# Passive Income (USA Commercial Property) Fund

ARSN 155 770 095

## Product Disclosure Statement

An unlisted property fund, capped at A$75 million, that seeks to generate passive income and growth returns by acquiring interests in a USA-based REIT structure that owns a diversified portfolio of commercial properties located in the United States of America



Issued by Plantation Capital Limited
ABN 65 133 678 029 AFSL No. 339481

Date issued: 18 July 2013

## IMPORTANT NOTICE

**Product Disclosure Statement**
This Product Disclosure Statement (PDS) relates to an offer to invest in the Passive Income (USA Commercial Property) Fund (ARSN 155 770 095) (the Fund). The Fund is a registered managed investment scheme under the *Corporations Act 2001 (Cth)* (Corporations Act).

This PDS is dated 18 July 2013 and an in-use notice has been lodged with the Australian Securities and Investments Commission (ASIC). ASIC takes no responsibility for the contents of this PDS and expresses no view regarding the merits of the investment set out in this PDS.

This PDS contains general information only. It has not been prepared having regard to your investment objectives, financial situation or specific needs. It is important that you carefully read this PDS in its entirety before deciding to invest in the Fund and, in particular, in considering the PDS, that you consider the risk factors that could affect the financial performance of the Fund and your investment in the Fund. You should carefully consider these factors in light of your personal circumstances (including financial and taxation issues) and seek professional advice from a suitably qualified financial adviser before deciding whether to invest.

No person is authorised to make any representation specifically in connection with the Fund that is not contained in this PDS.

**Responsible Entity and issuer of this PDS**
Plantation Capital Limited (ABN 65 133 678 029, AFSL 339481) (Plantation Capital) in its capacity as responsible entity of the Fund ("Responsible Entity", "we" or "our") is the issuer of this PDS and the Units offered pursuant to this PDS. Contact details for the Responsible Entity are located in the Corporate Directory.

**REIT structure**
References to the REIT structure refer to both the US based Limited Liability Company (LLC) that will elect to be treated as a REIT for US taxation purposes, and the US based LLCs the REIT controls that own the properties acquired. See page 14 for a diagram illustrating the REIT structure.

**No guarantee**
None of the Responsible Entity, its related entities nor any other party makes any representation or gives any guarantee or assurance as to the performance or success of the Fund, the rate of income or capital return from the Fund, or the repayment of the investment in the Fund. An investment in the Fund does not represent a deposit or any other type of liability of the above parties. An investment in the Fund is subject to investment risk. These risks are discussed in *Section 8 – Investment risks*.

**Restrictions on redemptions**
The Responsible Entity does not intend to honour any redemption requests before 31 October 2015. After this date, the Responsible Entity expects to provide Unit Holders with the ability to redeem Units for a one month period in each financial year (subject to the Fund having available liquid assets and the requirements of the Corporations Act), but is under no obligation to do so. See *Section 5.6 – Redemptions*.

**Eligibility**
This PDS does not constitute an offer of Units in any place in which, or to any person to whom, it would not be lawful to do so. The distribution of this PDS in jurisdictions outside Australia may be restricted by law and any person into whose possession this PDS comes (including nominees, trustees or custodians) should seek advice on and observe those restrictions.

This document is not an offer or an invitation to acquire securities in any country. In particular, this document does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States or to, or for the account or benefit of, any "USA person", as defined in Regulation S under the *US Securities Act of 1933* (Securities Act). This document may not be released or distributed in the United States or to any USA person. Any securities described in this PDS have not been, and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States, and may not be offered or sold in the United States, or to, or for the account of benefit of, any USA person, except in a transaction exempt from, or not subject to, the registration requirements under the Securities Act.

**PDS availability**
This PDS may be viewed online on the Fund's website at www.PassiveIncomeFund.com. If you access the electronic version of this PDS, you should ensure that you download and read this PDS in full. A paper copy of this PDS is available free of charge to any person in Australia by phoning +61 3 8892 3800.

**Updated information**
Information in this PDS may change from time to time. Information that has changed in relation to the Fund that is not materially adverse but which the Responsible Entity wishes to provide to investors, will be made available on the Fund's website at www.PassiveIncomeFund.com. A printed copy of any updated information will be made available by contacting the Responsible Entity. The Responsible Entity may issue a supplementary PDS to supplement any relevant information in this PDS, in accordance with its obligations under the Corporations Act. Any supplementary PDS and updated information should be read together with this PDS. A copy of any supplementary PDS and other information regarding the Fund will be made available on the Fund's website and a printed copy will be available from the Responsible Entity free of charge upon request.

**Currency of information**
Unless otherwise specified, all financial and operational information contained in this PDS is stated as at the date of this PDS.

**Business day references**
All references to business days in this PDS are a reference to business days in Melbourne, Victoria.

**Pictures of properties**
Except for the photographs of properties included on pages 18 and 19, none of the images of properties in this PDS are actual pictures, computer-generated images or graphically enhanced images of buildings that form an asset of the Fund or REIT structure.

**Forward looking statements**
This PDS contains forward-looking statements which are identified by words (and phrases containing words) such as "may", "could", "believes", "estimates", "expects", "intends", "targets", "anticipates", "seeks", "hopes", "aims" and other similar words and phrases that involve risks and uncertainties. These statements are based on an assessment of present economic and operating conditions, and on a number of assumptions regarding future events and actions that, at the date of this PDS, are expected to take place. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Responsible Entity. The Responsible Entity cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements contained in this PDS will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements. Forward-looking statements should be read in conjunction with the risk factors outlined in *Section 8* of the PDS.

## *Contents*

# 1. Fund snapshot

| Topic | | Section |
|---|---|---|
| **Fund name** | Passive Income (USA Commercial Property) Fund (ARSN 155 770 095). | – |
| **Investment objective** | To generate income in the short-term, with the potential for capital growth over the medium to long-term, as and if the USA economy improves. | 4.1 |
| **Investment strategy** | The Fund predominantly invests in commercial property via a USA-based real estate investment trust structure (REIT structure) controlled by the Responsible Entity. | 4.2 |
| **Minimum initial investment** | A$10,000<br>More can be invested, however the sum specified must be a whole thousand dollar amount. | 5.1 |
| **Minimum additional investment** | A$5,000<br>More can be invested, however the sum specified must be a whole thousand dollar amount. | 5.3 |
| **Minimum investment balance** | A$10,000. | 5.6 |
| **Suggested investment period** | An investment in the Fund should be viewed as medium to long-term with a suggested investment period of between five and ten years. | 5.8 |
| **Applications** | Applications will be processed (and Units in the Fund issued) no later than the tenth business day of each calendar month, so long as the application is received by the last business day of the prior month. | 5.2, 5.3 |
| **Redemptions** | The Responsible Entity will not honour any redemption requests before 31 October 2015. After this date, the Responsible Entity expects to provide Unit Holders with the ability to redeem Units by submitting redemption requests during a one-month period at the start of September of each year (subject to the Fund having available liquid assets and the requirements of the Corporations Act), but is under no obligation to do so. | 5.6 |
| **Term** | The Fund has been established as an unlisted scheme with a cap on subscriptions of A$75,000,000 in aggregate. Subject to any earlier termination, the Responsible Entity intends to call a meeting of Unit Holders in the tenth year of the Fund's life, to vote on whether to wind-up the Fund. | 5.1, 5.8 |
| **Issue price for Units** | The issue price for Units will be based upon the Fund's Unit price calculated as at the last business day of each calendar month and updated on the Fund's website at www.PassiveIncomeFund.com. | 5.2 |
| **Eligible investors** | Eligible investors include Australian residents, whether as individuals, or in the name of a company, superannuation fund, trust, partnership or association. | 12 |
| **Communications** | Unit Holders will receive a range of information throughout the year, including an invitation to attend a bi-annual seminar where the Responsible Entity will outline the Fund's portfolio and provide commentary regarding properties it has, or is considering, acquiring. | 5.7 |
| **Investment risks** | The Fund carries with it certain investment risks that should be carefully considered and understood before making an application to invest. These risks include a range of execution risks, property investment risks, fund investment risks and general investment risks. | 8 |
| **Hedging of USA currency exposure** | The Responsible Entity is permitted under the Fund's constitution to hedge against exchange rate movements, but currently has no plans to do so as it is seeking to obtain the benefit of favourable movements in the A$ vis a vis the US$. However, currency markets are volatile and there is a risk that the movement of exchange rates may be unfavourable. | 3.2, 4.2, 8.2 |
| **Cooling-off** | The Fund is currently liquid for the purposes of the Corporations Act. Accordingly, Units in the Fund will be subject to a cooling-off period of 14 days from the date the properly completed Application Form is received. | 5.2 |

# 2. Letter from the Chairman

**Dear Investor,**

On behalf of the Board of Directors of Plantation Capital Limited (the Responsible Entity), it's my pleasure to invite you to consider investing in the Passive Income (USA Commercial Property) Fund (the Fund).

With Australian real estate becoming increasingly more expensive, many would-be investors are unwilling or unable to acquire direct property because they don't have enough deposit saved, can't borrow sufficient capital, or simply don't have the time, skill or risk appetite to purchase and manage their own real estate investments.

Alternatively, with news that the economy in the United States of America is improving, and with it real estate prices, many investors are wondering how they can profit from any USA property price rebound without having the management and logistical hassles of direct foreign asset ownership.

The Passive Income (USA Commercial Property) Fund was created for investors, such as those described above, who want:

- exposure to quality US commercial real estate that generates positive cash flow returns, with the potential for capital growth over the medium to long-term; and
- an experienced and highly skilled management team driving investment performance on their behalf.

### Why US commercial property?

While a more complete reasoning is provided within *Section 3*, the short answer is the potential investment opportunities are considerable, and, with the USA economy strengthening, the time to act is now.

For instance, following the downturn in the USA commercial property market that broadly occurred between 2008 and 2011, we believe the opportunity remains for Australian investors to gain exposure to selected USA commercial properties at significant price discounts to historical values, particularly while the A$:US$ exchange rate remains above its long term average (calculated since the adoption of a floating exchange rate in 1983).

These properties have the potential to provide income returns (through positive cash flow rent receipts), as well as delivering capital growth over the medium to long-term if the USA economy continues to recover. This view is supported by the independent report prepared by international real estate experts CRE Consultants (see *Section 6*).

*The Passive Income (USA Commercial Property) Fund was created for those who want to access good quality commercial property that can generate income in the short-term, with the potential for capital growth over the medium to long-term.*

An additional benefit of the Fund is the opportunity to sharpen your investing skills. Unit Holders are invited to attend a bi-annual seminar where the Responsible Entity outlines the Fund's portfolio and provides commentary regarding properties it has acquired, or is considering acquiring. Put another way, this is an investment where you can **earn while you learn**!

While you may decide to contribute more, the minimum top up investment for an existing Unit Holder is A$5,000. If you are a new applicant, the minimum investment amount is A$10,000. As mentioned, more can be invested, however the sum specified must be a whole thousand dollar amount. You are able to invest in your own name, as well as via a partnership, company or trust (including a self managed superannuation fund – if you have one) or association. Details of how to apply are outlined in *Section 12 – How to invest*.

Please note that, as with all investments, there are risks involved, and we encourage you to read the detailed explanation of them contained in *Section 8 – Investment risks*. In particular, given that the Fund acquires commercial property with up to a long term investment horizon (see *Section 5.8 – Fund term*), your ability to redeem your investment as and when you want to (ie. the Fund's 'liquidity') should be carefully considered.

You should read this PDS in full before deciding whether to invest in the Fund. If you have any questions then please contact the Responsible Entity on (03) 8892 3800 during business hours, or consult your financial adviser.

After carefully considering this PDS, I hope you agree that investing in the Fund is an exciting opportunity to achieve passive income returns with medium to long-term capital growth upside.

We look forward to receiving your application.

Yours faithfully,

**Steve McKnight**
Chairman
Plantation Capital Limited

**Financial highlights for the period ended / as at 30 June 2013**

| | |
|---|---|
| **Unit price** | A$1.0768 |
| **Operating Profit** | A$2,331,985 |
| **Net assets** | A$29,689,357 |
| **US$ cash on hand** | US$15,914,278 |
| **A$ cash on hand** | A$8,417,183 |
| **US$ property acquired (via REIT structure)** | US$4,615,000 |
| **Units issued** | 27,572,272 |

The above data is sourced from unaudited management accounts

For latest disclosures see www.PassiveIncomeFund.com

# 3. Summary of key investment benefits and risks

The Fund became active on 31 October 2012 upon achieving its minimum subscription amount of A$20 million. Since that time it has been pursuing its investment objective and investment strategy by sourcing, analysing and, where appropriate, acquiring commercial property via its controlled REIT structure.

## 3.1. Key benefits

The Fund is an unlisted property scheme that invests in a diversified portfolio of commercial properties located in the USA through a USA-based real estate investment trust structure (REIT structure). The key features and benefits of an investment in the Fund are:

### Passive nature

By investing in the Fund, Unit Holders can access income and potential growth returns without the hassle of finding, funding and/or managing income-producing properties, or needing to know how to best maximise a particular property's value. Rather, these property-related tasks are undertaken by experts who have the necessary investment knowledge and experience.

### High quality assets in targeted growth corridors

The Fund has the ability to access commercial properties across the length and breadth of the USA. However in the short to medium-term, the Fund intends to gain exposure to commercial properties through the REIT structure in three key USA economic hubs – Texas, Georgia and Florida – as these states are seen as prime centres for future economic growth, leading to increased business expansion and employment opportunities.

The type of properties the Fund is seeking to acquire include small to medium-sized office suites and warehouses (including buildings that provide a flexible configuration of office or showroom space combined with, for example, manufacturing, laboratory, warehouse, distribution, etc.), business premises, retail outlets, shop-fronts, fast-food outlets, pharmacies and restaurants. The Fund also considers residential properties that can be broadly managed as a commercial venture, such as apartment complexes and mobile home parks. The acquisition price per property is typically between US$1 million and US$5 million (the Responsible Entity being of the view that an acquisition within this price range is generally too large for individual investors and too small for institutional investors).

The Fund intends to acquire a mix of commercial properties that provide income as well as upside growth potential through overcoming inherent inefficiencies (such as condition, vacancy, under utilisation of capacity and/or poor management, etc.).

### Income returns

The Fund expects to derive most of its income from dividends paid by the REIT (which will itself derive income from its controlled subsidiaries that own the property). To provide regular and sustainable six-monthly distributions to Unit Holders, the Responsible Entity seeks to:

- invest in quality properties that are well-positioned from an investment perspective for the medium to long-term;
- where appropriate, actively manage properties (including through possible leasing campaigns and asset refurbishments) to increase their values and income growth prospects; and
- grow and diversify the Fund's rental income stream by attracting and retaining quality tenants on favourable lease terms (such as structured rental increases).

### Capital growth potential

The USA commercial property market suffered subdued conditions from 2008 to mid-2011, in line with the deterioration of the broader USA economy.

However, reported meaningful economic recovery in the USA should result in increased business activity, which in turn should stimulate the USA commercial property sector. If this occurs, there is expected to be upwards pressure on rentals leading to increased competition among investors to acquire high-quality, high-yielding investments. This increased competition is expected to flow through to higher commercial property values.

### Potential exchange rate upside

In recent times, the A$ vis a vis the US$ has traded at levels that are higher than its long-term historical average (calculated since the adoption of a floating exchange rate in 1983).

As a result, the Responsible Entity believes there remains an opportunity to acquire select commercial properties at attractive prices (in some instances, even below replacement cost) at the same time the A$ commands comparatively strong US$ buying power.

Further, as the Fund's underlying property assets (via the REIT structure) are deriving US$ income, the Fund will provide Unit Holders with potential upside should the A$ remain below parity against the US$.

### Expert local and international management team

The Fund's management is based in Australia and is provided by the Responsible Entity.

The Responsible Entity has assembled a team of highly qualified professionals with experience in funds management and property investing to oversee the Fund's management and the execution of its investment strategy (see *Section 7 – About the Responsible Entity* for profiles of the Directors of the Responsible Entity). This includes the appointment of outsourced service providers and agents located within the USA to provide property identification, management and other support services as needed.

### Simplified tax treatment

Unlike direct individual investors in the USA property market, Unit Holders are not required to file USA tax returns. Unit Holders receive annual tax statements from the Fund, to assist them to meet their Australian income tax compliance obligations.

## 3.2. Key risks

Applicants should read this PDS in full before deciding whether to invest in the Fund and, if in any doubt, should consult their financial adviser. It is the Responsible Entity's opinion that the following are key risks of an investment in the Fund:

› **property investment risks** – including the risk that property values decline and the risk that there is a decrease in Fund income and Fund Unit price;

› **fund investment risks** – including the limitations on the liquidity of an investment;

› **general investment risks** – including that the economy and market conditions may affect asset returns and values;

› **manager risk** – while key personnel associated with the Responsible Entity hold significant expertise in direct property investment, the Responsible Entity has not previously operated a managed investment scheme;

› **execution risk** – the Responsible Entity's ability to properly execute its investment strategy depends on various factors, including its ability to establish and operate the REIT structure as intended and the availability of suitable property(s) for acquisition on suitable terms; and

› **exchange rate risk** – the Fund, through its investments in the REIT, is exposed to assets and liabilities, the value of which are denominated in US$. The value of the A$ has been subject to significant fluctuations with respect to the US$ in the past and may be subject to significant fluctuations in the future, and there is a risk that these exchange rate movements may be unfavourable. Further, while the Responsible Entity is permitted to hedge against exchange rate movements, it currently has no plans to do so.

Please see *Section 8 – Investment risks* for a full discussion of the key risks relating to investing in the Fund.

## 3.3. Regulatory Guide 46 – 'Unlisted Property Schemes: Improving Disclosure For Retail Investors'

In addition to the key investment risks outlined in *Section 8 – Investment risks*, applicants should take time to read this *Section 3.3*. It contains information about how the Responsible Entity complies with *Regulatory Guide 46 – "Unlisted property schemes: Improving disclosure for retail investors"* (RG46) dated March 2012 and issued by the Australian Securities and Investments Commission (ASIC) which sets out six benchmarks and eight disclosure principles that ASIC has formulated to help retail investors decide whether an investment in an unlisted property scheme is suitable for them.

ASIC advises that responsible entities of unlisted property schemes offered to retail investors or in which retail investors have invested should:

› disclose against the benchmarks on an "if not, why not" basis; and

› apply the disclosure principles.

Please note that information contained in this section is derived from unaudited management accounts as at, or for the period ended, 30 June 2013.

The Responsible Entity updates how it is addressing each benchmark via disclosures published on the Fund's website at www.PassiveIncomeFund.com at least twice per year and when there are material changes to this information. The composition and diversity of the assets held by the Fund through the REIT structure will change over time as assets are acquired or disposed and tenancies let or re-let.

*The type of properties the Fund is seeking to acquire include small to medium-sized office suites and warehouses (including buildings that provide a flexible configuration of office or showroom space combined with, for example, manufacturing, laboratory, warehouse, distribution, etc.), business premises, retail outlets, shop-fronts, fast-food outlets, pharmacies and restaurants. The Fund also considers residential properties that can be broadly managed as a commercial venture, such as apartment complexes and mobile home parks.*

The following table summarises the six benchmarks and eight disclosure principles.

| Benchmark | Description | Has the Fund met this Benchmark as at the date of this PDS? |
|---|---|---|
| **Gearing** | › *Benchmark 1* addresses a scheme's policy on gearing at an individual credit facility level.<br>› *Disclosure Principle 1* addresses disclosure of the gearing ratio of the scheme, the calculation of the ratio and its explanation. | Yes |
| **Interest cover** | › *Benchmark 2* addresses a scheme's policy on the level of interest cover at an individual credit facility level.<br>› *Disclosure Principle 2* addresses disclosure of the interest cover ratio of the scheme, the calculation of the ratio and its explanation. | Yes |
| **Interest capitalisation** | › *Benchmark 3* addresses whether the interest expense of a scheme is capitalised. | Yes |
| **Scheme borrowing** | › *Disclosure Principle 3* addresses disclosure of the scheme's credit facilities, including the circumstances in which credit facility covenants will be breached. | Yes |
| **Portfolio diversification** | › *Disclosure Principle 4* addresses disclosure of the scheme's assets, including specific information about development assets. | Yes |
| **Valuations** | › *Benchmark 4* addresses the way in which valuations are carried out by a responsible entity in relation to the scheme's assets. | Yes |
| **Related party transactions** | › *Benchmark 5* addresses a responsible entity's policy on related party transactions.<br>› *Disclosure Principle 5* addresses disclosure about related party transactions. | Yes |
| **Distribution practices** | › *Benchmark 6* addresses a scheme's practices for paying distributions from cash from operations available for distribution.<br>› *Disclosure Principle 6* addresses where distributions are sourced from and whether forecast distributions are sustainable. | Yes |
| **Withdrawal arrangements** | › *Disclosure Principle 7* addresses disclosure of the withdrawal arrangements within the scheme and risk factors that may affect the Unit price on withdrawal. | Yes |
| **Net tangible assets** | › *Disclosure Principle 8* addresses disclosure of the net tangible asset (NTA) backing per unit of the scheme. | Yes |

### *GEARING*

- ***Benchmark 1*** **is that the Responsible Entity maintains and complies with a written policy on gearing at an individual credit facility level.**
- ***Disclosure Principle 1*** **addresses disclosure of the gearing ratio of the scheme, the calculation of the ratio and its explanation.**

Gearing magnifies the effect of gains and losses on an investment. The gearing ratio indicates the extent to which a scheme's assets are funded by external liabilities. A higher gearing ratio means greater magnification of gains and losses and generally greater volatility compared to a lower gearing ratio. The gearing ratio is calculated as follows:

> ***Gearing ratio*** =
> *Total interest bearing liabilities* **/** *Total assets*

The gearing ratio is based on liabilities disclosed in the Fund's annual financial statements.

The Fund does not directly own property, and therefore, does not borrow for the purposes of financing the acquisition of a property. Neither does it borrow for the purposes of gearing its investment in the REIT.

When undertaking property acquisitions, the Responsible Entity permits the REIT structure to borrow up to a maximum of 40% of a property's value (including the value of any improvements and capitalised costs) to finance the acquisition. That is, if a property is acquired for US$100,000 and improvement and transaction costs are US$10,000 and the fair value of the property carried in the REIT structure's accounts is US$110,000, then the REIT structure's expected borrowing level will not be higher than US$44,000 and the gearing ratio will be 40%. This will represent the REIT structure's expected maximum borrowing level.

The maximum borrowing limit of 40% does not include any money advanced by the Fund to the REIT characterised as debt.

Due to the Fund's significant exposure to off-balance sheet financing (ie. financing within the REIT structure), the Responsible Entity also calculates a look-through gearing ratio for the Fund using the formula:

> ***Look through gearing ratio*** =
> *Total interest bearing liabilities* **+** *proportionate share of interest bearing liabilities of the Fund's underlying investments* **/** *Total Fund assets (excluding investments)* **+** *proportionate share of assets of the Fund's underlying investments*

**As at 30 June 2013:**

- the Fund's gearing ratio is 0.00%;
- the REIT structure's gearing ratio is 25.14%;
- the Fund's look-through gearing ratio is 4.28%.

Note: the data used to derive the gearing ratio was sourced from unaudited management accounts.

