



Product Disclosure Statement

17 November 2008

Key Capital Property Syndicate No. 7

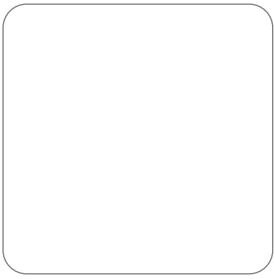
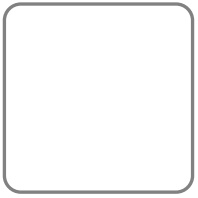
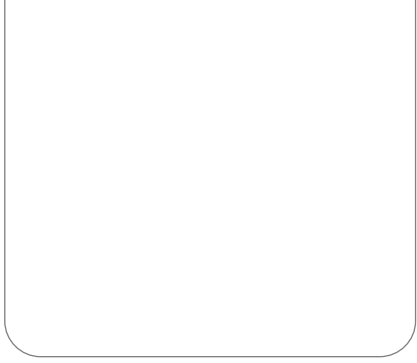
ARSN 133 877 335



Key Capital Limited

ABN 81 112 191 198

Australian Financial Services Licence No. 287725





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The Key Capital Property Syndicate No. 7 is a property fund offering investors direct access to investment grade property. The objective of the Syndicate is to provide Unit Holders with attractive distributions with tax advantaged components and the potential for capital growth.

Prospective Unit Holders wanting to participate in this Offer need to complete the following 5 steps:

1. **Read**—Read this PDS in full.
2. **Consider**—Consider all the risk factors and other information in this PDS in light of your investment needs, objectives and circumstances (see Section 6 for information on some of the risks associated with an investment in the Syndicate).
3. **Consult**—Consult your financial or other professional adviser before deciding to invest in the Syndicate. If you have any questions on what you need to do, then you should consult your adviser or Key Capital Limited.
4. **Complete**—Complete the Application Form set out in Section 13 of this PDS in accordance with the instructions set out in Section 12.

Applications must be received for at least \$10,000 worth of Units. Applications for more than \$10,000 in Units must be in increments of \$1,000. Key Capital Limited may in its discretion accept an Application for a different amount. The issue price of Units under this PDS is \$1.00 per Unit.

Payment for Units can be by cheque as per the instructions set out in Section 12.

5. **Mail**—The completed Application Form and a cheque for the investment amount, must be received by Key Capital Limited no later than 5:00 pm (Melbourne time) on 12 December 2008 (the Closing Date). Applications should be mailed or delivered to:

Key Capital Limited

Suite 209, 685 Burke Road

Camberwell VIC 3124

Potential investors are encouraged to submit their Application as early as possible as the Offer may be closed before the indicated Closing Date without prior notice.



Key Capital Property Syndicate No. 7

IMPORTANT NOTICE

This Product Disclosure Statement (PDS) offers investors the opportunity of becoming a Unit Holder in the Key Capital Property Syndicate No. 7 ARSN 133 877 335 (Syndicate). This PDS is issued by Key Capital Limited (KCL) as responsible entity of the Syndicate and is dated 17 November 2008.

The Offer under this PDS is available to persons receiving the PDS within Australia. This PDS does not constitute an offer in any jurisdiction in which, or to any person to whom, it would not be lawful to make such an offer.

Information contained in this PDS may change from time to time. If the change will be materially adverse to the Offer, then in accordance with the Corporations Act, we will issue a supplementary product disclosure statement. However, if the change will not be materially adverse to the Offer, we may, but will have no obligation to, issue a supplementary product disclosure statement. Updated information will be available from our website at www.keycapital.com.au and upon request we will provide prospective investors with a paper copy of any updated information free of charge.

Applications must be received before the Closing Date unless KCL decides, in its absolute discretion and without notice, to close the Offer early or extend it.

Photographs in this PDS are for artistic purposes only and do not represent assets of the Syndicate.

Definitions of certain terms used in this PDS (generally commencing with a capital letter) appear in the Glossary.

In this PDS, all amounts are expressed in Australian dollars unless otherwise indicated.

DISCLAIMER

An investment in the Syndicate does not represent a deposit with or liability of KCL or any related body corporate of KCL, and is subject to investment risk including possible loss of capital. Neither KCL nor any related body corporate of KCL guarantees the performance or success of the Syndicate, payment of distributions or repayment of your investment.

This PDS does not take into account the investment objectives, financial situation or particular needs of prospective Unit Holders. Accordingly, before you invest you should read this PDS and any supplementary PDS in full. We also recommend that before making a decision to invest in the Syndicate you consult a licensed financial adviser.



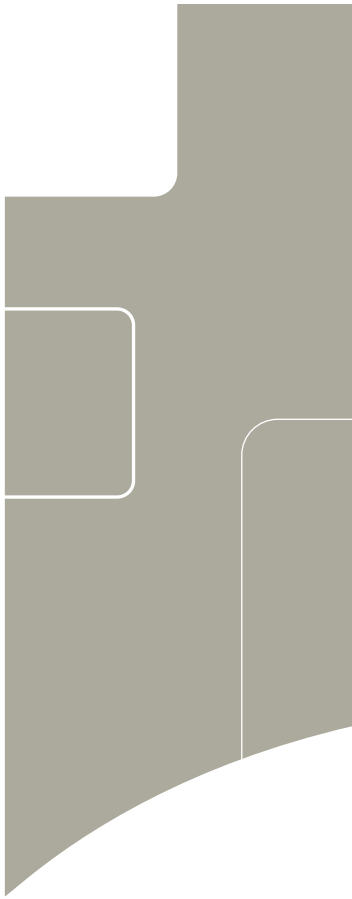
1. Investment overview

The following section represents a summary of the Offer. This summary is not intended to be exhaustive. To find out more detailed information, refer to the relevant section in the PDS. Applicants should read the PDS in its entirety.

