
123 Pitt Street  
SYDNEY NSW 2000  
Phone (02) 9350 8205  
Fax (027) 9777 8100

### Investigating Accountant

Mr Eric Allan  
Eric Allan and Co. Pty Ltd  
Level 11, 37 Bligh Street  
SYDNEY NSW 2000  
Phone (02) 9232 4111  
Fax (02) 9223 1785

### Auditor:

Pascoe Whittle  
Level 8, 191 Clarence Street  
SYDNEY NSW 2000  
Phone (02) 9299 2444  
Fax (02) 9299 2423

### Taxation Advisor and Corporate Solicitor:

Robert Richards & Associates  
Level 16, 25 Bligh Street  
SYDNEY NSW 2000  
Phone (02) 9231 3088  
Fax (02) 9231 3488