The Responsible Entity's ongoing compliance with Benchmark 1, as well as its gearing and look-through gearing ratios, is disclosed on the Fund's website at www.PassiveIncomeFund.com. The Responsible Entity maintains a written gearing policy that it is in compliance with as at the date of this PDS. The gearing policy is available on the Fund's website at www.PassiveIncomeFund.com.

### *INTEREST COVER*

- ***Benchmark 2*** **is that the Responsible Entity maintains and complies with a written policy that governs the level of interest cover at an individual facility level.**
- ***Disclosure Principle 2*** **addresses disclosure of the interest cover ratio of the scheme, the calculation of the ratio and its explanation.**

The interest cover ratio indicates an unlisted property scheme's ability to meet interest payments from earnings, where:

> ***Interest cover ratio*** = *(EBITDA** **–** *unrealised gains* **+** *unrealised losses)* **/** *Interest expense*

* EBITDA (earnings before interest, tax, depreciation and amortisation).

The interest cover ratio is a measure of the risk associated with the Fund's borrowings and the sustainability of borrowings. A fund with a low interest cover ratio only needs a small reduction in earnings (or a small increase in interest rates or other expenses) to be unable to meet its interest payments. Interest cover is also useful for investors when comparing a fund's relative risks and returns.

As the Fund will not borrow directly, the interest cover ratio is measured at the REIT structure level, by assessing the REIT structure's ability to meet its interest payments out of earnings.

It is the Responsible Entity's policy that the REIT structure will maintain the interest cover ratio at more than 2.

As this is a recently established Fund, until such time as the REIT structure is fully invested, the interest cover ratio may at times be less than 2 due to the REIT structure's mix of debt-to-equity.

As at 30 June 2013 the Fund's interest cover ratio was 0 times and the REIT structure's interest cover ratio was 14.36 times.

Note: the data used to derive the interest cover ratio was sourced from unaudited management accounts.

The Responsible Entity's ongoing compliance with Benchmark 2, as well as its interest cover ratio, are disclosed on the Fund's website at www.PassiveIncomeFund.com. The Responsible Entity maintains a written interest cover policy that it is in compliance with as at the date of this PDS. The interest cover policy is available on the Fund's website at www.PassiveIncomeFund.com.

### *SCHEME BORROWING AND INTEREST CAPITALISATION*

› ***Disclosure Principle 3*** **addresses disclosure of the scheme's credit facilities, including the circumstances in which credit facility covenants will be breached.**

All amounts owed to lenders and other creditors will rank before each Investor's interest in the Fund. The Fund's ability to repay principal and interest and meet all loan covenants under its debt facilities is material to its performance and ongoing viability.

As at the date of this PDS, the Fund does not have any direct borrowings. However, an entity within the REIT structure has borrowed funds to acquire a property as disclosed in the table below.

The REIT structure's borrowings enhance the potential for increases in distributions and capital gains for Unit Holders, but also increase the potential for reductions in distributions or capital losses in the event that a property falls in value or rental income falls.

If the borrowings are refinanced, the interest rate margin payable may be higher than that applying to the current borrowings. Increases in variable market interest rates (after any period of fixed interest rate hedging expires, if applicable) will increase interest costs that may result in a reduction in distributions. There is also the risk that the REIT structure may not be able to refinance borrowings and will need to sell properties to repay those borrowings. This could result in a reduction of the REIT structure's rental income, expenses associated with selling properties and, if the sales occur during a period where property values are depressed, a reduction in the value of the Units in the Fund.

The Responsible Entity has ensured that any REIT structure borrowings are and will be in accordance with strict borrowing guidelines, including:

- borrowings be on a limited recourse or non-recourse basis (ie. recourse is limited to that property held by the REIT controlled entity only);
- the cost of borrowings be at an appropriate interest rate having considered the assets and risks at the time of loan drawdown;
- borrowings are only undertaken where the REIT structure's cash flows can service the debt requirements;
- repayments are able to be made in line with the loan repayment schedule in the loan agreement;
- where possible, borrowings be secured on a fixed interest rate basis; and
- changes to the loan facility are approved by the Responsible Entity.

The Responsible Entity periodically discloses in relation to borrowings within the REIT structure:

- a loan maturity profile highlighting the total amount of loans due in the year of disclosure, within 1 year, 2 years, 3 years, 4 years and 5 or more years;
- the amount by which the value of assets used as security for a loan facility must fall before the scheme will breach any covenants in any credit facility;
- for each credit facility, the aggregate undrawn amount, assets to which the facility relates, the loan to valuation and interest cover covenants under the terms of the facility, the interest rate of the facility and whether the facility is hedged;
- details of any terms within a credit facility that may be invoked when Unit Holders exercise their rights under the Fund's Constitution;
- the prospects for refinancing any credit facilities maturing within 12 months; and
- the status of any breaches of credit facility covenants and how such breaches affect Unit Holders.

**As at the date of this PDS the REIT structure has in place a credit facility to part-finance the acquisition of the property located at 13584 49th Street North, Largo, Florida USA summarised as follows:**

| Lender | Loan amount (US$) | Maturity date | Interest rate | Loan to Valuation Ratio | Loan covenants |
|---|---|---|---|---|---|
| Previous owner | $1,160,000 | 3.5% per annum, interest-only until 26 April 2018, then 5% per annum, interest-only until 26 April 2023 | 3.5% pa | 40% | Compliant |

There are no covenants pertaining to this loan, nor is there any undrawn amount. The interest rate is not hedged. No breaches to the loan terms have occurred.

Such disclosures are updated on the Fund's website at www.PassiveIncomeFund.com.

› ***Benchmark 3*** **addresses the issue of whether or not the interest expense is capitalised.**

No interest payments made by Fund or REIT structure have or will be capitalised. All interest expense has been and will be paid out of free cash flow.

The Responsible Entity's ongoing compliance with Benchmark 3 is disclosed on the Fund's website at www.PassiveIncomeFund.com. The Responsible Entity maintains a written interest capitalisation policy that it is in compliance with as at the date of this PDS. The interest capitalisation policy is available on the Fund's website at www.PassiveIncomeFund.com.

### *PORTFOLIO DIVERSIFICATION*

› ***Disclosure Principle 4*** **addresses disclosure of the scheme's assets, including specific information about development assets.**

The Responsible Entity seeks to gain exposure to a broad range of commercial properties through the REIT structure, and has established sector categories and indicative long-term asset allocation ranges as set out in *Section 4.2 – Investment strategy* and *Section 4.3 – Investment process*.

The Responsible Entity periodically discloses in relation to properties held in the REIT structure:

- properties by geographic location (by number and value);
- properties by sector (eg. industrial, commercial, retail, multi-family) (by number and value);
- for each significant property, the most recent valuation, the date of the valuation, whether the valuation was performed by an independent valuer and, where applicable, the capitalisation rate adopted in the valuation;
- the portfolio lease expiry profile in yearly periods calculated on the basis of lettable area or income and, where applicable, the weighted average lease expiry;
- the occupancy rate(s) of the property portfolio; and
- for the top five tenants that each individually constitute 5% or more by income across the investment portfolio, the name of the tenant and percentage of lettable area or income.

**The Fund's property portfolio as at the date of this PDS is summarised as follows:**

| Property address | Location | Sector | Lettable area (sq ft) | Proforma annual rental income (US$) | Independent valuation (US$) | Date of valuation | Valuation capital-isation rate (%) | Occupancy rate (%) |
|---|---|---|---|---|---|---|---|---|
| 3350 Hanson St, Fort Myers | Florida, USA | Industrial | 25,000 | 111,600 | 625,000 | 14/02/2013 | 9.5 | 100 |
| 13584 49th St Nth, Largo | Florida, USA | Industrial | 58,300 | 360,431 | 2,925,000 | 25/02/2013 | 9.8 | 80 |
| 4700 110th Ave Nth, Pinellas Park | Florida, USA | Industrial | 23,653 | 111,655 | 1,140,000 | 11/03/2013 | 9.6 | 100 |

**The property portfolio's top 5 tenants that each individually constitute 5% or more by income are:**

| Tenant | Percentage of income (%) |
|---|---|
| Repo Sell.com LLC | 7.8 |
| Mount Sinai | 6.2 |
| Mike's Pizza & Deli Inc | 9.6 |
| Certex | 13.4 |
| **Total** | **37.0** |

**The property portfolio's lease expiry profile is summarised as follows:**

| | Lease expiry date by number, year to 30 June | | | |
|---|---|---|---|---|
| Property address | 2014 | 2015 | 2016 | 2017 |
| 3350 Hanson St, Fort Myers, Florida | 1 | 4 | 0 | 0 |
| 13584 49th St Nth, Largo, Florida | 22 | 3 | 2 | 0 |
| 4700 110th Ave Nth, Pinellas Park, Florida | 1 | 1 | 0 | 1 |
| **Total** | **24** | **8** | **2** | **1** |

| | Lease expiry date by lettable area (sq ft), year to 30 June | | | |
|---|---|---|---|---|
| Property address | 2014 | 2015 | 2016 | 2017 |
| 3350 Hanson St, Fort Myers, Florida | 2,500 | 22,500 | 0 | 0 |
| 13584 49th St Nth, Largo, Florida | 37,940 | 4,000 | 4,500 | 0 |
| 4700 110th Ave Nth, Pinellas Park, Florida | 8,400 | 11,190 | 0 | 4,063 |
| **Total** | **48,840** | **37,690** | **4,500** | **4,063** |

The weighted average lease expiry (weighted based on square footage of properties rented as at the date of this PDS) was 14.5 months.

Including month to month leases, the weighted average lease expiry (weighted based on square footage of properties rented as at the date of this PDS) was 10.2 months.

At the date of this PDS, 30% of the current let space was on a month-to-month lease.

As necessary, these disclosures will be updated on the Fund's website at www.PassiveIncomeFund.com.

### *VALUATIONS*

› ***Benchmark 4*** **is that the Responsible Entity maintains and complies with a written valuation policy which meets ASIC standards.**

In calculating the Fund's value the Responsible Entity may determine valuation methods and change these valuation methods from time-to-time, subject to the terms of the Fund's Constitution.

Cash and money market instruments will be valued at cost, plus accrued interest.

Properties acquired by the REIT structure undergo independent valuations as required by Australian and USA law using generally accepted accounting principles. This requires an independent valuation at least every three years.

Any other assets held by the Fund are valued at market value calculated in accordance with generally accepted accounting principles.

The Fund's Unit price (in the case of both application and redemptions) is calculated by reference to the Fund's Constitution and the Responsible Entity's Unit pricing policy for the Fund (which describes how the Responsible Entity will exercise its unit pricing discretions). The Responsible Entity is permitted to exercise discretion to decide a matter that affects the value of a factor included in the formula for determining Unit prices under the Fund's Constitution (provided the Responsible Entity meets certain requirements, including that the Unit price is independently verifiable).

As at 30 June 2013, the Board formed the view it was unlikely that there has been a material change in the value of property acquired indirectly by the Fund through the REIT structure.

The Responsible Entity's ongoing compliance with Benchmark 4 is disclosed on the Fund's website at www.PassiveIncomeFund.com. The Responsible Entity maintains a written valuation and unit pricing policy that it is in compliance with as at the date of this PDS. The valuation and unit pricing policy is available on the Fund's website at www.PassiveIncomeFund.com.

### *RELATED PARTY TRANSACTIONS*

› ***Benchmark 5*** **is that the Responsible Entity maintains and complies with a written policy on related party transactions, including the assessment and approval processes for such transactions and arrangements to manage conflicts of interest.**

› ***Disclosure Principle 5*** **addresses disclosure about related party transactions.**

The Responsible Entity enters into related party transactions (eg. the Responsible Entity may create wholly or partly owned subsidiaries that are remunerated out of the Fund or REIT structure for services provided, or loan money to the REIT structure). The risks associated with related party transactions are that they could be assessed and monitored less rigorously than arm's length third party transactions.

Related party transactions are only approved by the Responsible Entity without obtaining Unit Holder consent if evidence supports the transaction as being on arm's length terms having regard to generally accepted commercial practice and the market for the type of transaction.

The Responsible Entity has a policy for managing conflicts of interest and related party transactions which ensures that all transactions engaged in by the Fund are assessed for any conflicts of interest and to ensure they are reasonable arm's length transactions based on appropriate commercial terms. Where Unit Holder consent is required in respect of a related party transaction, the Responsible Entity will call a meeting where Unit Holders can vote on whether to approve the transaction.

The Responsible Entity's ongoing compliance with Benchmark 5 will be disclosed on the Fund's website at www.PassiveIncomeFund.com. The Responsible Entity will also disclose, in respect of each related party transaction:

- the value of the financial benefit;
- the nature of the relationship;
- whether the transaction is on arm's length terms (including whether there is reasonable remuneration) or whether some other exception applies or ASIC has granted relief;
- whether Unit Holder approval for the transaction has been sought and, if so, when;
- the risks associated with the related party transaction; and
- whether the Responsible Entity is in compliance with its Related Party Transactions Policy, and how this is monitored.

**The Responsible Entity has entered into these arm's length related party transactions:**

- a management agreement to manage the Fund's investments for a fee of up to 1.98% per annum of the Fund's gross assets, payable monthly in arrears. For the period ended 30 June 2013 the amount received by the Responsible Entity for management fees was A$335,863;
- an agreement to be compensated for any expenses the Responsible Entity incurs on behalf of the Fund. For the period ended 30 June 2013 the amount received by the Responsible Entity for expense reimbursement was A$212,832; and
- an operating agreement specifying that the Responsible Entity is the manager of the REIT structure. No sum is payable to the Responsible Entity under this agreement.

Note: Figures shown above are derived from unaudited management accounts for the period ended 30 June 2013.

The Responsible Entity's ongoing compliance with Benchmark 5 will be updated on the Fund's website at www.PassiveIncomeFund.com. The Responsible Entity maintains a written Related Party Transactions Policy that it is in compliance with as at the date of this PDS. The Related Party Transactions Policy is available on the Fund's website at www.PassiveIncomeFund.com.

### *DISTRIBUTION PRACTICES*

- ***Benchmark 6*** **is that the Fund will only pay distributions from its cash from operations (excluding borrowings) available for distribution.**
- ***Disclosure Principle 6*** **addresses where distributions are sourced from and whether forecast distributions are sustainable.**

The Responsible Entity determines the Fund's distributable income for each six-monthly distribution period. Unit Holders on the register as at the last day of the relevant distribution period will be entitled to the distribution for that period. Unit Holders may also reinvest all of their distributions to acquire additional Units in the Fund using the Unit price that applies on the first business day after the date of the relevant distribution (via the Fund's Distribution Reinvestment Plan (DRP)) (see *Section 5.5*).

Distributions are calculated pro-rata to the number of fully paid Units (and including any proportion of partly paid Units) held by Unit Holders for the relevant distribution period and pro-rata to the time period for which those Units have been held in that distribution period.

Distributions are expected to be paid within 60 days of the end of each relevant distribution period. Cash distributions will be made electronically to the Unit Holder's nominated bank account. When making their application, if a Unit Holder does not provide clear instructions on their preference for receiving distributions or does not provide valid bank account details to receive their distribution, their full distribution entitlement will be automatically reinvested in additional Units in the Fund.

It is expected the majority of the Fund's distributable income will be sourced from dividends received from the REIT structure. In turn, the REIT structure will receive income from entities it controls within the REIT structure, that in turn will derive their net rental income from the property they own.

The Responsible Entity expects that the Fund will make its next distribution on or around 30 June 2014.

When the REIT structure sells a property asset, some capital may not be returned by the REIT to the Fund. This will be determined by the REIT at the relevant time. For at least the first three years of the Fund's life, it is the Responsible Entity's intention that any capital within the REIT structure will be reinvested in further property assets.

The Responsible Entity's ongoing compliance with Disclosure Principle 6 and Benchmark 6 will be disclosed on the Fund's website at www.PassiveIncomeFund.com. The Responsible Entity will disclose:

- the source of the distribution current at the date of disclosure;
- the source of any forecast distribution;
- whether the current or forecast distributions are sustainable over the next 12 months;
- if the current or forecast distribution is not solely sourced from cash from operations (excluding borrowings) available for distribution, the sources of funding and the reasons for making the distribution from these other sources;
- if the current or forecast distribution is sourced other than from cash from operations (excluding borrowings) available for distribution, whether this is sustainable over the next 12 months; and
- the impact of, and any risks associated with, the payment of distributions from the scheme from sources other than cash from operations (excluding borrowings) available for distribution.

The Responsible Entity maintains a written distribution policy that it is in compliance with as at the date of this PDS. The distribution policy is available on the Fund's website at www.PassiveIncomeFund.com.

### *WITHDRAWAL ARRANGEMENTS*

- ***Disclosure Principle 7*** **addresses disclosure of the withdrawal arrangements within the scheme and risk factors that may affect the Unit price on withdrawal.**

The Responsible Entity does not intend to honour any redemption requests during the Fund's first three years of operation. Following the conclusion of the initial three-year period, the Responsible Entity intends to determine an amount of income within the Fund available to satisfy redemptions of Units and apply that amount to honour redemption requests submitted by Unit Holders during a one month period commencing on 1 September each year, subject to the Fund being liquid within the meaning of the Corporations Act. If the Responsible Entity receives redemption requests for an amount in excess of the amount it has determined is available to satisfy redemptions, it shall apply the amount available to satisfy redemption requests on a pro-rata basis. If the Fund is not liquid, the Responsible Entity can only make withdrawal offers in accordance with the Corporations Act, and is not obliged to do so, so Unit Holders may be limited in their ability to withdraw some or all of their interest in the Fund.

*Section 5.6 – Redemptions* sets out information relating to the liquidity of the Fund and how redemptions may be requested and made, and *Section 11.4 – Transferring of Units* sets out how Unit Holders can transfer their Units to another person with the approval of the Responsible Entity.

Any redemption or withdrawal of Units is also subject to and may be affected by the following risks:

- **liquidity risk** – the risk that the Fund does not have sufficient liquid assets to make or to satisfy redemption requests;
- **realisation risk** – the risk that the Fund is unable to easily or quickly convert property assets into liquid assets (ie. cash) in order to satisfy redemption requests; and
- **valuation risk** – the risk that the Fund is unable to properly value its assets (particularly its property assets).

There is also the risk that general market conditions and other factors that may impact on the liquidity of the Fund may necessitate the suspension or delay in redemptions. Each of these risks may limit the ability of Unit Holders to redeem their investment or withdraw from the Fund.

### *NET TANGIBLE ASSETS*

- ***Disclosure Principle 8*** **addresses disclosure of the net tangible asset (NTA) backing per Unit of the scheme.**

A NTA calculation helps investors understand the value of the assets upon which the value of their Unit is determined. The NTA represents the tangible assets of the Fund less any liabilities. Generally speaking, the higher the NTA, the more asset backing there is for Units in the Fund. On the other hand, the lower the level of NTA, the less asset backing there is for Units in the Fund and the higher the risk associated with the investment.

The Fund calculates its NTA using the following formula:

***NTA =** (Net assets **-** intangible assets **+/-** any other adjustments) **/** Number of units in the scheme on issue*

The Responsible Entity's net assets will primarily consist of cash assets, in addition to loans made to, and equity in the REIT, the value of which will be determined by the assets it holds less any liabilities it carries (including, for example, borrowings).

When making its NTA calculation, the Responsible Entity will comply with all relevant accounting standards and take into account *Regulatory Guide 94 – Unit pricing: Guide to good practice* (see the Fund's website at www.PassiveIncomeFund.com for further information on the Fund's Unit pricing policy).

**As at 30 June 2013, the Fund's NTA calculation is as follows:**

- Net assets (A$29,689,357) / Units on issue (27,572,272) = NTA (A$1.077)

This data is sourced from unaudited management accounts.

# 4. About the Fund

The Fund became active on 31 October 2012 after achieving its minimum subscription amount of A$20 million. Since that time it has been pursuing its investment objective and investment strategy by sourcing, analysing and, where appropriate, acquiring commercial property via its controlled REIT structure.

As at the date of this PDS, an LLC has been established but has not yet elected to be taxed as a REIT for US income tax purposes. It has until 31 January 2014 to make this election, and can only do so once the necessary requirements have been met (see *Section 10 – Taxation*).

## 4.1. Investment objective

The Fund's investment objective is to generate income in the short-term, with the potential for capital growth over the medium to long-term, as and if the USA economy improves.

## 4.2. Investment strategy

The Fund aims to achieve its investment objective through exposure to the USA commercial property market. The Fund gains such exposure via entities controlled by a USA-based real estate investment trust structure (REIT structure) that is controlled by the Responsible Entity. It is intended that the REIT will be classified as a 'real estate investment trust' for USA federal income tax purposes.

The diagram on the following page illustrates the intended structure of the Fund's investment in the USA commercial property via the REIT and other entities the REIT controls.

The Responsible Entity has established a US based limited liability company (LLC) that intends to elect to be treated as a REIT so that the Custodian on behalf of the Fund is the sole member that holds ordinary shares in the proposed REIT. In order to qualify as a USA REIT for tax purposes, a REIT is required to have a spread of at least 100 qualifying investors. The Responsible Entity has put arrangements in place to source the investors required to achieve the spread. The ordinary practice is for these investors to be issued with preference shares in the REIT to which are attached rights to preferred distributions and priority on the winding up of the REIT, however, the holders of the preference shares will not have any right to vote on matters of the REIT. As these investors are likely to subscribe US$1,000 each for their preference shares, the Responsible Entity considers that the rights of the preference shareholders in relation to distributions will have a negligible impact on the Responsible Entity's ability to be able to execute its investment strategy in relation to generating dividends from the REIT.

The management and operations of an LLC are conducted by a manager appointed and designated by the members of the LLC entitled to vote and approve the manager. When there is a single controlling member of an LLC, a customary practice is for the single controlling member to designate itself as the manager of the LLC pursuant to the operating agreement of the LLC. The manager will have the right to exercise all the powers and discharge all the responsibilities in relation to the management of the LLC. The Responsible Entity has entered into an operating agreement with the proposed REIT (Operating Agreement) that appoints itself as the manager and articulates the rights and responsibilities of the Responsible Entity as the manager in relation to the management and supervision of various aspects of the proposed REIT, including its investment activities in the Operating Agreement.