		Reference
Type of investment	The Syndicate is an unlisted property trust that will acquire assets (Properties). The Syndicate will be for a fixed term, unless Unit Holders decide to extend that term for a further period.	Section 2
Investment objective	The objective of the Syndicate is to provide Unit Holders with attractive distributions with tax advantaged components and the potential for capital growth.	Section 4
Investment strategy	The Syndicate will seek to acquire investment grade properties located within Australia which meet the Syndicate's investment criteria.	Section 4
Investment criteria	<p>The investment criteria for properties is as follows:</p> <ul style="list-style-type: none">• Properties must be commercial, industrial, retail, leisure or hotel properties, including mixed-use properties, which ideally have multiple tenants.• No residential property.• Properties considered for acquisition must be able to offset acceptable risk with the following features—<ul style="list-style-type: none">- initial yield on the purchase of a Property of no less than 9% per annum- potential for capital gain, and- on the purchase of a Property deliver attractive distributions to Unit Holders of at least 8% per annum with tax advantaged components.	Section 4



Minimum subscription	<p>The minimum subscription to be raised under this Offer is \$2 million. If the minimum subscription amount is not raised by the Closing Date, then all Application Monies will be returned to Applicants without interest.</p> <p>There is no maximum amount that can be raised; however, KCL anticipates the total amount of funds raised for the Syndicate will not exceed \$20 million. Provided the minimum subscription is raised, the Syndicate will proceed.</p>	Section 2
Taxation	General information about the tax implications of investing in the Syndicate is set out in Section 8.	Section 8
Risks	There are risks associated with an investment in the Syndicate. Applicants should be aware that the value of the Properties and the income the Syndicate generates could be negatively influenced by a number of factors. The success of the Syndicate is also dependent on the skills of KCL's Directors in sourcing, assessing and managing the Properties.	Section 6
Borrowings and gearing ratio	<p>The Syndicate currently has no borrowings and is therefore not subject to any loan covenants, such as gearing or interest cover ratios.</p> <p>However, KCL will borrow, on behalf of the Syndicate, to assist in funding the acquisition of the Properties. The level of borrowing by the Syndicate will vary over time. The Syndicate may borrow up to 65% of the value of any single Property.</p>	Section 4
Minimum initial investment	Applicants may invest \$10,000 or more (in increments of \$1,000), unless KCL in its discretion decides to accept a different amount.	Section 2
Closing date	12 December 2008.	Section 2
Fees and other costs	Management and other fees are payable by the Syndicate to KCL, as responsible entity for the Syndicate and other entities involved in the management of the Syndicate, such as the Syndicate Manager.	Section 7
Removal of responsible entity	In the event that KCL is removed as responsible entity, this would not affect the continuation of the Syndicate Management Agreement. Therefore, the Syndicate Manager would, subject to the terms of the Syndicate Management Agreement, continue to receive fees even after the removal of KCL as responsible entity.	Section 3 and 9



Unit Price	\$1.00 per Unit under this Offer.	Section 2
Distribution frequency	Monthly, within 7 days from the end of each month. The first distribution will be made within 7 days of the end of the first full month following the completion of the acquisition of the first Property. Distributions may be made from the income of the Syndicate, borrowings, capital or unrealised revaluation gains.	Section 2
Cooling off	The Syndicate will initially be considered “liquid”, as defined under the Corporations Act, until the first Property is acquired. While the Syndicate is “liquid”, cooling off rights will apply to investments in the Syndicate. However, Applicants should be aware the Syndicate will invest in real property, which is essentially illiquid in nature.	Section 2
Withdrawal rights	As the Assets to be acquired by the Syndicate will be illiquid, Unit Holders will have no right to request that their investment be withdrawn during the term of the Syndicate. Unit Holders should therefore consider their investment in the Syndicate to be long-term and illiquid. However, KCL may, at its discretion, consider making limited withdrawal offers at certain times e.g., following an extension of the term of the Syndicate or the disposal of a Property. KCL is nevertheless under no obligation to make any withdrawal offers.	Section 2
Related party transactions	Key Capital (Management) Pty Ltd provides services to KCL, including services that will assist KCL in discharging its duties as responsible entity for the Syndicate.	Section 7



Companies associated with some of KCL's directors may also provide accounting, advisory or valuation services from time to time.

Refer to "Fees to related parties" in Section 7 for details of related party transactions.

Valuation policy

Properties acquired by the Syndicate will be independently valued every 3 years. Section 4

Refer to "Independent Valuation" in Section 4 for details of KCL's valuation policy.

2. The Offer

THE INVESTMENT

Through this PDS, you are invited to become a Unit Holder in the Syndicate, which is a fixed term, unlisted unit trust. The Syndicate will only acquire properties which satisfy the investment criteria for the Syndicate. Unit Holders will be able to share in the rental income generated from the Properties and any capital growth in the value of the Properties.

Legal title to each Property will be held by the Custodian on behalf of the Syndicate.

Prior to 1 April 2015, KCL will convene a meeting of Unit Holders to decide the future of the Syndicate. At that meeting, Unit Holders will be asked whether or not they would like to extend the life of the Syndicate for a further term.

Unless the Unit Holders agree (by ordinary resolution) to extend the term of the Syndicate at that time, the Properties will be sold as soon as reasonably practicable after the meeting.

As the term of the Syndicate will be until at least 31 March 2015, and possibly longer, an investment in the Syndicate should be considered long term.

If the Unit Holders decide to extend the term of the Syndicate, then the Syndicate will continue until the end of that extended term. Then, before the end of any extended term, KCL will again ask Unit Holders to decide the future of the Syndicate, in a similar manner as outlined above.

If however, KCL considers it to be in the best interests of Unit Holders, then KCL may sell any of the Properties at any time before the end of the term (or before the end of any extended term). If the Properties are sold, then the Syndicate will be wound up.

MINIMUM SUBSCRIPTION

The minimum subscription under this Offer is \$2 million.

If the minimum subscription is not received by the Closing Date, then KCL will return Application Monies to Applicants without interest.

Once Units are issued, KCL may hold any funds raised in a bank account or term deposit with an Australian bank for up to 6 months during which time it will source Properties for the Syndicate to acquire. If KCL cannot source a suitable Property within 6 months of the Closing Date, then it will wind up the Syndicate in accordance with the Constitution.

There is no maximum amount that needs to be raised; however, KCL anticipates the total amount of funds raised for the Syndicate will not exceed \$20 million. Provided the minimum subscription is raised, the Syndicate will proceed.





THE UNITS TO BE ISSUED

The price of Units under this PDS will be \$1.00 per Unit.

10 Units were issued to Mr Andrew Patrick on the establishment of the Syndicate. Additional Units will be issued to KCL as part of its entitlement to be paid its issuer fee (in accordance with Section 7). The 10 Units already issued will be transferred by Mr Andrew Patrick to KCL on arm's length terms, in part payment of KCL's Issuer fees.

COOLING OFF

The Syndicate will initially be considered "liquid", as defined under the Corporations Act, until the first Property is acquired. While the Syndicate is "liquid", Applicants can request the return of their investment within 14 days of the earlier of—

- the confirmation of the acquisition of Units in Syndicate, or
- the end of the 5th business day after the Units are issued.

Applicants should be aware the Syndicate intends to invest in real property, which is essentially illiquid in nature. Accordingly, cooling off rights may not be available to Applicants following the Syndicate's acquisition of a Property.

If an Applicant requests the return of their investment under the cooling off rights, then the amount to be returned will be the amount of the Applicant's Application Money, adjusted to take into account any reasonable administration and transaction costs incurred, and any tax or duty payable on the Units. As a result the amount returned to Applicants may be less than their original investment.