Under the terms of the Operating Agreement, the Responsible Entity has the power to make decisions in relation to the following matters relating to the management and control of the REIT:

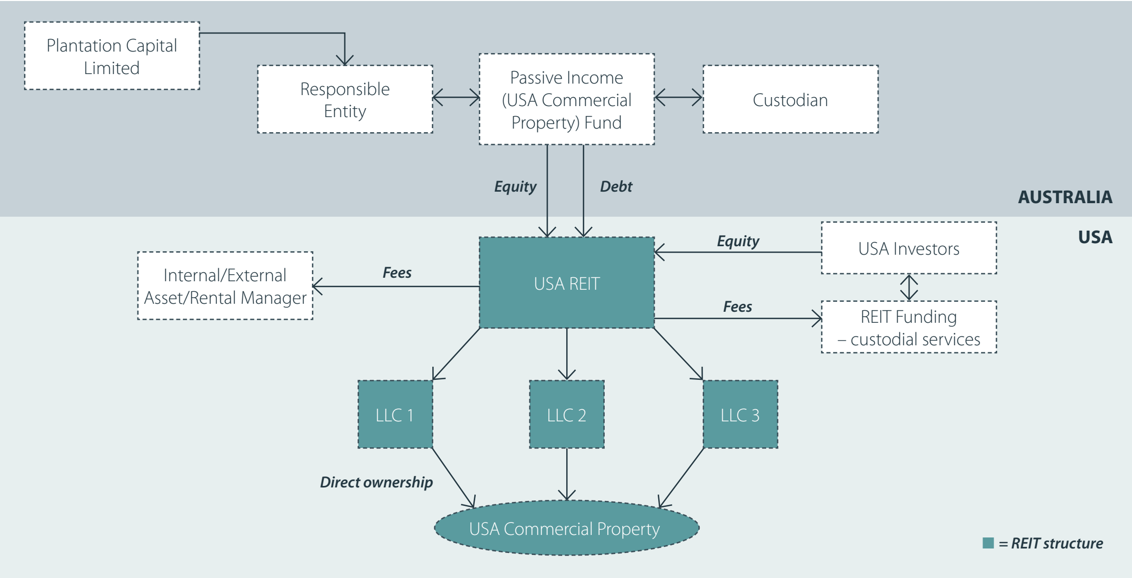
- appointment of key management positions;
- selection and appointment of external service providers, such as the property asset manager and independent experts such as valuers;
- selection of the commercial properties in which the REIT structure invests in accordance with the REIT structure's investment strategy;
- monitoring of the REIT structure's portfolio of commercial properties;
- the sale or disposition of properties in the REIT structure's portfolio and coordination of any such sale or disposition;
- monitoring of restrictions on the transfer of shares in the REIT;
- management of the REIT structure's capital and related accounts; and
- distributions of dividends to shareholders.

In accordance with ordinary practice for agreements of this nature, the Responsible Entity is reimbursed by the proposed REIT under the Operating Agreement for any expenses incurred in exercising its functions under the Operating Agreement. The Responsible Entity is indemnified by the proposed REIT against any losses or liabilities that it incurs as a result of providing the services to the REIT structure under the Operating Agreement, except for any loss or liability caused by the gross negligence, default, fraud or dishonesty of the Responsible Entity or its officers or employees.

The Responsible Entity expects that the terms of the Operating Agreement will remain in place for the duration of the period during which the Responsible Entity is the manager of the proposed REIT. The Responsible Entity retains the right to withdraw as the manager of the proposed REIT and the holder of the voting interests in the proposed REIT retains the right to remove the Responsible Entity as the manager, but does not expect that such rights would be exercised.

In the course of exercising its powers and functions as the manager of the proposed REIT, the Responsible Entity has engaged third party advisers and service providers. If appropriate, at a later date the Responsible Entity may seek to establish a controlled entity in the USA, such as a LLC of which the Responsible Entity is sole member, through which to carry out services to the REIT structure if to do so would achieve the most favourable commercial outcome for Unit Holders in light of such factors as the ability to be able to exercise its rights as manager under the Operating Agreement and the likely compliance and regulatory costs. If the Responsible Entity establishes a controlled USA entity to provide services to the REIT structure, such an arrangement would be considered a related party arrangement for the purpose of the Responsible Entity's Related Party Transactions policy and the Responsible Entity would seek to ensure that the terms of the agreement were on reasonable arm's length terms.

### Anticipated REIT structure with other relevant Australian and US entities




Properties owned, or under contract to be purchased, by the REIT structure as at the date of this PDS are profiled in Sections 4.4 and 4.5. As more properties are acquired they will be profiled within 90 days on the Fund's website at www.PassiveIncomeFund.com.

The Responsible Entity seeks to generate income and value for the Fund in the form of:

- interest returns from loans made to the REIT;
- dividends received from the REIT sourced from rental income from tenanted properties owned by the REIT structure;
- an increase in the Fund's Unit price via appreciation in the value of properties owned in the REIT structure via general improvement in US economic conditions; and
- dividends from the REIT and / or an increase in the Fund's Unit price as a result of initiatives instigated by the Responsible Entity and/or the REIT structure to improve the desirability and capital value of any property acquired (such as refurbishments).

In implementing the Fund's investment strategy, the Responsible Entity seeks to gain exposure to a broad range of commercial properties through the REIT structure, and has established sector categories and indicative long-term asset allocation ranges as follows:

| Property classification | Target return | | Description |
|---|---|---|---|
| **A Class**<br>Up to 20% | Cap rate[1] | 6 to 8% | Superior quality property, typically delivering a lower yield but with established / reliable tenants. |
| | CoCR[2] | 7 to 9% | |
| **B Class**<br>Up to 50% | Cap rate[1] | 7 to 9% | Higher quality property, typically with medium range yields and established tenants. |
| | CoCR[2] | 8 to 10% | |
| **C Class**<br>Up to 50% | Cap rate[1] | 8 to 11% | Medium quality properties that generate higher yields. |
| | CoCR[2] | 9 to 12%+ | |
| **Distressed**<br>Up to 30%[3] | Cap rate[1] | N/A | No yield, but opportunity to buy at attractive prices and value add to earn superior income and growth returns. |
| | CoCR[2] | 9 to 12%+ | |
| **Cash**<br>Up to 10% | N/A | | Money kept on hand to meet operational and distribution requirements. |

[1] Cap rate refers to the capitalisation rate, which is ((net operating income ÷ purchase price) x 100).

[2] CoCR refers to the cash-on-cash return, which is ((net cash flow ÷ cash down) x 100). This reflects the impact of borrowings on net income and cash down.

[3] Once the distressed nature of the property has been resolved, it will be reallocated to the appropriate A, B, or C class portfolio weighting.

The property classification identified in the table above is broadly based on the guidelines published for office buildings by the Building & Owners Managers Association International (BOMA International), adjusted as follows:

**Class A:** The most prestigious buildings competing for premier users with rents above average for the area. Such buildings have high quality standard finishes, state of the art systems, exceptional accessibility and a definite market presence.

**Class B:** Buildings competing for a wide range of users with rents in the average range for the area. Building finishes are good to very good for the area and systems are adequate, but the building does not compete with Class A at the same price.

**Class C:** Buildings competing for a wide range of users with rents in the fair to average range for the area. Building finishes are average to good for the area and systems are adequate, but the building does not compete with Class B at the same price.

The above long-term asset allocation ranges are indicative only and are regularly reviewed by the Responsible Entity in light of current market conditions. It should be noted that the REIT structure will, from time-to-time, hold property assets outside of these long-term asset allocation ranges, particularly in the early years of its life.

The Fund invests certain of its assets in cash and money market instruments. While the Responsible Entity seeks to restrict the Fund's holdings in cash and money market instruments to up to 10% of its assets there will be times when the Fund's allocation falls outside this range, particularly during the early stages of the Fund's life while the Fund capitalises the REIT structure so it can make property acquisitions. As such, in the short term, the Fund will retain higher than normal cash and money market instrument investments that, depending on the amount of interest earned, could detract from the Fund's potential overall performance. It should also be noted that while the Responsible Entity has the ability to hedge its exposure to currency and exchange rate movements, there are currently no plans to put any currency hedging instruments in place, and would only consider such currency hedging instruments in the event that exchange rates movements become, in the Responsible Entity's opinion, subject to extreme short-term volatility and movement.

In addition to acquiring equity interests in the REIT, the Responsible Entity will advance money to the REIT in the form of loans. The Responsible Entity will ensure the terms of any such loan are on arm's length commercial terms in accordance with the Responsible Entity's Related Party Transactions Policy.

## 4.3. Investment process

Following is an outline of the Fund's investment process. When reading this investment process, please remain mindful that references to the investment process are to the manner in which the Fund gains its exposure to direct property via its management and control of the REIT structure.

### Permissible investments

The Fund's key strategic advantage is that it is a cash buyer of commercial properties in a market where it is still difficult to access investment capital.

The Fund, via the REIT structure, invests in a mix of USA commercial property. The types of properties that are considered for acquisition include, but are not limited to:

- small to medium-sized office suites and business premises;
- warehouses (including buildings that provide a flexible configuration of office or showroom space combined with, for example, manufacturing, laboratory, warehouse and distribution, etc.);
- restaurant chains, fast-food outlets and shop fronts;
- drug stores and pharmaceutical outlets; and
- residential properties managed as a commercial venture (including apartment complexes and mobile home parks).

While the REIT structure does consider acquiring distressed properties to take advantage of 'value-add' opportunities (such as refurbishment), it does not consider development projects (ie. land purchases or construction).

The acquisition price per property is expected to be in the US$1 million to US$5 million range (the Responsible Entity being of the view that acquisitions within this price range are generally too large for individual investors and too small for institutional investors). However, properties may be acquired outside this price range depending on market conditions and the opportunities presented.

The Fund intends to take advantage of real estate opportunities currently available in the USA commercial property market by (via the REIT structure):

- purchasing real estate assets on favourable terms and/or at favourable prices;
- completing any refurbishment work required to ready the property for rent; and
- securing positive cash flow returns from the rental of these properties.

Property will be held over the medium to long-term to take advantage of anticipated capital appreciation as and if the US economy improves as expected.

The Fund has the ability to invest across the length and breadth of the USA, but in the short to medium-term intends to focus on the geographic centres of Texas, Georgia and Florida. To ensure appropriate geographic diversity, it is intended that the REIT structure will not have greater than 70% of its property assets by value allocated to any one state of the USA (however in the first three years of the Fund's life, this threshold may be exceeded from time-to-time as the REIT structure establishes its property portfolio).

### Investment process overview

The four core components outlined below are essential to ensuring the Fund achieves its investment objectives:

#### *1. Access to deal flow*

In addition to its own internal knowledge and experience, the Responsible Entity liaises with a network of experienced USA-based realtors and buyer agents to research, source, analyse, acquire, manage and ultimately sell relevant investment properties.

Having a team on the ground allows for closer monitoring of the market and greater access to suitable properties. Further, it allows management to act quickly on opportunities and monitor the refurbishment of properties (where undertaken).

The realtors and buyer agents are required to conduct their work pursuant to written specifications, including a requirement to undertake preliminary due diligence.

The Responsible Entity (and its agents) closely monitor the progress of potential acquisitions and properties already acquired.

#### *2. Property selection process*

Potential property acquisition opportunities are assessed by the Responsible Entity's Board of Directors and, if appropriate, delegated to a due diligence committee for further research and recommendation, with a view to minimising risk and ensuring that the broad characteristics of the property are compatible with the Fund's investment objective. In some cases, it is necessary for the REIT structure to enter into a contract for the purchase of a property before formal approval by the Responsible Entity in order to prevent the property being purchased by others. When this occurs, the acquisition does not become unconditional until it has been reviewed and approved by the Board.

When assessing a property for acquisition a range of criteria are considered, including some or all of the following:

- current rental yield of the property;
- historical price movement;
- potential for capital growth;
- potential to value add to increase income and growth yield;
- rental demand;
- comparable sales analysis of similar properties;
- replacement value;
- age and any current or future repairs or refurbishments required;
- city/suburb demographics;
- proximity to known income and growth drivers;
- the value-gain of any repairs or refurbishment to ready or maintain the property for lease; and
- a suitable exit strategy, to realise any capital appreciation at a future date.

Prior to a property being settled, qualified professionals complete a thorough property inspection covering, amongst other things:

- any repairs or refurbishment that may be required to ready or maintain the property for lease;
- an estimate of the likely rent for the property; and
- an estimate of the likely time to lease.

Furthermore, an independent valuation is commissioned and reviewed, and appropriate insurance obtained.

### *3. Property refurbishment*

Some commercial properties considered for acquisition are in a distressed condition or are vacant and require repairs or refurbishment to bring the property up to a level ready to lease. Estimates for any repairs or refurbishment are obtained prior to purchase. Any work required is completed by qualified tradespeople and carried out according to a specified timetable.

### *4. Active property management and exit strategy*

The REIT structure outsources its management function to experts with the necessary skills and resources to carry out the function. In particular, the Responsible Entity has sourced an experienced asset manager to actively manage the Fund's properties, so that the Fund can continue to provide income distributions and the potential for capital growth to Unit Holders. This active management includes informal periodic valuation reviews, and a periodic assessment of how the value of each property's rent and market value could be further enhanced.

The Responsible Entity periodically reviews each property within the Fund's portfolio, and assesses it against the Fund's investment objective and strategy. These reviews help determine the timing of disposals, taking into account factors such as the local economy, rentals, capital repairs and maintenance, and the general property market environment. The Responsible Entity also seeks to remain aware of developments in its key markets via periodic updates from the REIT structure's asset manager, supplemented with general and specific research reports as seen fit.

The Responsible Entity intends for the REIT structure to hold the properties it acquires on a medium to long-term basis. Where it considers that a property has reached a stage that offers limited scope for future growth, it may consider disposing of the property and using the proceeds for alternative investments in properties that meet the Fund's investment criteria, or for funding any withdrawal offers.

## 4.4. Properties acquired

The properties described below were acquired via the REIT structure as at the date of this PDS (all figures are US$).

Information provided about forecast annual net cash flow and cash on cash returns are derived from unaudited financial projections. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Responsible Entity. The Responsible Entity cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements. Forward-looking statements should be read in conjunction with the risk factors outlined in *Section 8*.

| Address | 3350 Hanson St<br>Fort Myers, Florida | 13584 49th St Nth<br>Largo, Florida | 4700 110th Ave Nth<br>Pinellas Park, Florida |
|---|---|---|---|
| Date acquired | 21 March 2013 | 26 April 2013 | 3 May 2013 |
| Description | Five tenant flexible space | Forty flexible space units | Three tenant office / warehouse |
| Building classification | C Class | C Class | B Class |
| Building size[1] | 25,000 sq ft | 58,300 sq ft | 23,653 sq ft |
| Land size[1] | 80,000 sq ft | 183,227 sq ft | 50,230 sq ft |
| Purchase price[2] | $620,000 | $2,900,000 | $1,095,000 |
| Independent valuation[3] | $625,000 | $2,925,000 | $1,140,000 |
| Building cost per square foot | $24.80 | $49.74 | $46.29 |
| Finance terms | Cash purchase | $1,160,000 loan at 3.5% per annum, interest-only for the first 5 years, then 5% interest per annum interest-only for the next 5 years | Cash purchase |
| Forecast net annual cash flow | $59,404[4] | $179,953[5] | $103,186[4] |
| Forecast net annual cash on cash return | 9.58% | 10.28% | 9.51% |
| Forecast effective cash on cash return at A$1:US$0.9049[6] | 10.58% | 11.36% | 10.50% |
| Occupancy at purchase date | 80% | 64% | 100% |
| Occupancy at date of PDS | 100% | 79% | 100% |
| Photograph |  |  |  |

[1] One square foot = 0.093 square metres.

[2] Purchase price is the contract purchase price and does not include closing costs.

[3] At purchase date.

[4] At projected maximum rental income, less a 10% allowance for vacancy.

[5] Based on occupancy as at the date of this PDS.

[6] Exchange rate as at the date of this PDS.

## 4.5. Properties under contract

The properties described below are currently under contract to be acquired via the REIT structure. The acquisition of these properties is subject to them satisfying a comprehensive due diligence review which has not been completed as at the date of this PDS (all figures are US$).

Information presented in the table below has been sourced from sales documentation provided by the vendor's realtor. Such forward-looking statements are not guarantees of future performance and involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of the Responsible Entity. The Responsible Entity cannot and does not give any assurance that the results, performance or achievements expressed or implied by the forward-looking statements will actually occur and investors are cautioned not to place undue reliance on these forward-looking statements. Forward-looking statements should be read in conjunction with the risk factors outlined in *Section 8*.

| | | | | |
|---|---|---|---|---|
| **Address** | 8344 E. RL Thornton Fwy Dallas, Texas | 2853 - 2861 Work Dr Fort Myers, Florida | 370 Stan Dr Melbourne, Florida | 2148-60 Fowler St Fort Myers, Florida |
| **Expected settlement date** | August 2013 | September 2013 | September 2013 | September 2013 |
| **Description** | 4-story multiple tenant office building | Multi-tenant flex, 27 units | Multi-tenant flex, 8 buildings, 23 units | Multi-tenant retail and warehouse |
| **Building classification** | B Class | C Class | B Class | C Class |
| **Building size[1]** | 51,043 sq ft | 61,354 sq ft | 86,240 sq ft | 28,794 sq ft |
| **Land size[1]** | 93,654 sq ft | 201,682 sq ft | 344,560 sq ft | 108,473 sq ft |
| **Contract purchase price[2]** | $3,050,000 | $2,000,000 | $3,200,000 | $667,500 |
| **Building cost per square foot** | $59.75 | $32.59 | $37.10 | $23.18 |
| **Finance terms** | Cash purchase | $600,000 at 4% interest, 20 year amortisation period with a 5 year balloon | Cash purchase | Cash purchase |
| **Forecast net annual cash flow** | $356,241 | $138,153 | $394,497 | Negligible in the first year[3] |
| **Forecast net annual cash on cash return** | 11.68% | 9.87% | 12.33% | |
| **Forecast effective cash on cash return at A$1:US$0.9049[4]** | 12.90% | 10.90% | 13.62% | |
| **Photograph** |  |  |  |  |

[1] One square foot = 0.093 square metres.

[2] Purchase price is the contract purchase price and does not include closing costs.

[3] The property under contract is a bank foreclosure and, if acquired, will require extensive stabilisation before becoming income producing.

[4] Exchange rate as at the date of this PDS.

# 5. About the Offer

Pursuant to the PDS dated 29 May 2012 a total of A$27,508,630 of application money was received. On or about 31 December 2012, the Board suspended the receipt of new application money so that systems and processes to source, analyse and acquire US commercial property could be finalised.

Now that those systems have been implemented, the Board is again receiving applications pursuant to this PDS.

## 5.1. Closed-end Offer

The Offer under this PDS to invest opens as at the date of this PDS.

The Responsible Entity intends to suspend the Offer once the total subscriptions received since 29 May 2012 (being the date the Fund was first opened to investment) reach A$50,000,000 in aggregate.

At a later time still to be determined, the Responsible Entity intends make a final Offer for investment, to bring the total subscriptions received by the Fund since 29 May 2012 to A$75,000,000.

New applicants must complete the Application Form contained at the back of this PDS (see *Section 12 – How to invest* for details on how to properly complete the Application Form). The minimum initial investment is A$10,000 (however, the Responsible Entity reserves the right to accept a lower amount or reject in whole or in part any application).

Existing Unit Holders can make an additional investment at any time by completing the Additional Investment Form available from the Fund's website at www.PassiveIncomeFund.com. For existing Unit Holders , the minimum additional investment is A$5,000 (however, the Responsible Entity reserves the right to accept a lower amount or reject in whole or in part any investment).

Higher sums than those mentioned above can be invested, however they must be whole thousand dollar amounts.

## 5.2. Treatment of new and additional applications

Applications will be processed and Units issued no later than the tenth business day of each calendar month, so long as the application is received by the last business day before the end of the previous month. For example, where an application is received on 31 August, Units will be issued within ten business days. However, where an application is received on 1 August, Units will be issued by the tenth business day of the following month (ie. September).

The issue price for Units will be based on the Fund's variable monthly Unit price, calculated as at the last business day of each calendar month, and posted on the Fund's website at www.PassiveIncomeFund.com within ten business days. Accordingly, the issue price for Units may be higher or lower than the published price when an application is received.

For example, an applicant may complete and send in an Application Form on 15 August, based on the Fund's Unit price on that date. However, Units in relation to that application will not be issued until 1 September, at which time the Fund's Unit price may have increased or decreased (or stayed the same).

### Application monies, interest and allotment of additional Units

Application monies will be held in an interest bearing account with an Authorised Deposit-taking Institution (ADI) until Units are issued (or application monies returned, subject to the Responsible Entity's discretion to reject applications in whole or in part, and the requirements of the Corporations Act), with the Responsible Entity retaining any interest earned.

However, the Responsible Entity wishes to encourage applicants to submit their applications as early as possible. Accordingly:

- where the Responsible Entity receives a properly completed Application Form from an applicant; and
- the properly completed Application Form is received within the first 20 calendar days of the month the application is received;

the Responsible Entity will calculate interest on the application monies from the date of receipt of the properly completed Application Form until the effective date of the issue of Units, at the rate 6% per annum pro-rata for each day.

The interest amount will be applied to the issue of additional Units to the applicant at the prevailing Unit price and rounded down to the nearest whole Unit. These additional Units will be allotted to the applicant in addition to the Units originally applied for. No interest will be paid on application money returned to investors who exercise their cooling-off rights.

The Responsible Entity reserves the right to vary the interest rate or terms pertaining to interest offered on application money. Any variations will be disclosed on the Fund's website at www.PassiveIncomeFund.com.

### Cooling-off

The Fund is currently liquid for the purposes of the Corporations Act. Accordingly, Units in the Fund will be subject to a cooling-off period of 14 days from the date the properly completed investment application is received.

## 5.3. Additional applications

Unit Holders can make an additional investment by completing the Additional Investment Form available from the Fund's website at www.PassiveIncomeFund.com.

The minimum amount for additional investments is A$5,000 (however, the Responsible Entity reserves the right to accept a lower amount or reject in whole or in part any application). More can be invested, however the sum specified must be a whole thousand dollar amount.

## 5.4. Distributions

Distributions represent the income attributable to Unit Holders from an investment in the Fund. Distributions will be determined by the Responsible Entity and will primarily comprise dividends received from the REIT, but may also include income from interest, realised or unrealised capital gains, and a return of capital.

The Fund intends to have six-monthly distribution periods as at the end of each June and December, and the Responsible Entity expects that the Fund's next distribution will be made on or around 30 June 2014.

The distribution amount per Unit is determined by dividing the total amount available for distribution (as determined by the Responsible Entity) for the distribution period by the number of Units on issue on the last day of the distribution period. Distributions may fluctuate from one distribution period to the next.

Distributions are expected to be paid within 60 days of the end of each relevant distribution period. Cash distributions will be made electronically to the Unit Holder's nominated bank account. Where Unit Holders do not provide clear instructions on their preference for receiving distributions or do not provide valid bank account details, their full distribution entitlement will be automatically reinvested in additional Units in the Fund pursuant to the terms and conditions of the Distribution Reinvestment Plan.

Distributions are calculated pro-rata to the number of fully paid Units (and including any proportion of partly paid Units) held by Unit Holders for the relevant distribution period and pro-rata to the time period for which those Units have been held by a Unit Holder in that distribution period.

## 5.5. Distribution Reinvestment Plan

A Distribution Reinvestment Plan (DRP) is available that allows Unit Holders to reinvest all of their distributions to acquire additional Units in the Fund, using the Unit price that applies on the date of the relevant distribution. To participate in the DRP, applicants need to complete the relevant section of their Application Form.

Unit Holders can vary their participation in the DRP at any time by providing the Responsible Entity with a minimum of 14 days notice in writing.

A Unit Holder's participation in the DRP applies to their entire unitholding.

Full terms of the DRP are available from the Fund's website at www.PassiveIncomeFund.com or by contacting the Responsible Entity. The Responsible Entity reserves the right to terminate or suspend the DRP at any time, in which case all distributions will be paid into the Unit Holder's nominated back account.

## 5.6. Redemptions

The Responsible Entity does not intend to honour any redemption requests received before 31 October 2015.