WITHDRAWALS

As the Assets to be acquired by the Syndicate will be illiquid, Unit Holders will have no right to request that their investment be withdrawn during the term of the Syndicate. Unit Holders should therefore consider their investment in the Syndicate to be long-term and illiquid.

However, KCL may, at its discretion, consider making limited withdrawal offers at certain times e.g., following an extension of the term of the Syndicate or the disposal of a Property. KCL is nevertheless under no obligation to make any withdrawal offers.

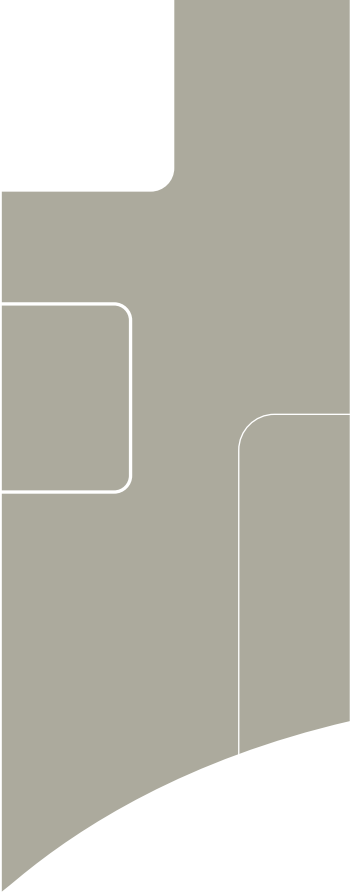
Please also note, KCL has no obligation to assist any Unit Holder in the sale of their Units.

RISKS

There are risks involved in an investment in the Syndicate. These risks should be discussed with your professional adviser to determine how an investment in the Syndicate will impact upon your individual circumstances, and whether an investment in the Syndicate is suitable for you.

Investing in the Syndicate carries general investment risks and risks which are specific to the Syndicate and the Properties. The key risks which prospective Unit Holders should consider are:

- Investment risk – in addition to wider market and economic factors, the success of the Syndicate will largely be dependant on the skills of KCL and its service providers in sourcing and assessing potential properties for acquisition and then managing the Properties.
- Risk to distributions – as with any investment of this kind, there is a risk that distribution levels may not be achieved as anticipated.

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- Risk to capital – similarly, there is a risk that on exit from or termination of the Syndicate, the amount received by Unit Holders may be less than the capital subscribed.

For more information on the risks associated with an investment in the Syndicate please refer to Section 6.

MONTHLY DISTRIBUTIONS

Following the acquisition of the Properties, KCL intends to make distributions to Unit Holders every month. As distributions will usually be derived from the rental income of the Properties, the first distribution will be made within 7 days from the end of the first full month following the completion of settlement of the first Property acquired by the Syndicate.

Distributions may be made from the income of the Syndicate, borrowings, capital or unrealised revaluation gains.

BONUS ONE-OFF DISTRIBUTION

Applicants who submit a valid Application Form (which is accepted by KCL) prior to the Syndicate's acquisition of its first Property will receive a bonus one-off distribution of 8.00% per Unit (annualised) from the day application moneys are received in clear funds to the date of the completion of the purchase of the first Property for the Syndicate.

The amount of the bonus one-off distribution will only relate to the number of Units issued.

Payment of the bonus one-off distribution is subject to the following:

- The minimum subscription amount being raised.
- Completion of the purchase of a Property within 6 months of the Closing Date. If the Syndicate does not acquire a property within this period, then KCL will wind up the Syndicate in accordance with the Constitution in which case Applicants will not receive any interest on their Application Money or the bonus one-off distribution.

SUPERANNUATION FUNDS CAN INVEST

The Syndicate is structured as a unit trust. As KCL will borrow on behalf of the Syndicate, complying superannuation funds are able to invest in the Syndicate, subject to their own investment mandate.

HOW TO BECOME A UNIT HOLDER

To apply to become a Unit Holder you must complete the Application Form and return it to KCL together with a cheque for the amount you wish to invest. See Section 12 for details on how to invest.

Please note that the submission of a completed Application Form to KCL constitutes an irrevocable offer to apply for Units. Upon receipt of your Application, the application moneys will be deposited into an interest-bearing bank account



controlled by the Custodian. Any interest earned on application moneys will be an Asset of the Syndicate and will be distributable to Unit Holders.

KCL may, in its absolute discretion, reject any Application or accept an Application for a number of Units that is less than the number applied for by the Applicant. Where an Application is rejected, the relevant application money will be returned to the Applicant in full (without interest) within 1 month of the day on which the relevant Application is received. If the number of Units issued to an Applicant is less than the number applied for, the excess application money will be returned to the Applicant (without interest) as soon as practicable after the Closing Date.

TAX CONSEQUENCES

The Syndicate will claim deductions for the depreciation of any plant and equipment belonging to the Properties it has acquired, allowances for any original capital expenditure, borrowing costs on the purchase of the Properties and certain Syndicate establishment expenditure. These deductions will be passed on to Unit Holders, causing a component of the distributions received by Unit Holders to be “tax deferred”. For further details refer to Section 8 “Taxation Considerations”.

RIGHT TO RAISE ADDITIONAL DEBT OR EQUITY FUNDS

KCL may undertake additional capital raisings and arrange further borrowings for the Syndicate to acquire Properties from time to time. Further disclosure will be issued at such time.

3. The Syndicate

THE SYNDICATE

The Syndicate is structured as a unit trust.

The Constitution (together with the Corporations Act) governs the relationship between the Unit Holders and KCL as the responsible entity of the Syndicate. A summary of the key terms of the Constitution is contained in Section 9 “Material Contracts”.

THE RESPONSIBLE ENTITY

KCL is the responsible entity appointed under the Constitution to operate the Syndicate on behalf of Unit Holders. KCL is a public company and holds AFS licence no. 287725, which permits it to promote and operate the Syndicate.

KCL is responsible for overseeing the operation of the Syndicate, which includes the sourcing, assessment and acquisition of the Properties and the preparation of this PDS. The ongoing responsibilities of KCL include overseeing the Custodian, Syndicate Manager and the Managing Agent, maintaining accounts in respect of the Syndicate, making distributions to Unit Holders and preparing financial statements.

Further information about KCL is set out in Section 5.

THE CUSTODIAN

Sandhurst Trustees Limited has been appointed by KCL as the custodian of the Assets. The Custodian Agreement sets out the Custodian’s role, its rights and obligations, and includes a limitation of liability clause.

A summary of the key terms of the Custodian Agreement is contained in Section 9 “Material Contracts”.

THE MANAGING AGENT

KCL or KCM may manage the Properties on behalf of the Syndicate or it may engage licensed and qualified property agents (Managing Agent) to undertake the service.

KCL, KCM or the Managing Agent (if one is appointed) will be responsible for collecting the rent from tenants, arranging for repairs and maintenance, ensuring that any property rates and taxes payable by the landlord (i.e., the Syndicate) are paid, conducting rent reviews and negotiations for new or renewed leases.

COMPLIANCE

In accordance with the Corporations Act, KCL has prepared a Compliance Plan setting out the measures to be applied by KCL to ensure compliance with the Corporations Act and the Constitution in respect of the Syndicate. A summary of the nature and purpose of the Compliance Plan is contained in Section 9 “Material Contracts”.





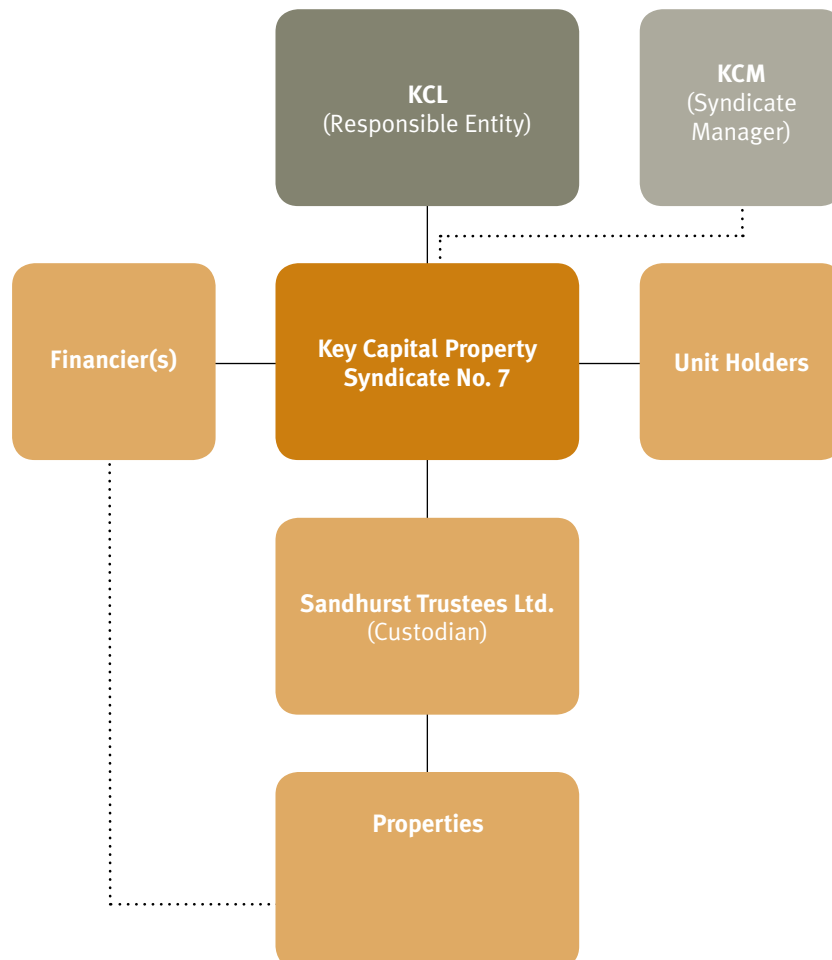
SYNDICATE MANAGER

KCL, as responsible entity for the Syndicate, and the Syndicate Manager have entered into a Syndicate Management Agreement.

The Syndicate Manager is responsible for sourcing, assessing and acquiring the Properties for the Syndicate, sourcing buyers for the Properties at the end of the term of the Syndicate (or at other times deemed appropriate by KCL), attending to any capital works for the Property, maintaining the Unit Holder register for the Syndicate, and generally operating the Syndicate.

A summary of the key terms of the Syndicate Management Agreement is contained in Section 9 “Material Contracts”, and further information on the Syndicate Manager is provided in Section 7.

INVESTMENT STRUCTURE



4. Investment Process

INVESTMENT OBJECTIVE

The Syndicate's investment objective is to provide Unit Holders with attractive distributions and the potential for capital growth from real property investments. The returns are further improved if Unit Holders take into account the tax advantaged component of the distributions. The Syndicate will only acquire a property which meets the investment strategy and criteria, as set out below.

INVESTMENT STRATEGY

The Syndicate may acquire investment grade commercial, industrial, retail, leisure or hotel properties, including mixed-use properties which ideally will have multiple tenants. Properties may be located Australia-wide.

At the end of the Syndicate's term, KCL will recommend to Unit Holders to either extend the term of, or wind up, the Syndicate.

INVESTMENT CRITERIA

All assets are identified and vetted by KCL's Directors and independent third parties as set out below in the "Investment Process". Although the investment criteria are strictly applied, KCL's Directors have discretion to select a property where most, and not all, of the criteria are met.

The following sets out details of the nature of the Syndicate's proposed investments:

Size of investments

KCL can acquire Properties of any value for the Syndicate. Properties will typically range from \$3 million to \$20 million in total cost.

Number of investments

KCL is not restricted to the number of Properties the Syndicate may acquire. KCL intends to undertake additional capital raisings for the Syndicate in the future to acquire additional Properties.

Geographical location

Australia-wide.

Sectors

The Syndicate may acquire Properties in a range of sectors, including commercial, office, industrial, retail, leisure or hotel properties, including mixed-use properties.

The Syndicate must not acquire residential property.

Investment parameters

The Syndicate's Assets will initially consist of cash until it acquires a Property. KCL will invest these funds in a cash management or term deposit operated by an Australian bank until a suitable Property has been identified and approved. Interest





earned will form income of the Syndicate. If additional capital raisings for the Syndicate are undertaken, then the Syndicate may invest these funds in a cash management or term deposit account operated by an Australian bank until subsequent Properties are acquired.

Properties considered for acquisition must be able to offset acceptable risk with the following features—

- initial yield on the purchase of a Property of no less than 9% per annum
- potential for capital gain, and
- enable the Syndicate to deliver attractive distributions to Unit Holders of at least 8% per annum with tax advantaged components.

Departure from investment criteria

KCL may depart from the investment criteria if it sources a property which it considers is an outstanding investment opportunity and otherwise meets the majority of the investment criteria. This includes ascertaining the property's ability to meet yield goals, assessing the quality of tenants and leases, conducting technical due diligence of the building, undertaking an analysis of capital, repair and maintenance expenditure projections, and an assessment of potential tax allowances.

Investment lead time

KCL has no set timeframe in which to identify investments. Applicants must be aware that this process could take some time as numerous property investment opportunities may need to be considered.