After this date, the Responsible Entity expects to provide Unit Holders with the ability to redeem Units in the Fund, subject to the Fund being liquid within the meaning of the Corporations Act. Redemption offers may be advised to Unit Holders by any means as determined by the Responsible Entity, including by publishing on the Fund's website at www.PassiveIncomeFund.com.

The Responsible Entity expects to determine an amount of cash within the Fund available to satisfy redemptions of Units and apply that amount to honour redemption requests submitted by Unit Holders during a one-month period commencing on 1 September each year, subject to the Fund being liquid within the meaning of the Corporations Act. During this one-month period, Unit Holders can submit requests to redeem Units in the Fund (using the Redemption Request Form made available on the Fund's website at www.PassiveIncomeFund.com during the period that the redemption offer remains open). If the Responsible Entity receives redemption requests for an amount in excess of the amount it has determined is available to satisfy redemptions, it shall apply the amount available to satisfy redemption requests on a pro-rata basis. The amount available under each redemption offer will be notified to Unit Holders at the time each offer is made.

Under the Fund's Constitution, the Responsible Entity has up to 365 days to satisfy any redemption request; however, provided the Fund has sufficient available liquid assets to do so, the Responsible Entity will aim to satisfy redemption requests within 60 days of the closing date of the redemption offer. In the event that demand for redemptions pursuant to any redemption offer exceeds the Fund's available liquid assets, the Responsible Entity has discretion to delay or suspend redemptions, or to scale back all redemption requests on a proportionate basis. The Responsible Entity may determine such other terms and conditions to apply to redemption offers that will be communicated to Unit Holders at the time of the redemption offer.

Under the Fund's Constitution, the Responsible Entity can delay or refuse to provide redemption offers at its complete discretion.

### Minimum balance

If as a result of a redemption request the value of a Unit Holder's investment falls below A$10,000, the Responsible Entity may treat the request as a request to withdraw in full, redeem the entire amount of their investment and close their account.

## 5.7. Unit Holder communication

Unit Holders receive the following information (either by mail, email or via the Fund's website at www.PassiveIncomeFund.com):

- Transaction statements: Issued when Units in the Fund are first issued as well as when additional investments are made (including through the Fund's DRP).
- Income distribution statements: Issued when the distributions are made, at least six-monthly as at the end of June and December each year.
- e-newsletter: The Responsible Entity will publish a periodic newsletter on the Fund's activities and make it available to all Unit Holders via the Fund's website at www.PassiveIncomeFund.com.
- Annual report: Includes audited accounts for the Fund as at 30 June each year.
- Annual tax statement: Issued after 30 June each year to assist in preparing tax returns.
- Periodic statements: Any periodic statements required under the Corporations Act.
- In addition to the above, Unit Holders are invited to attend bi-annual seminars where the Responsible Entity outlines the REIT structure's portfolio and provides commentary regarding properties the REIT structure has acquired, or is considering, acquiring.

## 5.8. Fund term

The Responsible Entity may terminate the Fund when permitted to do so, and must terminate the Fund when required to do so, in accordance with the terms of the Fund's Constitution and subject to the Corporations Act.

The Fund has been established as an unlisted scheme with a cap on Unit Holder subscriptions of A$75,000,000. However, the Responsible Entity intends to call a meeting of Unit Holders in the tenth year of the Fund's life, to allow Unit Holders to vote on a resolution to wind-up the Fund.

This resolution will be a special resolution (as defined in Chapter 1, Section 9 of the Corporations Act). If the special resolution is not passed, the Responsible Entity will reassess the Fund's investment strategy.


*The Fund will aim to achieve its investment objective through exposure to the USA commercial property market. The Fund will gain such exposure via a USA-based real estate investment trust structure (REIT structure) controlled by the Responsible Entity. It is intended that the REIT will be classified as a 'real estate investment trust' for USA federal income tax purposes.*

# 6. Independent report on the USA commercial property market

CRE CONSULTANTS
Commercial Real Estate Consultants, LLC
Florida Licensed Real Estate Broker

CREconsultants.com

18 July 2013

CRE Consultants has been engaged by Plantation Capital Limited to update as of July, 2013 their research and report dated May 2012 regarding the status of the commercial real estate market in the United States of America ("USA") with particular attention given to markets in Texas, Georgia and Florida. While due care has been exercised in researching and preparing this report, its contents do not constitute specific advice, nor is any estimation, recommendation or endorsement made concerning earnings potential or the appropriateness of any investment strategy. This report has been prepared based on our knowledge and observations as commercial property experts, and is supplemented by independent published research which is referenced so readers can undertake further analysis, if desired.

**Synopsis**

History reflects a housing bubble devastated the U.S. real estate market, including the commercial sector, from about 2008 to 2011. In 2012 the commercial real estate market began to more noticeably heal. In 2013 it is healing faster as indicated by a majority of metrics.

U.S. commercial properties are being spotlighted as attractive investment alternatives given a still uncertain global economy and potential turbulence in the stock and bond markets. These variables help make hard assets like real estate a more appealing place for investment capital particularly for those investing for longer holding periods.

While a healing economy and commercial real estate market makes finding those once in a lifetime bargains harder it provides a more stable and predictable foundation for commercial real estate investing.

**Office: Florida**

By the close of 2012 there were clear indicators of steady recovery for Florida's office market, though still far from equilibrium. Total vacancy dropped slightly under 20% for the first time in over three years, assisted by a significant decline in sublease space from the 2009 peak. Job growth is expected to continue for 2013 which may lead to additional positive absorption. Asking rates remained fairly stable, though the average sale price dropped year-over-year. A flurry of fourth quarter sales last year proved resumed investor interest, and opportunities remain available as investors continue to seek quality core assets across Florida. Housing values continue to improve in the state's major metropolitan areas with annual building permits on the rise for the first time in many years.

An increase in office activity in Central Florida (Orlando area) could be largely attributed to several sectors which have seen a rise in demand over the past few quarters. Sectors most active in the Orlando market included professional and financial services firms, technology/IT, education, back-office, and healthcare. However, CBRE reports the pace of getting deals done has slowed considerably as both tenants and landlords dig-in and give less ground in negotiations.

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Investor interest is evident in the Jacksonville office market with over 1.2 million square feet of office product sold in Q1 2013. The Miami area also experienced robust investment sales during the same period while leasing activity remains steady in that market. Many larger tenants in the Tampa CBD and Westshore areas have begun to renew space or sign leases expanding their footprint. Vacancies are likely to drop as space tightens in these popular Tampa Bay submarkets. Despite positive momentum in leasing activity, Broward County (Fort Lauderdale area) is still considered a tenant's market as owners continue to offer rent concessions.

The South West Florida (SWFL) office market is strengthening in part with the announcement of Hertz Rent-a-Car relocating their world headquarters and approximately 700 jobs to the Estero, FL area. Joining Hertz in SWFL and bring an additional 400 jobs in the next 12 months is high end call center operator Alta Resources. Office vacancy is still precariously high affording opportunistic buyers the ability to buy office property well below replacement cost in anticipation of rising occupancies further accelerated by the absence, since 2009, of any appreciable speculative office space being added to the supply of office buildings.

*Sources: CBRE Florida Office MarketView Q4 2012, Colliers International Central Florida Office Market Report Q1 2013, CBRE Orlando Office MarketView Q1 2013, CBRE Jacksonville Office MarketView Q1 2013, CBRE Miami Office MarketView Q1 2013, CBRE Tampa Bay Office MarketView Q1 2013, CBRE Broward County Office MarketView Q1 2013*

## Office: Georgia

Georgia's unemployment rate has been steadily declining since January 2010 from 10.4% to 8.3% in May 2013, the most recent data available. According to the Georgia Department of Labor, Metro Athens had the lowest area jobless rate at 6.2 percent, while the Heart of Georgia-Altamaha region had the highest at 11.5 percent.

Atlanta is the major market of the state, so it serves as a benchmark for this overview. The availability of large blocks of available space in the metro Atlanta area has been shrinking, though vacancy remains high around 20% and minimal new product has been delivered in the past three years. Average rental rates in the metro area remain flat, and the current trend suggests they are bouncing at the bottom of the cycle. Though the Atlanta office market is off to a slow start, there is a lot of momentum occurring. Demand remains consistent and active; most notably from the professional services sector. State Farm has been particularly active, and other large requirements in the market include MedAssets, IntercontinentalExchange, CH2M Hill and PRGX Global; all of which are seeking around 100,000 square feet or greater of office space in Atlanta. There are plans for a transit-oriented project in Central Perimeter to be known as 100 Northpark that will include 1.5 million square feet of office, 150,000 square feet of retail and a multi-family component.

*Sources: U.S. Bureau of Labor Statistics, Georgia Department of Labor, CBRE Atlanta Office MarketView Q1 2013, Colliers International Atlanta Office Market Report Q1 2013*

## Office: Texas

North Texas continues to exhibit robust economic growth, translating into increased demand for office space. Class A properties continue to stand out as the most sought after property type in

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the Dallas/Fort Worth area. Further south, the Houston market in particular benefited from momentum in 2012, resulting in a decline in vacancies and westward shift in activity is changing the tenant make-up of established submarkets. Following a stellar year of growth and a maturing energy industry expansion, the office market should experience a relative slowdown, but CBRE forecasts such a slowdown is further out on the horizon.

Absorption in the San Antonio office market has had a positive start to 2013 thus far, and lease rates have increased although forecasted to remain flat over the next year. Job growth increases as companies continue to expand and open their operations in San Antonio, but limited parking and an aging inventory will continue to challenge downtown. The Austin office market has experienced positive absorption for the nine consecutive quarters, resulting in the overall vacancy rate trending down and rental rates have increased across the board as of Q1 2013. Cushman & Wakefield expects to see some substantial movement in the construction pipeline in the forthcoming quarters.

*Sources: CBRE Dallas/Fort Worth Office MarketView Q1 2013, CBRE Houston Office MarketView Q2 2013, CBRE San Antonio Office MarketView Q1 2013, Cushman & Wakefield San Antonio MarketBeat Office Snapshot Q1 2013, Cushman & Wakefield Austin MarketBeat Office Snapshot Q1 2013*

**Industrial: Florida**

Sales volume in statewide major markets has increased by over 50 percent from 2011 to 2012, and price per square footage rose by 16 percent within the same period. Over 210,000 more Floridians were employed in a year-over-year comparison, bringing statewide unemployment to under 8%. Absorption in 2012 more than doubled the volume recorded in 2011 with Miami accounting for almost 30% of last year's absorption. Perhaps as a result, construction activity increased with many speculative projects underway in South Florida while Central Florida is seeing more build-to-suits.

Asking lease rates have stabilized in Orlando as active users in the market have increased, and increased homebuilding activity benefits an array of ancillary businesses. Palm Beach County's industrial market also continues to recover with positive absorption, improving unemployment and new residential development. Distressed assets have mainly been sold off which will likely drive pricing up.

The Jacksonville industrial market is off to a strong start in 2013 with overall vacancy at its lowest rate since 2009, but sales activity slowed. The average asking rental rate continued to hold steady over the last year following a decline since 2010, due in large part to buildings left vacant for an extended period of time. The State of Florida announced it would provide funding to fix the navigational issues at the JAXPORT Mile Point shipping passageway, which could take 12-18 months to complete. Once dredging is finished, large vessels will be able to travel up the river any time of day, creating an additional 3,500 port-related jobs.

Cushman & Wakefield forecasts that key market fundamentals in the Tampa industrial market will return to making positive gains as the year 2013 progresses. Mid-to-large sized users who are currently in the market and those new to the market will continue to evaluate their future

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space requirements and look to lock-in favorable rental rates and lease terms which can still be obtained in the market. Rental rates will continue to slowly creep upwards as the reduction in available space options in the area will allow landlords to become more aggressive in lease negotiations. Additionally, following nearly a three year hiatus, Tampa can expect to see some new speculative construction projects break ground in the near future.

*Sources: CBRE Florida Industrial MarketView Q4 2012, CBRE Orlando Industrial MarketView Q1 2013, CBRE Palm Beach County Industrial MarketView Q1 2013, CBRE Jacksonville Industrial MarketView Q1 2013, Cushman & Wakefield Tampa MarketBeat Industrial Snapshot Q1 2013*

**Industrial: Georgia**

Although leasing activity in the latter half of 2012 was subdued, the Atlanta industrial market began 2013 with its strongest first quarter in six years absorbing over 3 million square feet of space. Having already absorbed more than half of the total industrial absorption of last year, Atlanta is poised for a significant year of industrial activity, though investment activity has been tepid so far. A number of large active requirements in the market are moving closer to getting signed, many of which are going through the state of Georgia's economic development group.

Atlanta's market for industrial space started 2013 at a brisk pace, posting a significant amount of net absorption in the first quarter. Barring any major headwinds, Jones Lang LaSalle forecasts to expect modest movement for the remainder of the year. Metro area economic and real estate indicators are steadily improving by measure of population growth and decreasing vacancy, which reflect a sustained demand for warehouse and distribution space. Landlords are beginning to pull back on concessions, but overall average asking rents remain relatively flat from quarter-to-quarter.

Significant increases in leasing velocity are not expected near term, but activity by smaller tenants may increase as the region's economy continues to grow. Few new buildings are currently going vertical. Continued increases in cargo volume at Georgia's ports support confidence that Atlanta and ancillary markets will remain a beneficiary of import/export activity.

*Sources: Colliers International Atlanta Industrial Market Report Q1 2013, Jones Lang LaSalle North America Industrial Outlook Q1 2013, Jones Lang LaSalle North America Industrial Outlook Q1 2013*

**Industrial: Texas**

Texas is adding more manufacturing jobs than any other state and production activity is strong. Abundant resources and raw materials as well as lower energy and labor costs are key supports to manufacturing growth. For the first time since 2001, the direct vacancy rate in the highly-populated Dallas/Fort Worth area is below 8.0% as of Q2 2013. With strong net absorption since late 2010, dwindling availabilities mark the beginning of a landlord-favored market. Cap rates are at historic lows as debt remains available and inexpensive. While investor demand and pricing for Class A offerings is strong, there are limited opportunities available, creating a frenzied, competitive environment. CBRE expects the active, institutional investors to become more active in the Class B space over the next year, as pressure mounts to place money in today's market.

The industrial sector in Houston, the nation's energy capital, is growing as inventory of industrial space continues to spread out with 8 million square feet of construction in the pipeline, more than most of the other markets in the country. Houston remains among the strongest U.S. industrial markets with a low vacancy rate of 5.0% as of Q2 2013. Citywide asking rates in Austin increased for the first time in two years despite a slow first quarter. As vacancy remains tight throughout Austin, anticipate some activity in the construction pipeline in the next 12-18 months to compensate for the lack of available space in the current market. New speculative construction has already commenced in the San Antonio market, answering demands of users wanting new Class A space. The energy industry continues to be one of the most important economic drivers in San Antonio.

*Sources: CBRE Texas Industrial MarketView Q1 2013, CBRE Dallas/Fort Worth Industrial MarketView Q2 2013, CBRE Houston Industrial MarketView Q2 2013, CBRE Austin Industrial MarketView Q1 2013, Cushman & Wakefield Austin MarketBeat Industrial Snapshot Q1 2013, CBRE San Antonio Industrial MarketView Q1 2013*

**Retail: Florida**

Year 2012 closed with positive absorption, declining vacancy, firm asking rates and over one million square feet under construction. These indicators of recovery were reflected with average sales prices rising year-over-year in major markets. Asking lease rates have not suffered the more extreme degradation other asset classes in Florida experienced during the recession.

Colliers International reports that activity levels and market scouting in Central Florida are seeing a large gain in momentum while the actual market data may be slow to catch up. In particular, first tier markets are seeing high interest in infill locations as many retail centers are getting new updated looks. Quick service and fast casual restaurants, along with discount stores, dollar stores, auto parts, and service oriented shops have seen a large share of the activity. CBRE research also states that the Orlando area is primed for growth, with help from improving employment and robust tourism industry, though rental rates have continued to slide.

The Broward County retail market is experiencing a slow but steady recovery, but with limited demand to spark new construction. Plans have been announced for new retailers to enter the Jacksonville market such as Bass Pro Shops, prompting optimism for positive growth in 2013. Numerous large investment sales in Miami indicate that investors are viewing that market as a good opportunity. Furthermore, projects under construction and planned in the Miami area will deliver over a million square feet of new retail space. Overall occupancy in Palm Beach County remained unchanged from the start of 2012 to 2013 amidst sluggish rental rate movement. The Tampa Bay area experienced significant negative absorption in Q1 2013 due to the closure of 33 Sweetbay supermarkets. The silver lining is that these are prime locations and replacement tenants lack alternatives due to the scarcity of new retail construction. As the housing market continues its recovery, consumer spending on goods and services are likely to spur more activity in each of these markets.

*Sources: CBRE Florida Retail MarketView Q4 2012, Colliers International Central Florida Retail Market Report Q1 2013, CBRE Orlando Retail MarketView Q1 2013, CBRE Broward County Retail MarketView Q1 2013, CBRE Jacksonville Retail MarketView Q1 2013, CBRE Miami Retail MarketView Q1 2013, CBRE Palm Beach County Retail MarketView Q1 2013, CBRE Tampa Bay Retail MarketView Q1 2013*

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**Retail: Georgia**

The retail market is showing significant signs of improvement with solid occupancy rates being the norm in most trade areas within or close to Atlanta. New leasing activity continues to be strongest in small shops, restaurants and back-fill box tenants. Even shopping centers in the more distant suburbs are filling in as a variety of small and mid-size retailers and restaurants vie for the dwindling stock of available retail space. New development activity remains at historic lows and with only a few exceptions we foresee minimal new retail development activity near-term. Traditional drivers of the retail market, jobs and the housing market, are slowly moving in the right direction.

While activity in the suburbs has been picking up over the past couple of years, struggles remain. Atlanta retail property delinquency rates were among the worst in the country last year. Distant and emerging metropolitan submarkets suffer the greatest challenges to leasing as much of the new development activity was originally prompted by residential growth projections which failed to materialize. This situation may improve as the overhang in available housing diminishes and a resumption of residential development in the distant/emerging metro submarkets occurs, otherwise large amounts of vacancy will continue to plague these areas.

*Sources: Colliers International Atlanta Retail Market Report Spring 2013, Colliers International Atlanta Retail Market Report Fall 2012*

**Retail: Texas**

According to the Dallas Federal Reserve's Retail Outlook Survey, retailers across Texas have been reporting increased sales and have a more optimistic opinion of current and future economic conditions. In the Dallas/Fort Worth area, the first half of 2013 was the best since 2008 in terms of positive absorption and increasing construction activity. Retail sales should continue increasing as the rate of new household formation remains strong. Rising apartment rents and low interest rates are inducing many people into the single-family market, which is seeing quickly increasing home prices. Retail rents in the Houston area are up to their highest level since 2008, following five quarters of strong net absorption. The slow and steady recovery has been driven by the area's strong job and population growth. With continued expansion in the energy industry and a strong housing market, Houston's economy is expected to remain healthy for both the near and long-term.

*Sources: CBRE Dallas/Fort Worth Retail MarketView Q2 2013, CBRE Houston Retail MarketView Q2 2013, Colliers International Houston Retail Market Report Q1 2013*

**Multi-Family: Florida**

CBRE indicates that multi-housing properties are the strongest and most desired commercial property type by investors in South Florida. Higher rents and occupancies, cheap debt, abundant investors, limited for-sale product, and historically low cap rates are continuing to drive pricing. The South Florida apartment market continues to enjoy strong fundamentals at levels not seen since before the recession, including the highest sales volume in five years. A limited number of properties remain for sale and investors are aggressively competing for quality assets. Positive market fundamentals, attractive new debt solutions and a plethora of domestic and foreign buyers have contributed to significantly higher sale activity. There are some potential negatives, however. A sudden rise in long-term interest rates remains a concern, although that appears unlikely in 2013. Secondly, an over-supply of new units could appear in a select few submarkets, but is likely to result in a pause rather than a problem.

In the past two years investors were focused on newer properties in desirable locations. CBRE observed increased investor interest in less marquee properties as a lack of available product and intense buyer competition is causing buyers to expand their focus to include more Class B and C assets. Jones Lang LaSalle highlighted South Florida as one of the top U.S. markets to experience the largest demand from foreign investors, and also singled out Tampa Bay, Orlando, and Jacksonville as markets that continue rising, but not yet peaking.

In Central Florida, overall market vacancies are down, markets rents are up, and values are increasing. With stronger fundamentals for Class A product, bottom fishing in the Orlando area is less feasible due to a median cap rate of 5.9% as of Q1 2013. With new construction costing within a similar range per unit as Class A sales prices in the area, Colliers International suggests that buying existing, newer Class A product at current prices could be advantageous for REITS, funds, private capital and foreign "safe haven" investors.

*Sources: CBRE Multi-Housing Update Spring 2013, CBRE Multi-Housing Update Spring 2013, Jones Lang LaSalle Multifamily Outlook Summer 2013, Colliers International Central Florida Multi-Family Market Overview March 2013*

## Multi-Family: Georgia

Atlanta's rent growth was incremental in Q1 2013 (quarterly rent shifts have been less than 0.5% for the past six quarters), but it marks the 10th straight quarter of annual rent growth in Atlanta. Occupancy has recently tapered, primarily in lower-tier apartment properties, following a steady overall increase. Real Capital Analytics indicated that investment for apartment properties in the Atlanta market is set to increase for a third straight year. The average price per unit has increased for five consecutive quarters as of the end of 2012. The average cap rate for apartments in the Atlanta market increased from the previous year to 7.1%, bucking the trend in nearby Florida where cap rates have compressed. Jones Lang LaSalle forecasts that Atlanta will be the top U.S. market for number of units absorbed in 2014, and will rank sixth in the nation for percent of inventory absorbed.

*Sources: Colliers International Atlanta Multi-Family Market Report Q1 2013, Jones Lang LaSalle Multifamily Outlook Summer 2013*

## Multi-Family: Texas

The apartment market in Texas has recovered after several years of inactivity due to the recession. Occupancy is up, rental rates are at historic highs and new units are being built at a pace not seen for several years. Strong job and population growth along with a limited supply of new units are the driving factors behind Texas' current apartment boom. Prices for multi-family development sites in urban Texas markets have doubled since 2010. The City of Austin and the City of Houston were the top multi-family permitting places on a trailing 12-month basis through March 2013. Despite increased deliveries, positive absorption is expected to continue due to strong demand. Facebook, Google and other high-tech companies have set up offices in downtown Austin drawing an influx of young, highly educated workers and driving demand for urban apartments.

The majority of the occupancy gains in Central and Northern Texas are being seen in the lower classes of properties. While Class D properties in the Dallas/Fort Worth area have seen occupancy increase every quarter since the end of 2011, Class A properties have seen falling occupancy each quarter. Jones Lang LaSalle highlights Dallas/Fort Worth as one of the top U.S. markets for increasing rentership over the past year with more than 4.0 percent of households shifting away from owning residences. Top performers in job growth include Houston and Dallas. Those two markets have also experienced the largest demand from cross-border investors.

*Sources: CBRE Texas Multi-Housing MarketView Q1 2013, CBRE Dallas/Fort Worth Multi-Housing MarketView Q1 2013, Jones Lang LaSalle Multifamily Outlook Summer 2013*

**Conclusion**

History reflects a housing bubble devastated the U.S. real estate market, including the commercial sector, from about 2008 to 2011. In 2012 the commercial real estate market began to more noticeably heal. In 2013 it is healing faster as indicated by a majority of metrics. Transaction data from 2 leading sources reveal that the U.S. remains the largest and most liquid market globally for direct investment in commercial real estate accounting for 33.7% of all commercial property sales worldwide.