If KCL cannot source a suitable Property within six months of the Closing Date, then it will wind up the Syndicate in accordance with the Constitution.

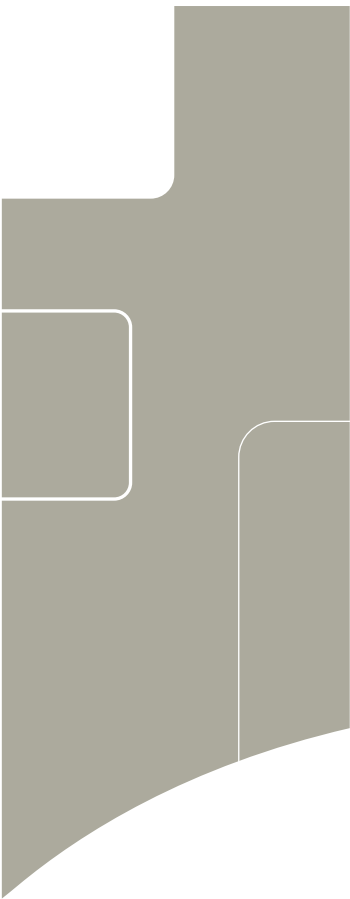
INVESTMENT SOURCE AND APPROVAL PROCESS

KCL's Directors adhere to the following investment approval process when assessing a potential property investment:

1. Potential property sourced or introduced—Potential properties will generally be sourced through the Directors' own research and knowledge of the Australian property market, or they will be introduced to potential properties through their extensive network of property agents, managers, developers, industry participants and contacts.
2. Initial assessment—The relevant Director will undertake an initial assessment of the potential property against the Syndicate's investment criteria. Any property which fails to meet the investment criteria will be rejected at this stage, unless the property represents an outstanding investment opportunity and otherwise meets the majority of the investment criteria.

If the property meets the investment criteria (or is otherwise approved), KCL may enter into an option or other arrangement with the vendor to secure the rights to acquire the property, on behalf of the Syndicate. The option will not be exercised until the remaining steps of the investment approval process are satisfactorily completed.

3. Report to KCL's Board of Directors—If a property passes the initial assessment stage, the relevant Director will prepare an investment summary report for consideration by KCL's Board of Directors. KCL's Board of Directors consists of two external directors and two internal directors.



The investment summary report will generally include results of the initial assessment of the property as against the investment criteria, and include general information on the geographic location of the property, the purchase price of the property, and a basic lease review.

4. Due diligence—If the Board of Directors approves the acquisition of the property, then KCL will undertake a full due diligence on the property. This will generally include appointing an independent valuer to undertake a full valuation of the property. A building inspection and survey may also be undertaken. The full valuation report is presented to the Board of Directors.

If the results of the due diligence are consistent with the Board of Directors' terms of acceptance, then the process continues to the next stage. If there are inconsistencies between the due diligence results and the Board of Directors' terms of acceptance which are not sufficiently material to reject the property, then the Board of Directors may re-assess the property and accept or reject the property.

5. Legal documentation—The terms of the contract of sale and any loan facility are prepared, agreed upon and finalised. If the terms of these agreements cannot be agreed, or are in conflict with the Syndicate's investment objective, then the property may be rejected at this stage.
6. Completion—Legal documentation is executed, debt funding is drawn and settlement of the property is completed.

BORROWINGS

The acquisition of the Syndicate's Properties will generally be funded by a combination of funds raised from Unit Holders and debt finance obtained from lenders. At the date of this PDS, the Syndicate has not entered into any loan facilities.

KCL will typically enter into loan facilities with lenders, and under the Constitution, KCL is able to secure any liability arising from these facilities by charging or mortgaging the whole or any part of the Assets of the Syndicate.

KCL may borrow up to 65 percent of the value of a Property. Interest payments in respect of any loan facility will be made from the Assets.

The loan facilities will be limited in recourse to the Assets, meaning that in the event of default, lenders will have no right of recourse against any individual Unit Holder. However, Unit Holders will rank behind creditors of the Syndicate so that in the event of default, the claims of creditors will be satisfied from the Assets before Unit Holders receive their entitlements.

To reduce the Syndicate's exposure to unfavourable movements in interest rates, KCL may enter into interest rate hedging arrangements. KCL will usually hedge the Syndicate's exposure against unfavourable movements in interest rates by fixing



interest rates. KCL will review the Syndicate's loan facilities from time to time, and if it considers it to be in the best interests of Unit Holders, may renegotiate the terms of, or refinance, the loan facilities to obtain more favourable terms.

INDEPENDENT VALUATION

Pursuant to the Constitution for the Syndicate, KCL may determine the valuation methods and policies it will apply from time to time in determining the value of an Asset of the Syndicate. KCL has determined that the value of an Asset for the purposes of determining the Net Asset Value of the Syndicate will be its fair value.

The Properties acquired by the Syndicate will be independently valued in accordance to relevant industry standards by a certified practising valuer at least every 3 years. Unit Holders may request a copy of the valuers' reports by contacting KCL.

A valuer cannot perform more than 3 consecutive valuations of the same Property. The valuer must not have any ownership interest (either direct or indirect) in either KCL, the Syndicate or the Property being valued that could conflict with carrying out of a proper valuation of the Property.

5. Key Capital Limited

KCL

KCL was incorporated on 14 December 2004 and holds AFS licence No. 287725. KCL's AFS licence authorises it to act as the responsible entity of the Syndicate.

NICHE INVESTMENT OPPORTUNITIES

KCL sources quality property assets in the commercial, industrial, retail, hotel and leisure sectors, as well as development sites and mixed-use properties. KCL syndicates do not invest in residential properties. Properties are generally valued in the \$3 million to \$10 million range; although exceptions may be made for outstanding assets and opportunities.

This price band sits above the scope of most private investors to fund on their own, and outside the field of vision of large, mass-market property vehicles. As such, this niche is less crowded, often overlooked by large investment groups and presents an excellent market in which to originate high quality property investment opportunities.

PRIVATE INVESTORS

KCL's syndicates are established with private investors in mind. They focus on melding acceptable risk with a reliable cash yield, potential for capital gain, and valuable tax advantages that deliver attractive net after-tax returns to investors

THE DIRECTORS OF KCL

Our team synthesizes the professional disciplines required to identify and evaluate suitable properties, structure and fund syndicated purchases, manage the property prudently and efficiently, and divest the property at an appropriate and profitable time. A number of our directors have distinguished accounting careers and exceptional track records of assisting private clients to accumulate wealth.

The Directors of KCL collectively have extensive experience in the areas of accounting, property management, corporate governance, compliance and internal audit.