Perhaps contributing most to the speed of the commercial real estate recovery in 2013 is lenders are once again returning to lending as every lender group upped its volume. The lending landscape became more balanced as multiple lending sources competed for deals. Commercial banks and commercial mortgage backed security issues posted the strongest yearly growth rates Commercial mortgage backed securities issued a total of $30 billion during the first quarter of 2012 as compared to $48 billion during the entirety of 2012.

U.S. commercial properties are being spotlighted as attractive investment alternatives given a still uncertain global economy and potential turbulence in the stock and bond markets. This variables help make hard assets like real estate a more appealing place for investment capital particularly for those investing for longer holding periods.

Commercial properties located in markets with low unemployment rates are being targeted by investors seeking value. The three industries holding the greatest opportunities for job growth are technology, energy and healthcare. Commercial real estate investments will follow the markets where there's good potential for job growth.

Faced with lower inventories of top properties in major metropolitan areas, investors have been searching for the higher yields of performing properties in smaller markets. On a year over year basis, the first quarter of 2013 recorded 16 individual markets with triple-digit gains in sales, most of them being secondary markets. Jacksonville posted a whopping 625% increase boosted

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primarily by apartment and office sales. Other markets posting triple-digit gains were San Antonio 200%, Orlando 120% and Palm Beach 110%

In the first quarter of 2013 in SWFL the percentage of total sales that were distressed dropped from the 35% range to the 10% range. Most banks have jettisoned from their balance sheets the bulk of their nonperforming assets allowing them to begin lending again but making it harder for investors to find the low prices more common in the depths of the economic freeze.

While a healing economy and commercial real estate market makes finding those once in a lifetime bargains harder it provides a more stable and predictable foundation for commercial real estate investing.

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**Disclaimer**

Information in this report has been gathered from sources which are considered reliable, but without warranty and accuracy is not guaranteed.

# 7. About the Responsible Entity

Plantation Capital Limited is the Fund's Responsible Entity and the issuer of Units pursuant to this PDS. The Responsible Entity is responsible for the overall management of the Fund and is subject to various duties under the Corporations Act, including duties to act honestly, exercise care and diligence and act in the best interests of Unit Holders.

The Board of the Responsible Entity comprises five directors. The Directors of the Responsible Entity are:

**Stephen (Steve) McKnight – Chairman**
*Bachelor of Business (Accounting),*
*Diploma Financial Services, Chartered Accountant*

Steve, a qualified chartered accountant and experienced investor, is recognised as one of Australia's foremost authorities on property investment as a means of creating personal wealth.

Since buying his first investment property in May 1999, Steve has completed hundreds of property transactions. Presently, his real estate portfolio includes a significant portion of USA properties on a co-ownership basis, including single family homes, multi-family homes, and commercial real estate (including two mobile home parks).

Steve is the co-founder and current Chief Executive Officer of PropertyInvesting.com, a website that is committed to educating investors on how to successfully use real estate to create wealth. His first book, *From 0 to 130 Properties in 3.5 Years*, is Australia's best selling real estate title and has sold over 200,000 copies.

Steve has been featured as an expert investor in the print media, on television and on radio. He has delivered expert keynote addresses on real estate investing in Australia, New Zealand, Asia, Canada and the USA.

**Haydn Wright**
*Bachelor of Economics, Master Tax Law,*
*Associate Financial Services Institute Australasia*

Haydn is a highly experienced corporate advisor with specific experience in property development, funds management, banking and finance.

Haydn has provided consultancy advice to Australian and European investment funds including management roles such as the recent restructuring of an eastern European property development company with a balance sheet in excess of €200 million. Haydn's experience is across all property classes including major shopping centres, commercial buildings and high-rise residential towers, and Haydn's work includes project oversight and management, as well as finance (including bank funding, balance sheet and cash flow management, debt/equity and mezzanine finance).

Haydn possesses significant experience in the financial services sector including prior roles as Head of Credit with mortgage funds manager Affinity Funds Management Limited, director of the boutique corporate advisory group Teraform Advisory, and property investment group Securitised Asset Management Limited. He has also held senior banking positions with Kleinwort Benson Limited, Citibank Limited and CIBC Australia Limited.

### Paul Harper

*Master of Entrepreneurship and Innovation, Bachelor of Business (Accounting), Chartered Accountant*

Paul has been providing financial advisory services to corporations, institutions and high net worth individuals for the past 22 years.

Until November 2011, he worked as the Managing Director of Jeena Limited, a Melbourne-based firm of Chartered Accountants that provided family office services and specialised investment opportunities to select, high-net worth clients and families.

In addition to holding a Masters in Entrepreneurship and Innovation and a Bachelor of Business (Accounting), Paul is a chartered accountant.

### Keith Woodhead

*Bachelor of Surveying, Graduate Diploma (Town Planning), Master of Business Administration*

Keith is a highly experienced property professional with specific expertise in areas including acquisitions, disposals, subdivision, leasing, construction, and project and development management. His property-based experience also includes direct property assets, and listed and unlisted property trusts across a range of property sectors including residential, retail, industrial and commercial.

Much of this work has been within the property funds management sector, where he has been largely responsible for debt and equity raisings, offer document preparation, product management, corporate governance, compliance and transaction management.

### Thomas (Tommy) Senatore

*Bachelor of Science, Paralegal Certificate (Honours)*

Based in Cape Coral, Florida (USA), Tommy is an authority in tax lien and deed investing and controls an extensive real estate portfolio of USA commercial and residential property. Currently head of TLD International, a group that provides wealth creation consulting and advisory services to both individual clients and corporations, Tommy has conducted numerous seminars in the USA and around the world.

Prior to this, Tommy was a member of the USA Mentor Team for the Wealth Intelligence Academy and regularly presented seminars on how to build property portfolios around tax lien and deed strategies, as well as the owner of a construction company.

# 8. Investment risks

Prior to investing, prospective applicants should consider the risks involved in investing in the Fund and whether the Fund is appropriate for their objectives and financial circumstances. If in any doubt, prospective applicants should seek advice from a suitably qualified financial adviser.

This PDS contains forward-looking statements which are subject to known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements of the Fund to be materially different from those expressed or implied by such forward-looking statements. Past performance is not a reliable indicator of future performance.

Some of the risks may be mitigated by the use of safeguards and appropriate systems and actions but some are outside the control of the Responsible Entity and cannot be mitigated.

The Responsible Entity and its directors do not guarantee any rate of return in terms of income or capital or investment performance of the Fund. The Fund's Unit price will reflect the performance of its underlying investments and current market conditions. There can be no certainty that the Fund will generate returns or distributions.

Please note, this is not an exhaustive list of the risks associated with the Fund. This section of the PDS should be read in conjunction with *Section 3.3 – Regulatory Guide 46 – 'Unlisted property schemes: Improving disclosure for retail investors'.*

## 8.1. Property investment risks

These risks relate to investing in property generally as well as particular risks in relation to the Fund's future property investments (via the REIT structure).

### Property investment risk

An investment in the Fund is subject to certain risks associated with the ownership of property and the property industry generally. These risks include:

- declines in property values due to market conditions;
- declines in property income due to rental market conditions (which will vary according to the supply and demand for similar space in the respective markets for the property);
- inability to secure tenants as required to provide rental income and other tenancy risks; and
- increases in property and transaction taxes.

The Responsible Entity mitigates this risk by conducting extensive due diligence on any properties proposed to be acquired by the REIT structure, and keeping abreast of market intelligence regarding trends and values in relation to properties already acquired by the REIT structure.

### Taxation risk

Changes to the taxation laws in Australia and the USA (particularly in relation to income tax, the double income tax treaty that applies between Australia and the USA, property tax, transfer tax or other property related tax legislation) and/or changes to the taxation status of the Fund or the REIT may affect the Fund's or the REIT's tax treatment. The effect of any such changes may differ between Unit Holders.

There can be no assurance that the REIT will formally qualify, or remain formally qualified, as a REIT as such a determination is complex.

Further, there can be no assurance that the Fund is not, and will not, be taxed as a company under the Australian income tax legislation, as such a determination is complex.

As the Fund's and/or the REIT's taxation treatment may be different than what is expected, such treatment may have adverse tax consequences with respect to the treatment of withholding tax, distributions from the Fund, the Fund's value, or the value of the Fund's assets.

### Acquisition risk

The REIT structure's ability to acquire suitable properties depends on market conditions, the availability of suitable property on appropriate terms, completion and capital availability at the relevant time. There is no guarantee that the Fund and / or REIT structure can execute their investment processes successfully.

Further, the Fund and REIT hold cash and/or money market instruments awaiting investment, and it may take longer than expected to identify sufficiently attractive investments for the Fund to fully invest its cash holdings. The cash and/or money market instruments held by the Fund and REIT are impacted by prevailing interest rates (and the yield) on these investments.

The Responsible Entity will mitigate this risk by access to deal flow in the relevant markets, sourced through a combination of its USA-based management and experts appointed by either the Responsible Entity or the REIT structure.

### Tenancy risk

The REIT structure's income (and therefore the ability of the Fund to provide distributions to Unit Holders) is largely dependent upon tenants paying rent in accordance with their lease terms. In relation to the REIT structure's properties, there is a risk that:

- the properties remain and/or become vacant;
- tenants may damage property requiring increased capital expenditure (that is unforeseen);
- the REIT structure is not able to lease and/or re-lease a property; and/or
- a property is re-leased at a reduced rate.

Each scenario could result in a reduction of the REIT structure's rental income, and additional expenses associated with re-leasing or selling the property.

The Responsible Entity mitigates this risk by conducting extensive due diligence on any properties proposed to be acquired by the REIT structure, including in relation to terms of occupancy of major tenants, and ensures that the asset manager appointed by the REIT structure complies with guidelines for maintenance of existing tenancies and any acceptance of new tenants.

### Valuation risk

All property owned within the REIT structure is periodically valued. However, there is a risk that a property valuation is not correct and this may adversely impact the Fund's performance. If an incorrect valuation is obtained and relied upon, a property could be acquired for more than market value, or alternately could be sold for less than market value.

A property's ongoing value is influenced by changes in property market conditions (eg. supply, demand, interest rates and rentals). An independent valuation of each property is commissioned prior to purchase however, this valuation or appraisal might still be an incorrect assessment of the true valuation upon realisation for a variety of reasons including wrong information used, poor research and changes in property values. There is no guarantee that the property will enjoy a capital gain on its sale and the value of the property may fall as a result of the assumptions on which the valuation is based proving to be incorrect.

The Responsible Entity mitigates this risk by ensuring that the REIT structure engages suitably qualified independent experts to provide valuations prior to, and periodically after, the acquisition of each property.

### Insurance risk

The REIT structure's performance may be adversely affected where losses are incurred due to uninsurable risks, uninsured risks or under-insured risks. Further, any failure by an insurer or re-insurer may adversely affect the REIT structure's ability to make claims under an insurance policy.

Disasters such as natural phenomena, acts of God and terrorist attacks may damage or destroy the Fund's property. It is not possible to insure the REIT structure's property against some of these events. Occurrence of these events could also lead to insurance becoming unavailable for such events in the future, or premiums increasing above expected levels.

The Responsible Entity mitigates these risks as much as commercially possible, by ensuring the REIT structure maintains appropriate insurances from reputable insurers with good capital resources and claim payment histories.

### Capital expenditure risk

Capital expenditure, either on maintenance or refurbishment costs, could exceed expectations. This could result in increased funding costs and lower distributions.

### Realisation risk

While the REIT structure may seek to realise its investment in a property at a particular time, there is a risk that should it do so at that time, it is not able to realise it for the amount for which it was acquired or it is unable to find a buyer. The Responsible Entity mitigates this risk by ensuring that thorough due diligence is undertaken prior to each property acquisition, in relation to the likely market for disposal of the property over the proposed period when the REIT structure will hold the property.

### Borrowing risk

This is the risk that the REIT structure is forced to sell a property if it is unable to meet its debt obligations pertaining to that property. The Responsible Entity manages this risk by restricting borrowings in the REIT structure to a maximum of 40% of each property's value while also carefully managing operational cash flows.

### Compulsory acquisition

This is the risk that a property (or part of a property) owned by the REIT structure may be compulsorily acquired by a government authority. The Responsible Entity manages this risk by performing due diligence, to the greatest extent possible, prior to acquisition and seeking legal counsel to maximise any compensation available should it occur.

## 8.2. Fund investment risks

These risks relate to either an investment in the Fund (and indirectly, the REIT structure) and factors that affect all investments generally. The majority of the risks to the Fund are related to its investment in the REIT. Potential applicants should consider and beware of the risks of the REIT as these could have an impact upon the Fund.

### Execution risk

The Responsible Entity's investment strategy for the Fund is contingent upon the Responsible Entity being able to establish the REIT structure and acquire commercial properties in its target markets in the USA. There is a risk that due to regulatory or funding constraints, the Responsible Entity will not be able to establish the REIT structure or acquire the properties in accordance with its investment strategy. If this were to occur, the return on investment is likely to be lower than anticipated.

### Key personnel risk

There is a risk that the departure of key staff or consultants that have particular expertise in funds and property management, whether they are the staff or directors of the Responsible Entity, the REIT structure, other related parties and/or outsourced service providers, may have an adverse effect on the Fund's earnings and value. While key personnel associated with the Responsible Entity and the REIT structure hold significant expertise in direct property investment, the Responsible Entity has not previously operated a managed investment scheme. The Responsible Entity considers that this risk is mitigated by having a good spread of experienced professionals on its Board, to ensure there is no significant 'key person' risk.

### Liquidity risk

Direct property is an illiquid asset. Although the Fund invests through the REIT, the REIT structure is exposed primarily to direct property and so there is no guarantee that the Responsible Entity will be able to fund the intended redemption offers set out in *Section 5.6 – Redemptions*. There is a risk the Fund will not have sufficient liquid assets to offer Unit Holders the opportunity to redeem their Units as and when they wish to. There is also a risk that, if a redemption offer is made, the Fund will be unable to meet redemption requests in a timely manner or that redemption requests are scaled back. In the event the Fund is wound up and required to dispose of assets to fund redemptions, there is a risk that the Fund may not be able to realise sufficient assets in a timely manner or at an optimal sale price. This may affect the Responsible Entity's ability to return capital to Unit Holders and may reduce the Fund's NTA per Unit (refer to *Section 3.3*).

In addition to possible delays in the redemption of Units, potential applicants should be aware that although they have the right to transfer their Units, this right is subject to the Responsible Entity being satisfied that the transfer will not affect the qualifying status of the REIT. Further, there is no secondary market for them to sell their Units.

The Responsible Entity mitigates liquidity risk by ensuring that the REIT structure generally acquires properties with good cash flow generating capacity, such that the REIT hopes to have funds available to meet reasonable redemptions requests as and when required.

### Refinancing risk

The Fund does not intend to undertake borrowings directly, however, it will be exposed indirectly to any borrowings that the REIT structure undertakes. The REIT structure's borrowing enhances the potential for increases in distributions and capital gains for Unit Holders, but also increases the potential for reductions in distributions or capital losses in the event that a property's rental income falls or its value depreciates.

If the borrowings are refinanced, the new interest rate may be higher than that applying to the current borrowings. Increases in variable market interest rates (after any period of fixed interest rate hedging expires) may increase interest costs which may result in a reduction in dividends paid by the REIT to the Fund, and therefore Fund distributions paid to Unit Holders. There is also a risk that the REIT structure may not be able to refinance borrowings when they mature and will need to sell properties to repay those borrowings. This could result in a reduction of the REIT structure's rental income, expenses associated with selling properties and, if the sales occur during a period where property values are depressed, a reduction in the value of the units in the Fund.

### Diversification risk

Generally the more diversified a portfolio, the lower the impact that an adverse event affecting one property or lease has on the REIT structure's income or capital value. The Responsible Entity mitigates diversification risk by ensuring the REIT structure acquires multiple properties (including a mix of commercial property subclasses), leased to multiple tenants, in multiple locations.

As this is a recently established Fund, depending on how quickly suitable properties become available for acquisition, there may be times when the Fund (via the REIT structure) has exposure to only a small number of properties. Also, in the short to medium-term, the REIT structure's geographic exposure will be concentrated in three States – Texas, Georgia and Florida. The Fund therefore faces a diversification risk.

Investments in the Fund may be negatively impacted should the property markets in the USA generally, or property markets in Texas, Georgia and Florida more particularly, fall, or should the value of individual properties in the REIT structure fall. Further, there is a risk that the REIT structure may not be able to source suitable future properties to further diversify the tenant base and geographic location.

The Responsible Entity intends to ensure that the REIT structure's exposure to properties in a particular state of the USA is no greater than 70% for a significant period of time.

### Exchange rates

The Fund, through its investments in the REIT, is exposed to assets and liabilities, the value of which are denominated in US$. The value of the A$ has been subject to significant fluctuations with respect to the US$ in the past and may be subject to significant fluctuations in the future, and there is a risk that these exchange rate movements may be unfavourable.

While the Responsible Entity is permitted to hedge against exchange rate movements, it currently has no plans to do so. The Responsible Entity will consider hedging in the event that exchange rate movements become, in the Responsible Entity's opinion, subject to extreme short-term volatility. However, it may not be able to put hedging arrangements in place quickly, or at all. In this event, the amount of A$ distributions by the Fund and the capital value of the equity investment made by the Fund in the REIT may decrease because of the exchange rate movements.

### Counterparty risk

There is a risk that counterparties with the Fund and/or the REIT structure will not perform their obligations which may affect the value of returns from an investment in the Fund. Where practical and appropriate, the Responsible Entity undertakes thorough due diligence to ensure that any counterparties are of good financial standing.

## 8.3. General investment risks

These risks relate to the overall risk of most investments:

### Economic and market conditions

Changing economic or property market conditions may impact the Fund's overall investment performance. These may include movements in interest rates, exchange rates, securities markets, inflation, consumer spending, employment and the performance of individual local, state, national and international economies.

Over recent times, global markets have experienced substantial volatility and lack of liquidity, primarily as a result of a significant reduction in the availability, and increases in pricing, of credit. At this time it is unclear to what extent the USA economy will ultimately be affected, and how long the impact may last.

### Regulatory risk

Changes in any law (including taxation laws), regulation or government policy could have an impact on the Fund's performance.

### Litigation risk

There is the risk that unforeseen litigation may occur resulting in unexpected legal fees and expenses.

### Limitations on Unit Holders

Unit Holders have no direct control over the selection or holding of the REIT structure's property portfolio or its day-to-day operations.

*Prior to investing, prospective applicants should consider the risks involved in investing in the Fund and whether the Fund is appropriate for their objectives and financial circumstances; if in any doubt, they should seek advice from a suitably qualified financial adviser.*

# 9. Fees and costs

**DID YOU KNOW?**

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

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

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

**You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the Fund or your financial advisor.**

**TO FIND OUT MORE**

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

This section shows fees and other costs that you may be charged. These fees and costs may be deducted from your application money, from income available for distribution, or from the Fund assets as a whole.

Relevant taxation information is set out in *Section 10 – Taxation*. You should read all of the information about fees and costs, because it is important to understand their impact on your investment. All fees and other costs set out in the table on the below are expressed inclusive of Goods and Services Tax (GST).

| Type of fee or cost | Amount | How and when paid |
|---|---|---|
| **Fees when your money moves in or out of the Fund** | | |
| **Establishment fee:** The fee to open your investment. | Nil. | Not applicable. |
| **Contribution fee**[1, 2, 3]**:** The fee on each amount contributed to your investment. | Up to 3.96%. | Calculated and paid to the Responsible Entity from your application money prior to the issue of Units. |
| **Withdrawal fee:** The fee on each amount you take out of your investment. | Nil. | Not applicable. |
| **Termination fee:** The fee to close your investment. | Nil. | Not applicable. |
| **Management costs: The fees and costs of managing your investment** | | |
| **Management fee**[2]**:** The fee payable to the Responsible Entity for the management of the Fund. | Up to 1.98% pa. | Calculated on the Fund's gross asset value and paid monthly in arrears from the Fund's assets. |
| **Performance fee**[2]**:** The fee payable to the Responsible Entity to share in the Fund's upside performance. | Up to 20% of the amount by which the Fund's total return exceeds 12% pa.[4] | Calculated at the end of each financial year starting 1 July 2013, and paid from the Fund's assets. |
| **Expense recoveries**[2]**:** Expenses incurred and or paid by the Responsible Entity on behalf of the Fund. | Forecast to be up to 1.108% pa for the year ending 30 June 2014. | Expenses will be reimbursed at the amount incurred and charged by the Responsible Entity monthly in arrears as a deduction from the Fund's assets. |
| **Service fees** | | |
| **Investment switching fee:** The fee for changing investment options. | Nil. | Not applicable. |

[1] This fee may include an amount payable to an adviser. See 'Payments to financial advisers' under the heading 'Additional explanation of fees and costs' at *Section 9.1*.

[2] See 'Additional explanation of fees and costs' at *Section 9.1*.

[3] No contribution fee is payable on Units issued under the DRP.

[4] Total return includes income, tax credits and any capital payments, plus the increase in the net asset value.

Note: The total fees and costs that you will pay include the fees and costs of the Fund and the fees (if any) agreed between you and your Financial Adviser.

## 9.1. Additional explanation of fees and costs

### Contribution fee

The Responsible Entity will charge a contribution fee of up to 3.96% (although under Fund's Constitution, it is entitled to receive a maximum fee of 5%). It is calculated by the Responsible Entity and paid by applicants from their application money prior to the issue of Units in the Fund (but excluding Units issued via the DRP). This means that for every A$50,000 invested in the Fund, the Responsible Entity is entitled to receive up to A$1,980 as a contribution fee.

### Management costs

**Management fee:** The Responsible Entity charges a management fee of up to 1.98% pa (although under the Fund's Constitution, it is entitled to receive a maximum fee of 5% of the Fund's net asset value). The management fee is calculated on the Fund's gross asset value and paid monthly in arrears from the Fund's assets.

**Performance fee:** To encourage performance, the Responsible Entity is entitled to a performance fee, paid from the Fund's assets. The performance fee will be calculated and paid as follows:

› the first year of the performance fee begins 1 July 2013;

› the performance fee will be calculated as up to 20% of the amount by which the Fund's total return (including income, tax credits and any capital payments, plus the increase in the net asset value) exceeds 12% pa (before Australian or US income or withholding tax);

› the performance fee will be calculated at the end of each financial year and paid from Fund assets; and

› if the performance fee is negative at the end of any financial year, that negative amount will be carried forward to the next financial year and counted towards the next financial year's calculation of the performance fee.

**Worked example of the performance fee:** The following example gives an indication of how the performance fee operates. In this example, the Fund's total return for the year to 30 June is calculated at 14%, being 200 basis points above the benchmark rate of 12%. This example is indicative only and does not purport to represent the likely performance fees (if any) payable.

| Example of performance fee calculation | |
|---|---|
| Gross asset value of Fund at 30 June | A$30,000,000 |
| Total return (before any Australian or US income or withholding tax) calculated for year to 30 June | 14% |
| Fund outperformance above benchmark rate of 12% | 2% |
| Total Fund return | A$4,200,000 |
| Performance fee formula | 20% x 2% x A$30,000,000 |
| Notional performance fee | Up to A$120,000 |

Please note, the performance fee will be charged against the Fund's performance rather than against each individual Unit Holder, and the payment of any performance fee will be reflected in the Fund's Unit price. Therefore, the payment of a performance fee will impact Unit Holders differently depending on the timing of their investment and the relative performance of the Fund over time.

**Expense recoveries:** The Responsible Entity is entitled to recover and be reimbursed for properly incurred expenses in managing and operating the Fund. This includes (but is not limited to) a range of out-of-pocket expenses such as printing, postage, audit and legal services, custodian fees, bank charges, taxes and external compliance costs. These expense recoveries are paid monthly in arrears from the Fund's assets.

For the period ended 30 June 2013, A$324,451 of expenses were incurred by the Responsible Entity on behalf of the Fund (1.093% of net assets at 30 June 2013) and included A$111,621 of once-off establishment costs (including legal fees, advisory fees, printing costs, etc.).

The forecast for expense recoveries for the year ending 30 June 2014 is A$329,000 (1.108% of net assets at 30 June 2013).

These calculations are derived from unaudited management accounts and estimations.

### Fees payable as either cash or the issue of Units

In its ordinary course of business, the Responsible Entity expects that its fees will be paid in cash. There may be times when the Responsible Entity becomes entitled to certain fees (such as a performance fee) but is unable to readily access cash for payment. In this event, the Responsible Entity reserves the right to instead be issued with Units in the Fund at the prevailing Unit price, the value of which is the equivalent of the amount that otherwise would have been paid in cash.

### Payments to financial advisers

The Responsible Entity may pay brokerage or commission to those who are engaged to promote the Fund, including financial advisers (who must be authorised to operate under an Australian Financial Services Licence or are otherwise permitted by law to receive such payments). Applicants can direct the Responsible Entity to pay some or all of the contribution fee of up to 3.96% (inclusive of GST) to their financial adviser following the issue of Units. The balance of the contribution fee (if any) will be retained by the Responsible Entity, and the remainder of the application monies will be invested into the Fund on behalf of the applicant.

An adviser who receives a service fee from an applicant in connection with the Fund will be obliged to disclose this amount to the applicant. Applicants may be able to negotiate with their adviser for a rebate of such a service fee.

Although it had not done so as at the date of this PDS, from time-to-time, the Responsible Entity may offer incentives to financial advisers or other intermediaries, which it pays out of its own money. The Responsible Entity will maintain an Alternative Remuneration Register in accordance with the Financial Services Council/Financial Planning Association (FSC/FPA) Industry Code of Practice on Alternative Forms of Remuneration in the Wealth Management Industry. The register outlines alternative forms of remuneration that are paid and received by the Responsible Entity. Investors may inspect a copy of the register by contacting the Responsible Entity.

The Responsible Entity will not pay remuneration to advisers if it is prohibited from doing so under the law, including under the Future of Financial Advice legislative changes which became mandatory on 1 July 2013.

### Buy/sell spread

Under the Fund's Constitution, the Responsible Entity is entitled to charge incoming and/or outgoing Unit Holders a buy/sell spread, but has chosen not to do as at the date of this PDS. Although the Responsible Entity will not charge a buy/sell spread for the cost of transactions entered into by the Fund, the costs incurred by the REIT structure in relation to the acquisition or disposal of properties held by the REIT structure will be reflected in the Fund's unit price.

### Changes to fees

Fees and costs can change at any time in accordance with the Fund's Constitution. If fees and charges payable to the Responsible Entity increase, Unit Holders will be given at least 30 days prior notice. Other costs may change at any time without prior notice. Expense recoveries may be different than those estimated in this PDS.

Should the Responsible Entity establish a separate entity to manage the acquisition, ownership and sale of REIT structure properties, expenses such as purchase and sales commission, rental management and other associated costs may be payable by the REIT structure to the asset manager. Should this occur, such expenses will be on an arm's length basis and reported as required as a related party transaction.

The Responsible Entity may waive or defer the payment of fees at its absolute discretion.

### Platform fees

Some wrap platforms, master trusts or other investment administration services charge platform fees for having the Fund included on their investment menus. The Responsible Entity may pay amounts from the management fees it receives to platforms that make the Fund available on their investment menus. Platform fees will not be paid to the extent that they are prohibited by law. As these amounts are paid by the Responsible Entity out of its own resources, they are not an additional cost to investors. Details of the fees that any Platform operator receives in respect of providing services to investors are required to be set out in the Financial Services Guide, offer document and/or Statement of Advice which that Platform operator provides to investors.

For investors accessing the Fund through a Platform, additional fees and costs may apply. These fees and costs are required to be stated in the offer document provided to relevant investors by the Platform operator.

### Differential fee arrangements

From time-to-time the Responsible Entity may negotiate fees that differ from those stated above with certain 'wholesale clients' (as defined in the Corporations Act) and Platform operators. Such negotiations are undertaken on a case-by-case basis and only for wholesale clients and Platform operators who invest significant amounts of money in the Fund. Any such arrangement will be entered into in accordance with the requirements of the Corporations Act.

### Goods and services tax (GST)

Fees and expenses charged to the Fund may include GST. The Fund is registered for Australian GST and claims input tax credits and/or reduced input tax credits (as the case may be) where appropriate.

### Related parties

The Responsible Entity seeks professional services for the Fund from qualified service providers, including related parties. The fees for these services will be charged at normal commercial rates to the Fund and are subject to the Fund's Related Party Transactions Policy (see *Section 3.3 – Regulatory Guide 46 – 'Unlisted property schemes: Improving disclosure for retail investors'* for further detailed information about related party transactions).

### Indirect Cost Ratio (ICR)

The ICR is a useful measure of the ongoing fees and expenses of investing in the Fund. It is expressed as a percentage of the average size of the Fund's net assets over a financial year. The ICR is an estimate of the cost of investing in the Fund compared to investing directly in assets. It is calculated by dividing the total ongoing fees that are not deducted directly from a Unit Holder's account and expenses, by the average Fund size (based on net assets) over the period.

For the period ended 30 June 2013, the ICR was 2.224%. Assuming the same asset base as at 30 June 2013, the forecast ICR for the year ending 30 June 2014 is 2.958%.

These figures are GST inclusive and derived from unaudited management accounts and estimations.

## 9.2. Example of annual fees and costs

The table below gives an example of how the fees and costs for the Fund can affect your investment over a one-year period. You should use this table to compare the Fund with other managed investment schemes.

| Example – Passive Income (USA Commercial Property) Fund | | Balance of A$50,000 with total contributions of A$5,000 during the year[1] |
|---|---|---|
| Contribution fee | 3.96% x A$5,000 = A$198 | For every A$5,000 you put in, you will be charged A$198. |
| **PLUS** Management costs (management fee + expense recovery) | 1.98% + 1.105% x A$50,000 = A$1,542.50 | AND for every A$50,000 you have in the Fund, you will be charged A$1,542.50 each year. |
| **EQUALS** Cost of Fund | | If you had an investment of A$50,000 at the beginning of the year and you contribute an additional A$5,000 during that year, you will be charged fees of A$1,740.50[2] **What it costs you will depend on the fees (if any) you negotiate with your financial adviser.** |

[1] It is assumed the contribution of A$5,000 is made at the end of the year.

[2] A performance fee may also be payable depending on the Fund's activities and actual performance.

# 10. Taxation

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EXECUTIVE DIRECTORS

Ref: TS:pjg

18 July 2013

The Directors
Plantation Capital Limited
893A Canterbury Road
MELBOURNE VIC 3128

Dear Sirs

**PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND**
**AUSTRALIAN TAXATION OPINION**

This Taxation Opinion ("our Opinion") has been prepared for inclusion in the Product Disclosure Statement ("PDS") that is to be dated on or about 18 July 2013.

Our Opinion provides a broad summary of the Australian income tax and goods and services tax ("GST") consequences for Australian resident Investors who become Unit Holders in the Passive Income (USA Commercial Property) Fund ("the Fund") and who hold their units otherwise than for the purposes of realising a profit by trading in them. Our Opinion does not cover taxation issues for non-Australian resident Unit Holders. Our Opinion is necessarily general in nature and cannot take into account the tax profile of each potential Unit Holder, including any impact that the investment in the Fund will have on PAYG instalments of the Unit Holder. We recommend that Unit Holders consult their own taxation advisors in respect of their specific taxation or financial circumstances.

We have based our Opinion on the *Income Tax Assessment Act 1997* ("ITAA 1997"), the *Income Tax Assessment Act 1936* ("ITAA 1936") and the *A New Tax System (Goods and Services Tax) Act 1999* ("GST Act"), together with the double tax agreement between Australian and the United States ("the DTA"), associated regulations, administrative practices and judicial interpretation current at the date of our Opinion.

Any references herein to US taxation matters are solely based on the US tax opinion provided by Mayer Brown LLP that is included elsewhere in the PDS. We have not independently verified that US tax opinion.

Our Opinion should be read in conjunction with the PDS and other associated documents. In providing our Opinion we have relied upon the facts as set out in the PDS. These facts have not been independently reviewed or verified by Pitcher Partners Advisors Pty Ltd ("Pitcher Partners Advisors"). The terms used in our Opinion that are defined in the PDS have the same meaning as they have in the PDS.

Neither Pitcher Partners Advisors nor any member or employee of Pitcher Partners Advisors undertakes responsibility in any way whatsoever to any person other than PCL for any errors or omissions in our Opinion, however caused.

**1. BACKGROUND INFORMATION**

Our Opinion is based on the following background information regarding the structure and activities of the Investment Funds, which has been provided to us.

The Fund has been established in Australia as a unit trust, with Plantation Capital Ltd ("PCL") as its trustee and responsible entity. The Fund is a registered managed investment scheme under the Corporations Act. All Units offered for subscription have been denominated in Australian dollars. Predominantly, Unit Holders will be resident in Australia for Australian tax purposes.

The Fund intends to use the amount raised in Australia to either subscribe for additional units in or to make loans to Ozinus Realty LLC, a limited liability company incorporated in Delaware in the United States of America ("Ozinus Realty"). Units to be issued by Ozinus Realty will be denominated in US dollars. Ozinus Realty will elect to be treated as a Real Estate Investment Trust (REIT) for US federal income tax purposes and will not be tax resident in Australia. Ozinus Realty will use the funds received by it to establish and fund separate wholly owned limited liability companies incorporated in the USA (each referred to as a "Sub LLC") to purchase property identified as suitable for investment. Units in each Sub LLC will be denominated in US dollars.

**2. TAXATION OF THE FUND**

**a. Income derived by the Fund**

The Fund has been established as a trust, being a Unit Trust. As such, the Fund would not normally be liable to pay income tax in Australia on its taxable income and gains. This is provided that the Fund's distributable income is distributed to Unit Holders on an annual basis. To the extent that the distributable income of the Fund is retained by the Fund, the trustee of the Fund may be liable to pay tax on a proportion of the taxable income of the Fund at a rate of 46.5%. The Fund will be required to file a trust tax return in Australia.

We note that certain Unit Trusts are effectively treated like a company and taxed at 30%. Such trusts are commonly referred to as “Public Trading Trusts”. As presently relevant, these provisions would apply to the Fund if:

a) Assets were transferred to the Fund by a company under an arrangement that involved generally the issue of units to the company;

b) The Fund commenced to carry on a business that was not limited to investing in rental properties for long term income producing purposes or other acceptable passive activities; or

c) Ozinus Realty or one of the Sub LLCs commenced to carry on a business that was not limited to investing in properties for long term rental income producing purposes or other acceptable passive activities.

In light of the background information and discussion with officers of PCL, we understand that none of these circumstances are expected to exist and that the Fund intends to ensure that ongoing operations and investment activities do not breach these conditions. Accordingly, where this is the case, the Fund would not be a Public Trading Trust and will not be taxed like a company.

**b. The managed investment trust regime**

In Australia, special concessional income tax rules apply to trusts that are managed investment trusts (“MITs”). The Government has also proposed additional concessional trust rules that are expected to apply to MITs from 1 July 2014.

In general, a widely held trust fund, that is a registered managed investment scheme under the Corporations Act, will meet the definition of a MIT. Accordingly, we believe that the Fund will be considered a MIT under the income tax legislation.

One income tax concession available to MITs is the ability for the Fund to make an election to treat certain assets as being held on capital account. Such an election will allow the Fund to treat the shares held in the US REIT as being a capital gains tax (“CGT”) asset and subject to CGT concessions if disposed of for a capital gain (discussed further below). In the absence of making such an election, a disposal of such shares would be treated on revenue account and would not qualify for the CGT concessions (discussed further below).

We understand that PCL intends to make a capital account election in relation the Fund at the earliest opportunity.

**c. Goods and services tax**

The Fund is carrying on an enterprise for the purposes of the GST Act and is registered for GST purposes. Units that are issued by the Fund to Unit Holders will be a financial supply and will not be subject to GST. The acquisition of Units in and the making of loans to Ozinus Realty by the Fund will also be a financial supply and will not be subject to GST.

The Fund will incur certain fees and expenses in relation to the operations of the Fund. The Fund will not be entitled to GST input tax credits on acquisitions to the extent that the acquisitions relate to input taxed financial supplies made by the Fund (as outlined above). However, the Fund may be entitled to a reduced input tax credits under the GST Regulations in respect of acquisitions that relate to making input taxed financial supplies.

**3. TAXATION OF UNIT HOLDERS**

**a. Distributions of income by the Fund**

On the basis that the Fund will not be taxed on its taxable income (as outlined earlier), the Unit Holders of the Fund will be required to include their share of the taxable income of the Fund in their own income tax return. This share will be determined based on their proportionate share of the income and gains of the Fund, being generally based on the proportion of units held. Unit Holders will include their share of that amount in the same year as the income is derived by the Fund, rather than the year in which the distribution is received by the Unit Holder.

Unit Holders should be entitled to a Foreign Income Tax Offset ("FITO") for US federal income tax (including withholding tax) and any US state income tax that is paid by the Fund in respect of their share of the income of the Fund. Investors should refer to the US tax opinion provided by Mayer Brown LLP included in the PDS for information on US taxation matters. The following table summarises our understanding of the rates of US tax that may apply on the possible components of the Fund's taxable income.

| Item | US tax rate |
|---|---|
| Ordinary dividends from Ozinus Realty | Generally 15% |
| Capital account dividends from Ozinus Realty | Generally 35% |
| Interest paid by Ozinus Realty on loan funds provided by the Fund | Generally 10% |

The components of the Fund's taxable income should retain its character when assessed in the hands of the Unit Holders. In this respect, we note that both ordinary and capital account dividends paid by Ozinus Realty will be regarded as dividends for Australian income tax purposes.

The amount of the FITO is generally capped at the lower of the amount of foreign tax that has been paid and the Australian income tax payable on foreign income (subject to a de minimis). FITO is a non-refundable offset: that is, if the amount of the FITO exceeds the amount of income tax otherwise payable by the Unit Holder for the year, the excess is forfeited. The excess cannot be transferred to another taxpayer nor can it be carried forward to a later income year.

**b. Distribution of capital gains tax amounts by the Fund**

A capital gain may be included in the taxable income of the Fund if, for example, Ozinus Realty were to make a return of capital or the Fund were to sell units in Ozinus Realty. Where the Fund makes a capital gain, Unit Holders will be taken to have derived a proportion of the capital gain, which will be generally based on their respective unit holding. To the extent that the Fund's capital gain qualifies for the CGT discount (for example, the relevant CGT asset has been held for more than 12 months), Unit Holders will be required to "gross up" the amount to its pre-discount amount. Unit Holders may then be entitled to claim the CGT discount where they are an individual, trustee of a trust or superannuation fund.

We note that the Australian Taxation Office ("ATO") takes the view that where a resident of Australia pays foreign income tax on the whole of a foreign capital gain but only 50% of the gain is included in the assessable income of the taxpayer in Australia because the taxpayer is entitled to the CGT discount, only 50% of the foreign income tax can be taken into account in calculating the FITO.

Unit Holders in the Fund may receive a cash distribution that exceeds their share of the Fund's taxable income for the particular year. Where that occurs, the excess (referred to as a "tax deferred distribution") is not assessable income of the Unit Holder. Rather, the Unit Holder is required to reduce the CGT cost base of their Units by the amount of that tax deferred distribution. The effect is to increase the capital gain (or reduce the capital loss) that would otherwise arise at the time the Unit Holder disposes of their Units in the Fund. If the cost base of a Unit Holder's Unit is reduced to nil by tax deferred distributions, further tax deferred distributions will be assessed as a capital gain. The taxable amount of capital gains arising as a result of further tax deferred distributions may qualify for concessional treatment under the rules relating to the CGT discount component (refer above).

**c. Foreign currency gains and losses**

A significant proportion of the Fund's assets are denominated in, were acquired with, or are expected to be acquired in foreign currency (i.e. US dollars). This includes monetary items (such as cash, cash equivalents or loan accounts) and non-monetary items (such as units in Ozinus Realty).

The Fund is required to report its taxable income in Australian dollars. The Fund may therefore realise foreign currency gains and losses when it settles those foreign currency monetary items (e.g. if a loan is repaid or cash is withdrawn from a bank account). In addition, the Fund may recognise unrealised foreign exchange gains and losses in its accounting records from period to period. However, we understand that the Fund will only distribute such amounts where they are realised. Accordingly, where this is the case, it is not expected that foreign currency gains or losses will result in tax deferred distributions by the Fund and that the cash distribution will mirror the taxable amount (refer above).

Where the Fund makes a capital gain or loss on the units in Ozinus Realty, a component of the capital gain or loss may be referrable to foreign exchange movements. However, for CGT purposes, this amount will form part of the capital gain or loss to the Fund.

**d. Disposal of Units in the Fund by the Unit Holders**

Unit Holders may realise a capital gain on the disposal or redemption of their Units in the Fund. A capital gain will arise where the proceeds on disposal or redemption exceed the Unit Holder's cost base as determined under the CGT provisions. Unit Holders who are individuals, trustees of trusts or superannuation funds that have held their Units for at least 12 months may be entitled to reduce the taxable amount of their net capital gain (that is, the amount of the capital gain reduced by any capital losses available to the Unit Holder) by the appropriate discount percentage (refer above).

In the event that the Unit Holder realises a capital loss on the disposal of their Units, they may generally use that loss to reduce the taxable amount of other capital gains derived in the same or a later income year.

**e. Distribution statements**

To enable Unit Holders to comply with their taxation obligations, PCL will provide a statement detailing the amounts to be included by each Unit Holder in their assessable income. As appropriate, this annual statement will also detail the Unit Holder's share of any tax deferred amounts, any capital gains discount and other capital gains and any income tax paid in the United States.

**f. Tax file number withholding**

If an Investor fails to quote an ABN, tax file number ("TFN") , or claim an exemption from doing so, the Fund may be required to withhold tax at the top marginal rate (including Medicare Levy) on gross payments that are made to Unit Holders. In such a case, the Unit Holder may be entitled to a tax credit for the amount withheld by the Fund.

**g. Goods and services tax**

There will be no GST included in the price payable by Unit Holders on the application for Units in the Fund. Nor will a GST liability arise for Unit Holders on the transfer of Units, the cancellation of Units or on the redemption of Units in the Fund.

However, GST may be payable by a Unit Holder on the acquisition of services in connection with acquiring or redeeming Units in the Fund. Unit Holders should seek their own taxation advice about their ability to claim GST input tax credits in respect of these acquisitions.

Pitcher Partner Advisors consents to the inclusion of this Opinion in the PDS and to being named in the PDS as Australian taxation advisors to the Fund.

Yours faithfully
PITCHER PARTNERS ADVISORS PROPRIETARY LIMITED

THEO SAKELL
Executive Director

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July 17, 2013

The Directors of Plantation Capital Limited
893A Canterbury Road
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Re: Passive Income (USA Commercial Property) Fund: Certain U.S. Federal Income Tax Matters

Ladies and Gentlemen:

This letter contains the U.S. tax discussion set forth in the product disclosure statement (the "PDS") furnished to potential investors in Passive Income (USA Commercial Property) Fund (the "Fund"). Any capitalized terms used but not defined herein have the meaning provided to such terms in the PDS.

**CERTAIN U.S. FEDERAL INCOME TAX MATTERS**

This PDS does not address all of the U.S. federal income tax consequences to the investors of an investment in the Fund and does not address any state, local, or non-U.S. tax consequences of such an investment to any investor in the Fund. Each prospective investor is advised to consult its own tax counsel with regard to the U.S. federal income tax consequences of an investment in the Fund and applicable state, local, and non-U.S. taxes. No assurance can be given that the U.S. Internal Revenue Service (the "IRS") or any state, local, or non-U.S. taxing authority will concur with the following analysis or the tax consequences set forth below. No ruling has been or will be requested by the Fund from the IRS or any state, local, or non-U.S. taxing authority as to such matters.

The following discussion applies only to a prospective investor who is not a "U.S. Investor" (as defined below) and who is not treated as engaged in the conduct of a U.S. trade or business as defined in Section 864 of the Internal Revenue Code of 1986, as amended (the "Code"). An investment in the Fund, by itself, is not expected to cause an investor to be treated as engaged in the conduct of a U.S. trade or business. A U.S. Investor is any investor who (i) owns, directly or indirectly through a partnership or other entity or arrangement treated as a partnership for U.S. federal income tax purposes, an interest in the Fund and (ii) is, with respect to the United States, a citizen or resident individual, a domestic corporation (or an entity treated as a domestic corporation for U.S. federal income tax purposes), an estate the income of which is subject to U.S. federal income taxation regardless of its source, a trust for which a court in the United States is able to exercise primary supervision over its administration and one or more U.S. persons have the authority to control all substantial decisions, or a trust that has made a

Mayer Brown LLP

The Directors of Plantation Capital Limited
July 17, 2013
Page 2

valid election to be treated as a U.S. person pursuant to applicable U.S. Treasury regulations, as such terms are defined for U.S. federal income tax purposes.

***IRS Circular 230 Disclosure***

**To ensure compliance with requirements imposed by the IRS, we inform you that any tax advice contained in this PDS was not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding tax-related penalties under the Code. Tax advice contained in this PDS was written to support the promotion or marketing (within the meaning of IRS Circular 230), by a person other than Mayer Brown LLP, of interests in the Fund. Each taxpayer should seek advice based on the taxpayer's particular circumstances from an independent tax advisor.**

***U.S. Tax Treatment of the Fund and the REIT***

*Treatment of the Fund as a Corporation*

We understand that the Fund will elect to be classified as a corporation for U.S. federal income tax purposes. As such, the Fund, rather than the investors, will be required to file U.S. federal income tax returns with respect to any income derived from the REIT that is effectively connected with the conduct of a trade or business within the United States. In addition, the Fund will be subject to U.S. federal income tax (collected via withholding) on its U.S. source income that is not effectively connected with the conduct of a trade or business within the United States. Ownership of the REIT, by itself, is not expected to cause the Fund to be treated as engaged in the conduct of a trade or business within the United States (except with respect to gain from the sale of a "United States real property interest"). The application of each of these rules to the Fund is discussed in greater detail below.