Peter G. Bailey B.Bus. ACA

Executive Chairman and Responsible Manager

Peter provides extensive management expertise and property management skills to the organisation, provides the strategic direction for KCL and is responsible for the prudent financial management of the business. Peter has ultimate oversight of the property assets acquired by KCL.

Peter is a member of the Institute of Chartered Accountants in Australia. Since 1981, Peter has provided accountancy services to private clients and small businesses, including advising on and assisting in the establishment of small companies, family





and fixed trusts and direct real property syndicates. He is the Director and Principal of Peter Bailey and Associates Pty Ltd, Chartered Accountant and Business Advisors.

In addition to the operation of KCL's registered direct real property schemes, Peter has also been involved in the management of several small to mid-sized excluded offer property syndicates. The skills, experience and networks Peter has accumulated through his involvement in these syndicates is of great assistance to KCL in originating high quality property investment opportunities for potential investors.

Peter is available to KCL and the Syndicate as required, including attending board meetings, and providing strategic advice and expertise to KCL in assessing and monitoring of potential property investments, and overseeing the management of the Property. Peter's expertise is particularly useful in the assessment and due diligence steps of the investment approval process.

Andrew I. Patrick B.Bus. ACA Grad Cert Property
Managing Director and Responsible Manager

Andrew is responsible for the efficient and effective management of KCL. This includes responsibility for sourcing properties for acquisition, researching and vetting those properties in accordance with KCL's acquisition criteria and conducting a critical analysis of the relevant financial information – with an emphasis on investment return for investors. Andrew is also responsible for negotiating purchase prices of properties and the terms of acquisition, selecting financiers, engaging and managing third party experts (such as lawyers, valuers, surveyors and property managers), settling the contracts under which properties are acquired, coordinating the issue of product disclosure statements, liaising with ASIC and marketing.

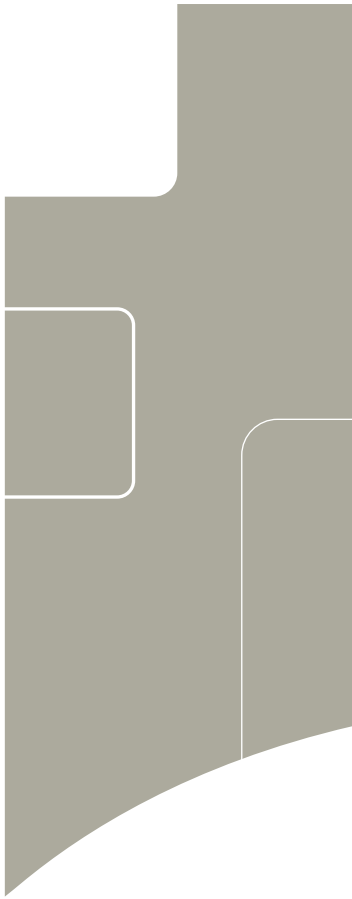
Andrew is a member of the Institute of Chartered Accountants in Australia and the Australian Compliance Institute. He has an excellent track record of initiating and managing value-adding private capital raisings, deal structuring, acquisitions and divestment nationally and internationally. He was a Partner (Tax Consulting) at Deloitte Touche Tohmatsu, Chairman of a predecessor firm's Asian Pacific Tax Group and has provided advice and project management on a number of headline transactions. Andrew has an excellent understanding of Australian and international tax, corporate and business law.

Andrew has been conducting property and property-related transactions since 1985. He has a comprehensive knowledge of the statutory regulations that apply to property syndication, and substantial experience in financial analysis of property structures – including the restructuring of a number of landmark commercial properties in Melbourne. Andrew also possesses considerable skills in developing and implementing strategies for the ongoing management of properties and sourcing and managing property managers, evaluating their performance and ensuring that they deliver on their commitments and add value to investors.

Andrew is available to KCL on a full-time basis, to manage the financial services business of KCL and the Syndicate. This will include sourcing, assessing, conducting due diligence and acquiring the Property. Andrew's expertise is particularly important, and he has heavy involvement, in every step of the investment approval process.

Christopher W. Rann AAPI
Non-Executive Director

Chris brings outstanding knowledge of the property market to KCL's property acquisition process, with a particular emphasis on asset valuation, risk, liquidity and the fundamentals that drive market trends and prices. Chris is Chairman of KCL's Property Acquisitions Committee and his expertise is relied upon prior to acquiring any property assets for KCL's registered and unregistered schemes.



Chris is an Associate Member of the Australian Property Institute and a Certified Practising Valuer. He is the Managing Director of Rann Property Pty Ltd – a professional valuation and consultancy firm that he established in 2003. He has worked as a Commercial and Industrial Valuer since the mid 1980s, and has also been a Manager of Colliers Jardine’s valuation practice in Victoria, a Manager of Stockford Property and a Director of Herron Todd White.

Chris has in excess of 20 years of continuous property valuation experience and is a very highly regarded property valuer in Victoria. His credentials include valuation of landmark projects in the commercial, retail, industrial and leisure & recreation property sectors. Due to his exceptional understanding of the property market, he is frequently called upon by major lenders and investment houses to value difficult and complex property assets. Chris’ substantial property industry network provides KCL with access to a number of off-market deals and opportunities that may otherwise not be available to investors.

Chris is available to KCL and the Syndicate as required, including attending board meetings, and providing strategic advice and expertise to KCL in assessing potential property investments. Chris’ valuation experience is essential in conducting the assessment and due diligence steps of the investment approval process.

John H. Martin ACA
Non-Executive Director

John is Chairman of KCL’s Due Diligence Committee. In this role, John contributes an investor’s perspective to the due diligence process. John also has a major role in ensuring that investors’ interests and needs are met, and that all investments are undertaken in line with KCL’s policies and financial criteria.

John is a Member of the Institute of Chartered Accountants in Australia, the Australian Society of Certified Practising Accountants and the Financial Planning Association of Australia. He is the Director of John H. Martin & Associates Pty Ltd; a successful Melbourne based accounting and advisory practice. Prior to establishing his own practice, John was a Partner at Deloitte Touche Tohmatsu. He was Partner in charge of the Private Business division of that firm, and Managing Director of Deloitte Financial Services (Vic) Pty Ltd. John holds the position of Non-executive Director and adviser to a number of private company groups, including 20 years as a Director of an internationally renowned major white goods distributor.

For more than 20 years John has assisted clients to undertake successful direct property investments as well as investments in listed property trusts. He has substantial experience in assessing, forecasting and structuring property and related investments for private clients – individuals and private businesses – and a thorough understanding of the impact of these investments on financial planning and superannuation.

John is available to KCL and the Syndicate as required, including attending board meetings, and providing strategic advice and expertise to KCL in assessing potential property investments. John’s expertise is particularly useful to the assessment and due diligence steps of the investment approval process.