*Treatment of the REIT*

We understand that the Fund will make investments in U.S. real estate assets through the REIT, a Delaware limited liability company that intends to be classified as a "real estate investment trust" for U.S. federal income tax purposes. The REIT may hold its U.S. real estate assets through single-member limited liability companies that are disregarded as entities separate from the REIT for U.S. federal income tax purposes. The investors will make capital contributions to the Fund. A portion of such capital contributions will in turn be contributed by the Fund as a capital contribution to the REIT in exchange for units in the REIT (the "REIT Units"), and the remaining portion will be invested in debt issued by the REIT to the Fund (the "REIT Debt" and, collectively with the REIT Units, the "REIT Interests"). We understand that the Responsible Entity intends to structure the REIT Debt so that such debt will be treated as indebtedness of the REIT for U.S. federal income tax purposes. The remainder of this discussion assumes this conclusion.

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The Directors of Plantation Capital Limited
July 17, 2013
Page 3

As noted above, we understand that it is intended that the REIT will elect to be classified as a real estate investment trust for U.S. federal income tax purposes. The REIT's qualification and taxation as a real estate investment trust will depend on its ability to meet, on a continuing basis, through actual operating results, asset composition, distribution levels and diversity of ownership, the various qualification tests imposed under the Code. No assurance can be given that the REIT will satisfy such tests on a continuing basis. The remainder of this discussion assumes that the REIT will at all times qualify as a real estate investment trust for U.S. federal income tax purposes.

As a real estate investment trust, the REIT will be subject to U.S. federal income tax on a net basis, generally at a rate of 35%. However, as a real estate investment trust, the REIT will generally be entitled to deduct distributions to the Fund that are treated as dividends (as discussed below), thereby substantially eliminating the "double taxation" (i.e., at both the corporate and shareholder levels) that generally results from investments in a corporation. In addition, in calculating the REIT's net taxable income for this purpose, the REIT may be entitled to deduct interest paid by it to the Fund on the REIT Debt, subject to certain limitations.

***U.S. Taxation of the Fund***

*Consequences Relating to Distributions on Equity by the REIT*

*Ordinary Distributions*. Non-liquidating distributions of operating income (i.e., generally, income other than gain on the sale of the REIT's assets), including certain non-liquidating redemptions of the Fund's interest in the REIT, made to the Fund generally will be characterized as dividend income to the extent of the REIT's current and accumulated earnings and profits, as determined for U.S. federal income tax purposes. To the extent that the amount of a non-liquidating distribution with respect to REIT Units exceeds the REIT's current and accumulated earnings and profits, such distribution will be treated as a tax-free return of capital to the extent of the Fund's adjusted tax basis in such REIT Units, and thereafter, as gain from the sale of such REIT Units. To the extent that a distribution is treated as a sale of REIT Units, the discussion below concerning "*Sale or Exchange Gain*" would apply to such distribution.

Distributions characterized as an ordinary dividend from the REIT (as described above) will generally be subject to withholding of U.S. tax at a 30% rate. However, if for U.S. federal income tax purposes the Fund is treated as fiscally transparent under Australian law, certain holders of not more than a 10% interest in the Fund may, to the extent such holders are eligible for benefits under the income tax treaty between Australia and the United States (the "U.S. – Australia Treaty"), be eligible for a reduced 15% rate of U.S. dividend withholding. Each Non-U.S. Investor in the Fund should seek advice based on its particular circumstances as to the potential for reduced dividend withholding under the U.S. – Australia Treaty.

*Capital Gain Dividends*. A distribution by the REIT to the Fund that is attributable to gain from the sale or exchange by the REIT of a United States real property interest (a "USRPI") is treated as gain recognized by the Fund from the sale or exchange of a USRPI. Thus, to the

Mayer Brown LLP

The Directors of Plantation Capital Limited
July 17, 2013
Page 4

extent that the Fund receives such "capital gain dividends" the Fund will be directly subject to U.S. federal income tax on a net basis at graduated rates, and (as a means to enforcing the Fund's tax obligations) will be subject to withholding on such distributions at a rate of 35%. Further, if the Fund receives dividends attributable to the sale or exchange of a USRPI, the Fund would be required to file a U.S. federal income tax return in the year in which such dividends are received. Additionally, as a corporation for U.S. federal income tax purposes the Fund may also be subject to a branch profits tax at a rate of 30% on such capital gain dividends (which rate may be reduced to 5% if the Fund is eligible for benefits under the U.S. – Australia Treaty).

*Sale or Exchange Gain.* If the Fund decided to sell or dispose of REIT Units, the Fund would generally be subject to graduated rates of U.S. federal income tax on any gain recognized on such sale or disposition. In addition, the transferee of REIT Units may be required to withhold and remit to the IRS 10% of the amount realized, which withheld amount would be available as a credit against the Fund's U.S. federal income tax due with respect to the tax year in which such sale occurs. If, as discussed above, the REIT were to make a distribution and such distribution were treated as gain on the sale of REIT Units, such deemed gain would be subject to the same rules discussed in this paragraph. In contrast, a Non-U.S. Investor should not be subject to U.S. federal income taxation on a sale or exchange of its interest in the Fund.

*Consequences Relating to the REIT Debt*

In general, non-U.S. persons are subject to withholding of U.S. federal income tax at the rate of 30% on interest payments they receive from U.S. sources (such as interest from a U.S. corporation, including a real estate investment trust). However, under the U.S. – Australia Treaty, the maximum rate of withholding tax on interest is generally reduced to 10%. Accordingly, to the extent that the Fund is treated as fiscally transparent under Australian law and a Non-U.S. Investor is eligible for benefits under the U.S. – Australia Treaty, such portion of the interest paid by the REIT on the REIT Debt should be subject to U.S. withholding tax at a 10% rate.

The Fund generally should not be subject to U.S. federal income tax on its share of any gain realized on a sale, exchange or other disposition of the REIT Debt, provided the REIT Debt does not constitute, in whole or in part, a direct or indirect right to share in the appreciation of a USRPI.

*Information Reporting and Foreign Account Tax Compliance*

We understand that the REIT will, where required, report to the IRS the amount of any interest paid on the REIT Debt or distributions made with respect to an equity interest in the REIT, and the amounts of U.S. tax withheld, if any, with respect to such payments. A Non-U.S. Investor in the Fund may be required to provide to the REIT (via the Fund) a properly completed IRS Form W-8BEN or other applicable IRS Form W-8, including the Non-U.S. Investor's U.S. tax identification number, in order to claim reduced rates of withholding under the U.S.-Australia Treaty.

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The Directors of Plantation Capital Limited
July 17, 2013
Page 5

Congress has enacted the Foreign Account Tax Compliance Act ("FATCA") that significantly changes the reporting requirements imposed on certain non-U.S. persons that are foreign financial institutions ("FFIs"), such as the Fund. Unless such a non-U.S. person complies with FATCA, including certain reporting requirements regarding its direct and indirect U.S. owners, if any, a 30% withholding tax could be imposed on payments of certain U.S. source income (including interest and dividends) and gross proceeds from the sale or other disposal of property that can produce U.S. source interest or dividends to such a non-U.S. person. Such withholding could apply to payments made by the REIT to the Fund. In addition, under the rules applicable to "foreign pass through payments", the Fund may be required to withhold up to 30% of amounts payable to investors that do not provide the Fund with information it is required to collect under an FFI agreement with the IRS. Accordingly, Non-U.S. Investors may have to provide the Fund with certain information, including (a) information for the Fund to determine whether a beneficial owner of an interest in the Fund is a United States person as defined in Code Section 7701(a)(30) or a "United States owned foreign entity" as described in Code Section 1471(d)(3) and additional information that the Fund requests in connection with FATCA, (b)(i) if the beneficial owner of an interest in the Fund is a United States person, such United States person's name, address and U.S. taxpayer identification number or (ii) if the beneficial owner of an interest in the Fund is a United States owned foreign entity, the name, address and taxpayer identification number of each of its substantial United States owners as defined in Code Section 1473(2) and (c) updated information promptly upon learning that any such information previously provided is obsolete or incorrect.

These rules under the Code generally would apply to payments made after 31 December, 2012, but the Department of the Treasury has issued Treasury regulations and additional guidance indicating that no withholding will be imposed (under these new rules) on payments of U.S. source income made prior to 1 July, 2014, and further providing that withholding will not be required with respect to certain "foreign pass through payments" before 1 January, 2017. There can be no assurance that the IRS will not further modify this guidance, including the date on which withholding tax would be imposed on payments made to the Fund or to Non-U.S. Investors that fail to provide the necessary information to the Fund. As a result, potential investors are encouraged to consult with their tax advisors regarding the possible implications of this legislation on an investment in the Fund.

## CONSENT TO DISCLOSURE

Mayer Brown LLP ("Mayer Brown") has acted as special U.S. tax counsel to Plantation Capital Limited ("Plantation Capital"), as responsible entity for the Fund, in connection with the preparation of the PDS of the Fund, the latest draft of which was furnished to us on July 17, 2013.

Mayer Brown consents to being named in the PDS as special U.S. tax counsel to Plantation Capital and to inclusion of this tax letter from Mayer Brown, addressed only to

Mayer Brown LLP

The Directors of Plantation Capital Limited
July 17, 2013
Page 6

Plantation Capital and subject to the limitations set forth herein (the "US Tax Letter"), in section 10 of the PDS.

Mayer Brown takes no responsibility for any portion of the PDS other than the US Tax Letter. Mayer Brown has not caused or authorized the issue of, or passed upon the accuracy or completeness of, the PDS.

**FINANCIAL PRODUCT ADVICE**

Mayer Brown does not hold an Australian financial services license so is not authorized to give financial product advice (as defined in the Corporations Act of 2001). Nothing in this US Tax Letter should be construed as financial product advice. Taxation is only one of the many matters that should be taken into account in making the financial decision to invest in the Fund.

Sincerely,

Mayer Brown LLP

Mayer Brown LLP

702083798

# 11. Additional information

## 11.1. Constitution

The Fund is a managed investment scheme registered with ASIC and established under a Constitution. The rights and obligations of Unit Holders, and the powers and responsibilities of the Responsible Entity, are governed by the Fund's Constitution and this PDS, and also affected by the Corporations Act, relief and guidelines issued by ASIC, and general law.

Each Unit gives Unit Holders an equal and undivided interest in all the Fund's assets. However, a Unit does not give an interest in any particular part of the Fund and does not entitle Unit Holders to have any part of the Fund transferred to them. Subject to the Fund's Constitution, Unit Holder rights include the right to:

- obtain a copy of the Fund's Constitution;
- participate in any distributions of income and capital from the Fund;
- attend and vote at Unit Holder meetings; and
- participate in the Fund's winding up.

The Fund's Constitution contains provisions intended to limit the liability of Unit Holders to their investment in the Fund. However, there is no absolute assurance that the liability of Unit Holders will be limited as intended by these provisions, as such determination ultimately rests with the courts.

Interested parties can obtain a copy of the Fund's Constitution free of charge by contacting the Responsible Entity.

## 11.2. Compliance Committee and Compliance Plan

Under the Corporations Act, the Fund is required to have a Compliance Plan lodged with ASIC. The Compliance Plan is required to be audited annually and sets out the measures that the Responsible Entity will implement to ensure the Fund's operation complies with the Corporations Act and the Fund's Constitution.

Interested parties can obtain a copy of the Compliance Plan free of charge by contacting the Responsible Entity.

The Responsible Entity has established a Compliance Committee to oversee compliance by the Responsible Entity and its officers and staff with the Compliance Plan. The Compliance Committee reports directly to the Directors of the Responsible Entity, and to ASIC in appropriate circumstances.

## 11.3. Labour standards or environmental, social or ethical considerations

The Responsible Entity does not take into account labour standards or environmental, social or ethical considerations in determining the selection, retention or realisation of assets. However, to the extent that those matters may affect the value or performance of an underlying investment, they maybe considered. The Responsible Entity does not have a predetermined view as to what constitutes a labour standard or environmental, social or ethical consideration, as these will be determined on a case-by-case basis.

## 11.4. Transferring of units

A Unit Holder can apply to transfer their Units in the Fund to another eligible investor by providing the Responsible Entity with a completed standard transfer form (in a form approved by the Responsible Entity) signed by both the transferor and the transferee, provided that the Responsible Entity approves of the transferee. The Responsible Entity reserves the right to decline transfer requests in its absolute discretion. Tax implications (both in the USA and Australia) could be associated with the transfer of Units. Current and potential Unit Holders should seek their own professional advice.

Interested parties can download a Unit Transfer Form available on the Fund's website at www.PassiveIncomeFund.com. Please note that when transferring Units, transferees will need to provide supporting identification documents as outlined in *Section 12.4 – Supporting identification documents*.

## 11.5. Indemnity

The Responsible Entity, its officers and the members of the Compliance Committee are each indemnified out of the Fund's assets for all liabilities and outgoings reasonably and properly incurred by them in performing their respective functions and duties on the Fund's behalf, except as a result of conduct involving a lack of good faith or a breach of the Corporations Act.

Except in the case of a breach of the Fund's Constitution or as required by the Corporations Act, none of the Responsible Entity, its officers 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.

## 11.6. Custodian

The Responsible Entity has appointed an independent custodian to hold the Fund's assets.

The Fund's custodian is Australian Executor Trustees Limited (ABN 84 007 869 794, AFSL No. 240023) (the Custodian). The Custodian's role is to hold the Fund's assets in its name and act on the direction of the Responsible Entity to effect cash and investment transactions. The Custodian will hold the Fund's interests in the REIT structure, which will acquire property assets.

The Custodian has no supervisory role in relation to the Fund's operation and has no liability or responsibility to any Unit Holder or potential applicant for any act done or omission made in accordance with the Custodian Agreement. However, the Responsible Entity will supervise and monitor the Custodian's performance of its duties and obligations and may enforce compliance with those obligations as it determines in the best interests of its Unit Holders.

The Custodian earns fees for carrying out its duties, paid for out of the Fund's expense recoveries.

The Custodian is not the issuer of this PDS and has not prepared this PDS. The Custodian makes no representation in and takes no responsibility for the accuracy or truth of any statement in or any omission from any part of this PDS. The Custodian does not guarantee the Fund's performance or success, the repayment of capital, or any particular rate of return of either capital or income.

## 11.7. Continuous disclosure

In accordance with ASIC Regulatory Guide 198 'Unlisted disclosing entities: Continuous disclosure obligations', the Responsible Entity advises that it fulfills the required continuous disclosure requirements by way of website disclosure which complies with ASIC's good practice guidance. Interested parties may access material information regarding the Fund from the Fund's website at www.PassiveIncomeFund.com.

## 11.8. Enhanced disclosure securities

Units in the Fund are Enhanced Disclosure (ED) Securities under the Corporations Act. As a disclosing entity under the Corporations Act, the Fund is subject to regular reporting and disclosure obligations.

Copies of documents lodged with ASIC in relation to the Fund may be obtained from, or inspected at, an ASIC office and may, on reasonable notice, be obtained from or inspected at the Responsible Entity's office. Interested parties can obtain a copy of the following documents:

- the annual financial report of the Fund most recently lodged with ASIC;
- any half-year financial report lodged with ASIC by the Fund after the lodgement of the most recent annual financial report and before the date of this PDS; and
- any continuous disclosure notices lodged by the Fund with ASIC after the lodgement of the most recent annual report and before the date of the PDS.

## 11.9. Consents

CRE Consultants has given and has not, before the date of this PDS withdrawn its consent to be named in this PDS in the form and context in which it was named, has not made any statement that is included in this PDS or any statement on which a statement made in the PDS is based and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this PDS, other than reference to its name in the form and context in which it is named.

Australian Executor Trustees Limited has given and has not, before the date of this PDS withdrawn its consent to be named in this PDS in the form and context in which it was named, has not made any statement that is included in this PDS or any statement on which a statement made in the PDS is based and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this PDS, other than reference to its name in the form and context in which it is named.

Mayer Brown LLP has given and has not, before the date of this PDS withdrawn its consent to be named in this PDS in the form and context in which it was named, has not made any statement that is included in this PDS or any statement on which a statement made in the PDS is based and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this PDS, other than reference to its name in the form and context in which it is named.

Hall & Wilcox, lawyers, has given and has not, before the date of this PDS withdrawn its consent to be named in this PDS in the form and context in which it was named, has not made any statement that is included in this PDS or any statement on which a statement made in the PDS is based and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this PDS, other than reference to its name in the form and context in which it is named.

Pitcher Partners Advisors Pty Ltd, accountants, has given and has not, before the date of this PDS withdrawn its consent to be named in this PDS in the form and context in which it was named, has not made any statement that is included in this PDS or any statement on which a statement made in the PDS is based and to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements in or omissions from this PDS, other than reference to its name in the form and context in which it is named.

## 11.10. Platform investors

The Responsible Entity authorises the use of this PDS as disclosure to indirect investors who access the Fund through an IDPS or IDPS-like scheme (commonly referred to as a Platform) and those investors may rely on this PDS.

People who invest in the Fund via a Platform do not become direct Unit Holders in the Fund. The Platform operator will be recorded as the Unit Holder and will be the person who exercises the rights and receives the benefits as a Unit Holder. Investors using these services should be aware they may be subject to different conditions from those set out in this PDS, particularly in relation to:

- arrangements for the application and transfer of Units;
- fees and expenses; and
- distribution calculation and timing.

Indirect investors should contact their Platform operator with any queries relating to an investment in the Fund using these services.

## 11.11. Privacy and personal information

From time-to-time, the Responsible Entity will need to collect from you and verify personal information about you (and where applicable, people acting on your behalf) in order to properly administer the financial products you have requested and to comply with its legal obligations. The Responsible Entity collects, uses, discloses and stores your personal information in accordance with its privacy policy and the *Privacy Act 1988 (Cth)*. You can request access to your personal information or the Responsible Entity's full privacy policy upon request. The full privacy policy can also be obtained from the Fund's website at www.PassiveIncomeFund.com.

The Responsible Entity is required to comply with the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth)* (AML/CTF Law). This means the Responsible Entity is obliged under legislation to satisfy thorough applicant identification and verification requirements prior to accepting your application for Units in the Fund. The Responsible Entity may request additional information from applicants where it considers it necessary to satisfy its obligations under the AML/CTF Act.

## 11.12. Complaints handling

The Responsible Entity has a procedure to receive, consider, investigate and respond to complaints by Unit Holders and other parties who are dissatisfied with the Fund's management or administration. If Unit Holders or other parties wish to make a complaint they should write to:

**The Chairman**
**Plantation Capital Limited**
**PO Box 2193**
**Blackburn South VIC 3130**

The Responsible Entity must acknowledge any complaint immediately, or where immediate acknowledgement is not possible, as soon as practicable, and must within 45 business days investigate, properly consider and decide what action (if any) to take or offer regarding the complaint and to communicate its decision to the complainant.

If the Responsible Entity has not made a decision, or the complainant is dissatisfied with the decision, the complainant may refer the complaint to the Financial Ombudsman Service, an external complaints resolution scheme that provides an independent assessment of the complaint, at the address set out below:

**Financial Ombudsman Service Limited**
**GPO Box 3**
**Melbourne VIC 3001**

# 12. How to invest

The following information is provided to assist applicants in completing and lodging their Application Form.

When completing the Application Form:

› use a **black** or **blue** ballpoint pen; and

› print in **BLOCK** letters inside the boxes.

## 12.1. How to invest

› Read this PDS carefully.

› Complete all relevant sections of this Application Form.

› Read and sign the declaration in the Application Form.

› Attach certified copies of your supporting identification and documents, including any power of attorney authorisations.

› Lodge your application form together with your supporting identification and documents. We recommend that you keep copies for future reference.

Existing Unit Holders can make an additional investment by completing the Additional Investment Form available from the Fund's website at www.PassiveIncomeFund.com.

## 12.2. Which sections of the Application Form should you use?

The sections you need to complete will depend on the type of investor you are.

| Investor type | Sections |
|---|---|
| › **INDIVIDUAL** and **JOINT INVESTORS**, including child/minor accounts | 1 to 3, and 10 to 17 |
| › **TRUSTS** and **SUPERANNUATION FUNDS**, including: › self managed superannuation funds › family trusts › unit trusts, and › probate trusts, etc. | 4 to 6, and 10 to 17 |
| › **COMPANIES** (including margin lending providers), › **PARTNERSHIPS**, › **ASSOCIATIONS**, and › **CUSTODIANS** (for superannuation funds, master trusts, wraps, and platforms) | 7 to 9, and 10 to 17 |

## 12.3. How to lodge your application form

Once you have completed the Application Form, please make your cheque payable to **AET Ltd ACF Passive Income Fund App Acc** and mark it **Not Negotiable**. Payment methods other than cheque are available ie. you initiate a transfer to the nominated bank account via EFT (see *Section 11* of the Application Form for details).

If you are lodging your application monies via EFT, attached to the Application Form proof of the funds transfer (eg. attach a print-out of the funds transfer receipt). Please use the following details when lodging your application monies via EFT:

› Bank: Commonwealth Bank of Australia

› BSB: 062-000

› Account number: 14549746

› Account name: AET Ltd ACF Passive Income Fund App Acc

› Reference: <<Your initials and surname (eg. J. Doe)>>

Your original Application Form, supporting identification and documents, and cheque must be posted to or lodged directly at the Responsible Entity's office. Please note that faxed or email copies will not be processed.

### Postal address

**Plantation Capital Limited**
**PO Box 2193**
**Blackburn South VIC 3130**

### Office address

**Plantation Capital Limited**
**893A Canterbury Road**
**Box Hill VIC 3128**

If you need any help completing this Application Form or would like any further information please contact your financial adviser or the Responsible Entity on (03) 8892 3800 between the hours of 10:00 am to 4:00 pm (Melbourne time) on any business day.

## 12.4. Supporting identification and documents

The AML/CTF Law obliges the Responsible Entity to ask for supporting identification documents from applicants. These obligations apply to all fund managers in Australia.

By investing in the Fund, you agree that:

- you do not apply for an interest in the Fund under an assumed name;
- any money invested by you in the Fund is not derived from or related to any criminal activities;
- any proceeds from your investment in the Fund will not be used in relation to any criminal activities;
- if we ask, you will provide us with additional information we reasonably require for the purposes of the AML/CTF Law (including information about you, any beneficial interest in the Fund, or the source of funds);
- we may obtain information about you or any beneficial owner of an interest in the Fund from third parties if we believe this is necessary to comply with the AML/CTF Law; and
- in order to comply with the AML/CTF Law we may be required to take action, including:
  - delaying or refusing the processing of any application or withdrawal; or
  - disclosing information that we hold about you (or any holder of a beneficial interest in the Fund) to our related bodies corporate or service providers, or relevant regulators of the AML/CTF Law (whether in or outside of Australia).

### Forms of identification required

This section outlines the types of documents the Responsible Entity will collect from you. The Responsible Entity will usually collect these documents before processing your Application, but may request additional information at a later date. If you do not provide the documents requested, the Responsible Entity may not be able to process your application.

If you are completing the Application Form with the assistance of a financial adviser, you may find that your adviser has entered into arrangements with the Responsible Entity that will allow your adviser to collect and verify your information on the Responsible Entity's behalf. If this is the case, you may not have to attach all of the supporting/identification documents when completing your initial Application Form.

Alternative forms of identification may be acceptable under circumstances permitted by law. Any identification documents provided must be in English (or translated by a certified translator).

See *Section 12.5 – Certifying copies of supporting identification and documents* for information on certifying copies of supporting identification and documents.