6. Risk Factors

Investing in the Syndicate carries risks which could impact on the value of the Property, as well as the performance of the Syndicate. KCL has conducted an analysis of the risks which may impact on an investment in the Syndicate. These risks include, but are not limited to, the following.

GENERAL INVESTMENT RISKS

Changing domestic or global economic conditions – a downturn in the economy in general may affect the resale value and rental yield of the Properties.

Variations in property market conditions, including the value and level of demand for commercial properties – any downturn in the property market in general may affect the resale value and rental yield of the Properties.

Changes in government policy and legislation, including changes to the taxation systems, tenancy laws or laws relating to loan security duty on debt facilities may affect the financial performance of the Syndicate.

Inflation and interest rate fluctuations may affect the rental yield and resale value of the Properties.

Natural disasters, social unrest and terrorist attacks within Australia or overseas may affect the level of distribution or cause a loss of capital.

RISKS SPECIFIC TO THE PROPERTIES

Late completion of the acquisition of a Property – In the event the Syndicate is responsible for a delay to the completion of a contract of sale:

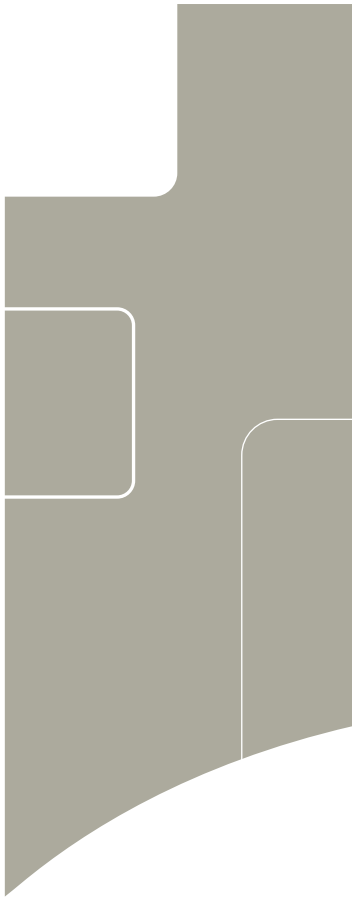
- penalty interest may be payable to the vendor in accordance with the contract of sale on the whole of the purchase price minus the deposit paid, from the contracted completion date until completion occurs,
- the Syndicate will not earn income from a Property until completion occurs, and
- the commencement of the payment of distributions to Unit Holders will be delayed until completion occurs in respect of the first Property.

Non-performance by a tenant – If a tenant fails to make payments of rent and (where applicable) outgoings, or does so otherwise than in a timely manner, the amount of distributions may decrease, or the payment of distributions may be delayed.

Vacancy – If any of the leases in place in respect of a Property were to prematurely terminate, KCL would need to find a new tenant. KCL will also need to find new tenants in respect of leases for which the initial term ends during the term of the Syndicate and which are not renewed.

Where a new tenant has to be found as a result of a tenant vacancy, the income of the Syndicate may decrease, and the value of a Property may be negatively affected. In attempting to find a new tenant, KCL may have to pay commissions to estate agents or provide incentives to attract tenants. All of these expenses will be met by the Syndicate and may affect its performance.





Illiquidity – Units in the Syndicate are illiquid, because it is unlikely there will be a secondary market for the Units. An investment in the Syndicate should be considered long-term and illiquid. Unit Holders have no right to redeem their Units.

Capital expenditure requirements – Capital works may be required on a Property which may not have been budgeted for. In these circumstances, KCL may need to borrow funds or reduce distributions in order to meet the additional expenditure. There may also be unforeseen environmental issues in respect of a Property which may impact upon the performance of the Syndicate.

It is important to note that Unit Holders are not obliged to contribute any funds in addition to their initial investment to meet the liabilities of the Syndicate.

Finance and borrowing risks – Using debt finance to assist in financing the acquisition of a Property increases the potential for gains and losses in respect of an investment in the Syndicate. This could result in a reduction in the distributions of the Syndicate or, in extreme circumstances failure to meet interest obligations.

If the Syndicate borrows money, then it may be required to agree with its financiers to comply with financial ratio covenants relating to the debt, assets and interest expenses of the Syndicate. The ability of the Syndicate to comply with those covenants and other terms of any debt facilities (including repayment at maturity) will be impacted by the financial position of the Syndicate and prevailing economic conditions. This may give rise to a risk that the Syndicate is required to raise further equity, sell assets or enter into new debt facilities on less favourable terms, which may impact the value of and returns on Units.

If the Syndicate is in default of a lending facility, then in certain circumstances the lender may enforce its security and sell Syndicate Assets.

If the Syndicate is required to refinance any of its finance facilities, then there is a risk that the refinancing will be on less favourable terms or not available at all. If the Syndicate cannot refinance, it may need to sell Properties on a forced sale basis with the risk that it may realise a capital loss.

RISKS SPECIFIC TO THE SYNDICATE

Taxation of trusts – Taxation law is constantly evolving and being amended. Changes to taxation legislation during the term of the Syndicate may impact adversely on an investment in the Syndicate. Information in this PDS relating to taxation is based on KCL's understanding of taxation law as at the date of this PDS. Investors are advised to obtain their own professional taxation advice.

Property availability and suitability risk – There is a risk that KCL may not be able to source suitable properties to acquire for the Syndicate. The sourcing and assessment of suitable properties is therefore reliant on the ability and skills of KCL's Directors. Failure to perform these tasks properly may have a negative effect on the performance of the Syndicate and potentially result in the loss of capital.

Key person risk – If one of more of KCL's Directors resign, there is a risk suitably qualified and experienced personnel may not be able to replace them. This may have a significant impact on KCL's ability to source, assess and manage property for the Syndicate and result in a potential loss of capital and/or income.



Property location and condition – In general, the location, age, construction quality and design of a Property may affect its value. The characteristics of the area or market in which a Property is located may change over time, which may affect levels of distributions.

Disputes and defaults – In the ordinary course of its operations, the Syndicate may be involved in disputes and possible litigation. There exists a risk that a material or costly dispute or litigation could affect the amount of expected income of the Syndicate. There is also a possibility that tenants may default on their obligations to the Syndicate, which may lead to a loss of income and increased costs as a result of enforcement action being required.

AFS licence – Maintenance of KCL's AFS licence depends, among other things, on KCL continuing to comply with the ASIC-imposed licence conditions and the Corporations Act.

Insurance coverage and premiums – KCL and/or the tenants of each Property maintain insurance coverage in respect of the Property (including insurance for damage and public liability). Some risks may be unable to be insured at acceptable prices.