**Videos explaining how to complete the Application Form for each type of entity are available on the Fund's website at www.PassiveIncomeFund.com.**

### Individuals and joint investors

When completing your application, please attach:

- a certified copy of each investor's current driver's licence; or
- a certified copy of the photo page from each investor's current passport.

### Trusts and superannuation funds (including self managed superannuation funds)

When completing your application, please attach the following documents:

- a certified copy of the trust deed (or extract from the trust deed or other official document) that shows the name of the trust; and
- if there is a company acting as trustee, a certified copy of a certificate of incorporation (or other official document) that confirms the company's name, identification number (eg. ACN) and whether the company is a public or proprietary (private) company; or
- if there are individuals acting as trustees, a certified copy of a current driver's licence or current passport that confirms the name and date of birth of the first trustee named in the form.

### Companies (including margin lending providers, and custodians for superannuation funds, master trusts, wraps, and platforms), partnerships and associations

For **companies**, please attach:

- a certified copy of a certificate of incorporation (or other official document) that confirms the company's name, identification number (eg. ACN) and whether the company is a public or proprietary (private) company.

For **partnerships**, please attach:

- a certified copy of the partnership agreement (or extract from the partnership agreement) that confirms the full legal name of the partnership; and
- for one of the partners, a certified copy of their current driver's licence or current passport that confirms their name and date of birth.

For **associations**, please attach:

- a certified copy of the constitution, articles or rules of the association (or an extract from one of these documents) that confirms the full legal name of the association; and
- a certified copy of an official certificate or notice that confirms any official identification number issued to the association; and
- for the secretary (or equivalent) of the association, a certified copy of their current driver's licence or current passport that confirms their name and date of birth.

## 12.5. Certifying copies of supporting identification and documents

All certified copies must include the statement 'I certify that this is a true copy of the original document' (or similar wording) and must be signed by an eligible certifier (see below). The certifier must state their qualification or occupation that makes them eligible. Please note, the Responsible Entity requires the original copy that was actually signed by the certifier.

### Who can certify copies of documents?

When having copies of documents certified, you should show both the original document and copy to the eligible certifier. Eligible certifiers include:

- pharmacists;
- lawyers;
- certified practising or chartered accountants with more than two years of membership;
- justices of the peace;
- police officers;
- public notaries;
- Australia Post employees with more than two years of experience;
- officers of financial institutions with more than two years of experience; and
- officers of Australian Financial Services Licence (AFSL) holders with more than two years of experience –this may include your financial adviser.

The Responsible Entity will not accept documents that have been self-certified.

# APPLICATION FORM CHECKLIST

**Before submitting your Application Form please ensure you have:**

- [ ] completed the Application Form in full; **AND**
- [ ] provided all identity verification documentation as outlined in *Section 12.4*, ensuring it has been properly certified as outlined in *Section 12.5*; **AND**
- [ ] attached your cheque to the Application Form made payable to "AET Ltd ACF Passive Income Fund App Acc" and crossed "Not negotiable"; **OR**
- [ ] if you are lodging your application monies via EFT, attached to the Application Form proof of the funds transfer (eg. attach a print-out of the funds transfer receipt). Please use the following details when lodging your application monies via EFT:
  Bank: Commonwealth Bank of Australia
  BSB: 062-000
  Account number: 14549746
  Account name: AET Ltd ACF Passive Income Fund App Acc
  Reference: <<Your initials and surname (eg. J. Doe)>>

Your original Application Form, all supporting documentation and cheque or EFT receipt must be posted or lodged directly at the Responsible Entity's office:

**Postal address**

**Plantation Capital Limited**
**PO Box 2193**
**Blackburn South VIC 3130**

**Office address**

**Plantation Capital Limited**
**893A Canterbury Road**
**Box Hill VIC 3128**

# APPLICATION FORM
# PASSIVE INCOME (USA COMMERCIAL PROPERTY) FUND

**This Application Form relates to the Product Disclosure Statement dated 18 July 2013 (PDS) for the issue of units in the Passive Income (USA Commercial Property) Fund ARSN 155 770 095 issued by Plantation Capital Limited ABN 65 133 678 029, AFSL No. 339481, as Responsible Entity for the Fund.**

## 1. INDIVIDUAL INVESTOR

**INVESTOR 1**

**1.1** Title

Given name/s

Surname

Date of birth D D / M M / Y Y

**1.2** Is your country of residency Australia?

Yes No ➔ Please provide your country of residence

**1.3** Are you a sole trader?

No Yes ➔ Full business name

ABN

**1.4** Full residential address *(must **NOT** be a PO Box)*

Address

Suburb State Postcode

Country

## 2. JOINT INVESTORS

**INVESTOR 2**

**2.1** Title

Given name/s

Surname

Date of birth D D / M M / Y Y

**2.2** Is your country of residency Australia?

Yes No ➔ Please provide your country of residence

**2.3** Are you a sole trader?

No Yes ➔ Full business name

ABN

**2.4** Full residential address *(must **NOT** be a PO Box)*

Address

Suburb State Postcode

Country

## 3. FOR CHILD / MINOR ACCOUNT ONLY

If you wish to include the name of a child under age 18 in the account name, please state the name in which you wish the account to be opened. We will treat the individual named in Section 1 as the investor (for the purpose of accepting instructions for example) unless we are properly instructed otherwise.

Title

Given name/s

Surname

Date of birth D D / M M / Y Y

**3.1** Full residential address *(must* ***NOT*** *be a PO Box)*

Address

Suburb State Postcode

Country

## 4. TRUST

**4.1** Type of trust ☐ Superannuation fund *(including self managed superannuation fund)* ☐ Family trust ☐ Unit trust ☐ Probate trust

Other (please specify)

**4.2** Full legal name of the trust (***NOT*** *the trustee)*

ABN/ARBN/ACN

Full business name of trustee in respect of the trust

**4.3** Was this trust formed/incorporated in Australia?

☐ Yes ☐ No ➔ Please state country

**4.4** Is the trust regulated by an Australian regulator *(eg. ASIC, ATO, APRA)*?

☐ Yes ➔ Please proceed to Section 5. ☐ No ➔ Please describe beneficiaries by class or category OR provide full name and residential address *(must* ***NOT*** *be a PO Box)* for each beneficiary of the trust

Describe beneficiaries by class or category *(eg. family member, employees of a particular company)*

**OR**

Full name and residential address *(must* ***NOT*** *be a PO Box)* for each beneficiary of the trust. Please attach a separate page if you require more space.

**Beneficiary 1**

Address

Suburb State Postcode

Country

**Beneficiary 2**

Address

Suburb State Postcode

Country

**Beneficiary 3**

Address

Suburb State Postcode

Country

## 5. INDIVIDUAL TRUSTEES (COMPLETE THIS SECTION IF THE TRUST HAS INDIVIDUALS ACTING AS TRUSTEES)

**Important**
Please attach a separate page if you have additional trustees.

**TRUSTEE 1**

**5.1** Title

Given name/s

Surname

Date of birth D D / M M / Y Y

**5.2** Full residential address *(must **NOT** be a PO Box)*

Address

Suburb State Postcode

Country

**TRUSTEE 2 (IF APPLICABLE)**

**5.3** Title

Given name/s

Surname

Date of birth D D / M M / Y Y

**5.4** Full residential address *(must **NOT** be a PO Box)*

Address

Suburb State Postcode

Country

## 6. CORPORATE TRUSTEE (COMPLETE THIS SECTION IF THE TRUST HAS A COMPANY ACTING AS TRUSTEE)

**6.1** Full legal name of trustee

ABN/ARBN/ACN

**6.2** Was this corporate trustee formed/incorporated in Australia?

☐ Yes ➔ Please proceed to question 6.3. ☐ No ➔ Please provide information as requested immediately below

Full name and address of agent in Australia

Suburb State Postcode

Foreign registration authority

Foreign registration number

Full registered address in foreign country of incorporation, formation or registration

Full address of principal place of business in foreign country of incorporation, formation or registration

## 6. CORPORATE TRUSTEE (COMPLETE THIS SECTION IF THE TRUST HAS A COMPANY ACTING AS TRUSTEE) (continued)

**6.3** Full registered address in Australia *(must **NOT** be a PO Box)*

Address

Suburb State Postcode

Country

**6.4** Principal place of business *(must **NOT** be a PO Box) (if different from 6.3 above)*

Address

Suburb State Postcode

Country

**6.5** Is the corporate trustee a public company?

☐ Yes ➔ Please proceed to section 10. ☐ No ➔ Please provide the following information:

Type of company

If a proprietary/private company – please provide the full name of each director. Please attach a separate page if you require more space.

Director 1

Director 2

Director 3

Director 4

Director 5

Director 6

Please also supply the full name and address for all beneficial owners (holding more than 25 per cent of issued share capital in the corporate trustee). Please attach a separate page if you require more space.

**Beneficial owner 1**

Address

Suburb State Postcode

Country

**Beneficial owner 2**

Address

Suburb State Postcode

Country

**Beneficial owner 3**

Address

Suburb State Postcode

Country

## 7. COMPANY

**7.1** Full legal name

ABN/ARBN/ACN

Account name *(if different from above)*

*(eg. for custodians: ABC Ltd ACF XYZ Super Fund)*

**7.2** Was this company formed/incorporated in Australia?

☐ Yes ➔ Please proceed to question 7.3 ☐ No ➔ Please provide information as requested immediately below

Foreign registration authority

Foreign registration number

Full registered address in foreign country of incorporation, formation or registration

Full address of principal place of business in foreign country of incorporation, formation or registration

**7.3** Full registered address in Australia *(must **NOT** be a PO Box)*

Address

Suburb State Postcode

Country

**7.4** Principal place of business in Australia *(must **NOT** be a PO Box) (if different from 7.4 above)*

Address

Suburb State Postcode

Country

**7.5** Is the company a public company?

☐ Yes ➔ Please proceed to section 10. ☐ No ➔ Please provide the following information:

Type of company

If a proprietary/private company – please provide the full name of each director. Please attach a separate page if you require more space.

Director 1

Director 2

Director 3

Director 4

Director 5

Director 6

## 7. COMPANY (continued)

Please also supply the full name and address for all beneficial owners (holding more than 25 per cent of issued share capital in the company). Please attach a separate page if you require more space.

**Beneficial owner 1**

Address

Suburb State Postcode

Country

**Beneficial owner 2**

Address

Suburb State Postcode

Country

**Beneficial owner 3**

Address

Suburb State Postcode

Country

## 8. PARTNERSHIP

**8.1** Full legal name

ABN/ARBN/ACN

Trading name *(if different from above)*

**8.2** Was this partnership formed in Australia?

Yes ➔ Which state/territory

No ➔ Please state country

**8.3** Full registered address in Australia *(must **NOT** be a PO Box)*

Address

Suburb State Postcode

Country

**8.4** For ONE PARTNER only

Title

Given name/s

Surname

Date of birth D D / M M / Y Y

## 8. PARTNERSHIP (continued)

**8.5** Full residential address *(must **NOT** be a PO Box)*

Address

Suburb State Postcode

Country

**8.6** Is the partnership regulated by a professional association?

☐ Yes ➔ Please name association

*(eg. Law Institute, AMA, CPA)*

☐ No ➔ Please provide the following information:

Full name and residential address (must NOT be a PO Box) for each partner. Please attach a separate page if you require more space.

**Partner 2**

Address

Suburb State Postcode

Country

**Partner 3**

Address

Suburb State Postcode

Country

**Partner 4**

Address

Suburb State Postcode

Country

## 9. ASSOCIATION

**9.1** Full legal name of association

ABN/ARBN/ACN

Other identification number issued by government authority

**9.2** Was this association formed in Australia?

☐ Yes ➔ Which state/territory

☐ No ➔ Please state country

**9.3** Full registered address in Australia or place of administration *(must **NOT** be a PO Box)*

Address

Suburb State Postcode

Country

## 9. ASSOCIATION (continued)

**9.4** Secretary (or equivalent)

Title

Given name/s

Surname

Date of birth D D / M M / Y Y

**9.5** Full residential address *(must **NOT** be a PO Box)*

Address

Suburb State Postcode

Country

**9.6** Chairman (or equivalent)

Title

Given name/s

Surname

Date of birth D D / M M / Y Y

**9.7** Treasurer (or equivalent)

Title

Given name/s

Surname

Date of birth D D / M M / Y Y

## 10. CONTACT AND MAILING DETAILS

**10.1** Postal address (*This address will be used for all account correspondence; however we still require your full registered address.)*

Street

Suburb State Postcode

Country

**10.2** Contact details

Title

Given name/s

Surname

Telephone ( ) Mobile

Email address

## 11. INVESTMENT SELECTION

**Important**

- Initial investment applications must be for a minimum of $10,000 (more can be invested, however the specified sum must be a whole thousand dollar amount).
- The Responsible Entity will automatically reinvest your distribution as additional Fund Units if you do not make a selection between reinvest income and credit bank account.
- If you select to credit bank account for your distributions, please provide your bank details in section 12.

| FUND NAME | AMOUNT TO BE INVESTED | REINVEST INCOME *(PLEASE TICK ✓)* | CREDIT BANK ACCOUNT *(PLEASE TICK ✓)* |
|---|---|---|---|
| **Passive Income (USA Commercial Property) Fund** | $ ☐☐,☐☐☐,000.00 | ☐ | ☐ |

Please indicate how you would like to make your initial investment *(please tick ✓ one option)*:

**Cheque** ☐ ➔ Please make your cheque payable to "AET Ltd ACF Passive Income Fund App Acc" and cross it "Not negotiable".

**EFT** ☐ ➔ Please use the following details when lodging your application monies via EFT:
Bank: Commonwealth Bank of Australia
BSB: 062-000
Account number: 14549746
Account name: AET Ltd ACF Passive Income Fund App Acc
Reference: <<Your initials and surname (eg. J. Doe)>>

## 12. BANKING INSTRUCTIONS

Please provide your bank account details for withdrawals and income distributions (if you selected that option in Section 11).

BSB number ☐☐☐☐☐☐

Account number ☐☐☐☐☐☐☐☐☐

Account name (eg. John Smith) ____________________

Name of financial institution ____________________

____________________

## 13. ANNUAL REPORTS (PLEASE TICK ✓ ONE OPTION)

☐ I/We would like to be notified by email when the annual report is available on the Fund's website.

☐ I/We would like to receive a printed copy of the annual report in the mail each year.

☐ I/We do not want to be notified by email, and do not want to receive a printed copy in the mail.

If you do not select an option, we will notify you by email when the annual report is available on the Plantation Capital website.

## 14. DIRECT MARKETING (PLEASE TICK ✓)

☐ Please do not send me/us Plantation Capital Limited marketing and/or educational material.

## 15. ADVISER OR BROKER DETAILS (IF APPLICABLE)

**Important**
If you have an adviser or broker, your adviser or broker should complete all sections below.

**15.1** Adviser number *(if applicable)* A N _ _ _ _ _ _

**15.2** Business name

**15.3** AFSL number

**15.4** Dealer group *(if different from above)*

**15.5** Full name of individual adviser

**15.6** Postal address

Suburb

State | Postcode

Country

**15.7** Mobile telephone

Business telephone ( )

Facsimile ( )

Email address

**15.8** Upfront commission – please nominate the contribution fee to be charged to your client

_ . _ _ % inc. GST (must be equal to or less than 3.96%)

**15.9** Adviser declarations and signature

- In accordance with the Financial Services Council / Financial Planning Association Industry Guidance Note 24, I confirm that customer identification has taken place under the *Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth)* and that I will provide access to the records as required, or that the industry agreed 'Customer Identification Form' confirming compliance is attached.

Adviser signature ✗ SIGN HERE

Name

Date D D / M M / Y Y

Adviser stamp

## 16. TAX FILE NUMBER (TFN) DECLARATION/S OR EXEMPTION/S

You may choose to quote your TFN or claim an exemption in relation to your investment in the fund by completing this section.
Collection of your TFN is authorised, and its use and disclosure are strictly regulated by the tax laws and Privacy Act. Quotation is not compulsory but tax may be taken out of your distribution if you do not quote your TFN or claim an exemption (at the date of this PDS this was the highest marginal tax rate plus Medicare levy). You may provide us with your ABN if you are making this investment in the course of carrying on an enterprise. If you choose not to, and do not provide your TFN or TFN exemption, we are required to deduct tax on any income distribution at the prescribed rate (at the date of this PDS this was the highest marginal tax rate plus Medicare levy).

### INVESTOR

**Which investor? (please tick ✓ one option)**

☐ Investor 1 ☐ Trust
☐ Investor 2 ☐ Superannuation fund
☐ Child / minor ☐ Company
☐ Individual trustee 1 ☐ Partnership
☐ Individual trustee 2 ☐ Association

**Details**

Name

TFN

**OR** ☐ I do not wish to quote my TFN.
Please complete reason for exemption.

### REASON FOR EXEMPTION IF TFN NOT QUOTED

**Pensioner - Please provide the name of your pension**

**Non-resident - Please provide your country of residence**

**Other - Please provide relevant details**

---

**Which investor? (please tick ✓ one option)**

☐ Investor 1 ☐ Trust
☐ Investor 2 ☐ Superannuation fund
☐ Child / minor ☐ Company
☐ Individual trustee 1 ☐ Partnership
☐ Individual trustee 2 ☐ Association

**Details**

Name

TFN

**OR** ☐ I do not wish to quote my TFN.
Please complete reason for exemption.

**Pensioner - Please provide the name of your pension**

**Non-resident - Please provide your country of residence**

**Other - Please provide relevant details**

---

**Which investor? (please tick ✓ one option)**

☐ Investor 1 ☐ Trust
☐ Investor 2 ☐ Superannuation fund
☐ Child / minor ☐ Company
☐ Individual trustee 1 ☐ Partnership
☐ Individual trustee 2 ☐ Association

**Details**

Name

TFN

**OR** ☐ I do not wish to quote my TFN.
Please complete reason for exemption.

**Pensioner - Please provide the name of your pension**

**Non-resident - Please provide your country of residence**

**Other - Please provide relevant details**

## 17. DECLARATIONS, APPLICANT SIGNATURE/S, AND NOTIFICATION OF ACCOUNT SIGNING AUTHORITY/IES

- I/We have received and read the Product Disclosure Statement dated 18 July 2013 (PDS) for the Passive Income (USA Commercial Property) Fund ("the Fund") to which this Application applies and agree to be bound by the Constitution of the Fund (and as amended from time to time) and declare all details given in this Application are true and correct.
- I/We declare that in making a decision to invest the only information and representations provided by the Responsible Entity are those contained in the PDS together with the other important information taken to form part of the PDS.
- I/We declare that I/we have the capacity and power to make an investment in accordance with the Application.
- If signed under power of attorney, the attorney verifies that no notice of revocation of that power has been received.
- I/We acknowledge that joint applicants or signatories who allow either investors or signatories to give instructions in relation to an investment in the Fund will bind other investors or signatories for all transactions in connection with the investment including changes to account details.
- I/We understand that the Responsible Entity may request or require additional personal or entity information in order to fulfil legislative obligations. Failure to supply the information punctually may result in the Responsible Entity being prevented by law from carrying out instructions.
- I/We understand and agree that, even if all information requested on this Application Form has been provided and received by the Responsible Entity, the processing of my/our Application may be postponed or delayed while the Responsible Entity verifies and considers information.
- I/We understand that none of the Responsible Entity or its related entities, directors or officers guarantees the performance of, the repayment of capital, or income invested in, the Fund.
- I/We agree to reimburse and indemnify the Responsible Entity for all taxes, duties and charges imposed against the Responsible Entity or its agents that may be assessed against the Responsible Entity as a result of my/our entitlement to the capital or distributable income (Taxation Amount) of the Fund.
- I/We authorise the Responsible Entity to deduct from my/our income distributions payable from the Fund, on account of the Taxation Amount which the Responsible Entity is or may become liable to pay in respect of my/our entitlement to the capital or distributable income of the Fund.
- I/We release the Responsible Entity from all responsibility and liability whatsoever in connection with any action or inaction by the Responsible Entity which constitutes or gives rise to an inconsistency with, or breach of, this PDS, and will indemnify the Responsible Entity in respect of any such liability.
- I/We have read the Privacy Policy in the PDS for the Fund and I/we consent to the handling and disclosure of my personal information as described in the Privacy Policy, except as follows: If purchasing through an adviser or broker, I/we authorise the Responsible Entity to disclose to the adviser or broker or dealer group noted on this Application Form, information relating to my/our application for investment into the Fund or any subsequent information relating to my/our investment. I/We understand that this will not include disclosure of my/our Tax File Number/s or any information in relation to it/them. This authority will continue unless revoked in writing by me/us.
- I/We agree to receive the PDS and other important information that is taken to form part of the PDS relating to my/our investment/s in the Fund to which this application applies, electronically via email, or on a website designated by the Responsible Entity, or other electronic delivery method. (You can request a printed copy of the PDS or any other important information that is taken to form part of the PDS at any time, at no cost).

**Account signing authorities (please tick ✓ one option)**

Please indicate below who can give us instructions in relation to your investment. If you do not tick one of the options below, all instructions must be signed by all of the signatories below, or as otherwise permitted by law. You must provide a certified copy of all authorised signatories.

☐ Signatory 1 AND 2 ☐ Either Signatory 1 OR 2 ☐ Allow other authorised signatories

☐ Signatory 1 ONLY ☐ Signatory 2 ONLY

**Applicant signatures**

Each signatory below confirms that they have been duly authorised to execute this application on behalf of the applicant/s and that the signing authorities specified above have also been duly authorised.

**Signatory 1** ✗ SIGN HERE

Name

Date D D / M M / Y Y

**Signatory 2** ✗ SIGN HERE

Name

Date D D / M M / Y Y

**INTERNAL USE**

| | | | | | | |
|---|---|---|---|---|---|---|
| Date received | | D D / M M / Y Y | Investor verified | | Approved by | |
| Accounting | Date entered | D D / M M / Y Y | Entered by | | Date approved | D D / M M / Y Y |
| Database | Date entered | D D / M M / Y Y | Entered by | | | |
| Banking | Date banked | D D / M M / Y Y | ☐ Cheque | ☐ EFT | | |

# Corporate directory

## Passive Income (USA Commercial Property) Fund

ARSN 155 770 095
893A Canterbury Road
Box Hill VIC 3128

## Responsible Entity

**Plantation Capital Limited**
ABN 65 133 678 029
AFSL No. 339481

893A Canterbury Road
Box Hill VIC 3128

PO Box 2193
Blackburn South VIC 3130

T: (03) 8892 3800
F: (03) 8892 3811
W: www.PassiveIncomeFund.com

## Australian Legal Advisor

**Hall & Wilcox Lawyers**
Level 30, Bourke Place
600 Bourke Street
Melbourne VIC 3000

## Australian Tax Advisor

**Pitcher Partners Advisors Pty Ltd**
Level 19, 15 William Street
Melbourne VIC 3000

## USA Legal Advisor

**Mayer Brown LLP**
71 South Wacker Drive
Chicago Illinois 60606-4637
USA

## Auditors

**Nexia ASR Pty Ltd**
Level 18
530 Collins Street
Melbourne VIC 3000

**Plantation Capital Limited**
PO Box 2193
Blackburn South VIC 3130
T: (03) 8892 3800
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W: www.PassiveIncomeFund.com