Any losses incurred due to uninsured risks may adversely affect the performance of the Syndicate. Increases in insurance premiums (which may occur if the Syndicate claims for recovery of loss under any insurance policy) may also affect the performance of the Syndicate.

Capital loss – There is no guarantee that a capital gain will be achieved on the eventual sale of the Property and a capital loss is possible.

Portfolio diversification risk – While the aim is to diversify the Syndicate's investments both geographically and across a range of property sectors, there is a risk the Syndicate may become less diversified through, for example, selling assets, or an adverse event affecting one Property could have a materially adverse impact on the portfolio and the Syndicate's performance.

Valuation risk – Investing in the Syndicate exposes Investors to movements in the value of the Syndicate's Assets. There is a risk the unrealised value of the Syndicate's Assets will not meet expectations. This may result in a capital loss when an investment is sold, which may in turn adversely affect the level of returns received by Investors.

Related party risk – While KCL will ensure its procedures for managing potential conflicts of interest are followed in relation to any related party transaction, there is a risk a conflict of interest may arise involving the Syndicate which adversely affects the level of returns received by Investors.

Distribution risk – There is a risk distributions from the Syndicate will be lower than anticipated. KCL does not promise or guarantee a particular level of distributions.

7. Fees and other costs

CONSUMER ADVISORY WARNING

Government regulations require KCL to include the following standard consumer advisory warning as set out below. The information in the consumer advisory warning is standardised across all product disclosure statements and is not specific to information on fees and charges in this Syndicate.

DID YOU KNOW?

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

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

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

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

TO FIND OUT MORE

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

FEES AND OTHER COSTS

This section shows fees and other costs that Unit Holders may be charged. These fees and costs may be deducted from the returns on your investment or from the Assets as a whole. Taxes are set out in another part of this document. You should read all of the information about fees and costs, as it is important to understand their impact on your investment.





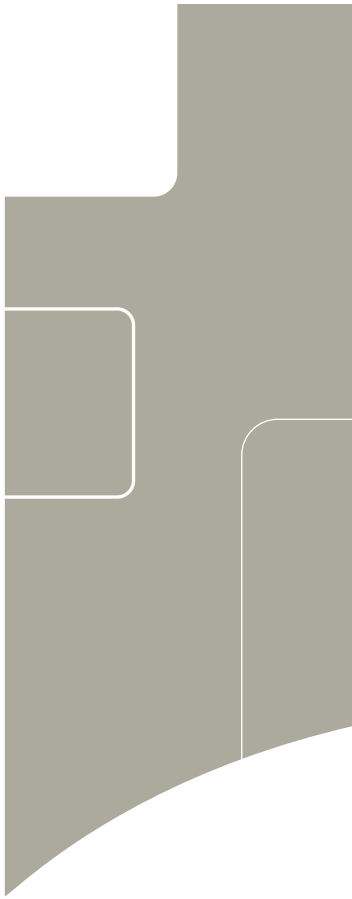
Type of Fee or Cost	Amount	How & When Paid
Fees when your money moves in or out of the Syndicate		
Establishment fee The fee to open your investment.	Nil.	Not applicable.
Contribution fee ¹ The fee on each amount contributed to your investment.	Up to 4.10% of the amounts subscribed to acquire Units.	Payable by the Syndicate upon acceptance of each Application for Units; however, the fee will be deferred until the completion of the purchase of the first Property by the Syndicate. The amount of this fee can be negotiated. ²
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.

¹ It is from this fee KCL will pay commission to advisers, see 'Adviser remuneration and commissions' under the 'Additional explanation of fees and costs' section on page 32 for further details.

² See 'Wholesale clients' under the 'Additional explanation of fees and costs' section on page 32 for further details.

Management costs		
The fees and costs for managing your investment. ³	Acquisition fee: equal to 1% of the purchase price of a Property.	Payable by the Syndicate upon completion of the purchase of each Property.
	Issuer fee: equal to 1.025% of the purchase price of each Property.	Payable by the Syndicate upon the completion of the purchase of each Property.
	Finance facility fee: equal to 0.60% of the value of any loan facility arranged by KCL for the Syndicate.	Payable by the Syndicate upon drawdown of the loan facility.
	Management fee: equal to 0.85% per annum of the gross value of the Assets.	Payable by the Syndicate annually in advance; however, the fee will be deferred until the completion of the purchase of the first Property by the Syndicate.
	Capital works fee: equal to 4.50% of the cost of works of a capital nature undertaken in respect of a Property.	Payable by the Syndicate monthly in arrears based upon actual capital expenditure incurred by the Syndicate.

³ See 'Additional explanation of fees and costs' on page 29 for further details on each of these fees and costs.



Type of Fee or Cost	Amount	How & When Paid
Management costs (continued)		
	Asset disposal fee: equal to 2.0% of the consideration received by the Syndicate for the disposal of a Property.	Payable by the Syndicate upon the completion of the sale of each Property to the extent that the gross sale price of the Property less all expenses related to the sale of the Property exceeds the purchase price of the Property plus all acquisition costs, capital expenditure and other costs associated with the Property.
	Rollover fee: equal to 2.0% of the gross value of the Assets.	Payable by the Syndicate at the end of its term (and at the end of any extended term), if the value of the Units have increased. The fee will also be paid if Unit Holders pass a resolution approving a merger or consolidation of the Syndicate with another entity, or approving a takeover of the Syndicate, provided at that time, the value of the Units has increased.
	Removal fee: equal to 2.0% of the gross value of the Assets.	Payable by the Syndicate if KCL is removed as responsible entity of the Syndicate.
	Unit Holder register fee: \$5,000 per financial year (or part thereof).	Payable by the Syndicate annually in advance.
	Expense recoveries: estimated to be approximately 1.84% per annum of the gross value of the Assets.	Payable by the Syndicate as and when incurred.
Service fees		
Investment switching fee: the fee for changing investment options.	Nil.	Not applicable.



EXAMPLE OF ANNUAL FEES AND COSTS FOR THIS SYNDICATE

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

EXAMPLE		Balance of \$50,000 with a contribution of \$5,000 during the year
Contribution fee	Up to 4.1%	For every additional \$5,000 you put in, the Syndicate will be charged between \$0 and \$205.
PLUS Management costs	7.7% per annum ¹	And , for every \$50,000 you have in the Syndicate you will be charged \$3,850 each year. ²
EQUALS Cost of Syndicate		If you had an investment of \$50,000 at the beginning of the year and you put in an additional \$5,000 during that year, you would be charged fees from: \$3,850 to \$4,055. What it costs you will depend on the fees you negotiate with the Syndicate or your financial adviser.

¹ The Syndicate's indirect cost ratio is calculated by dividing the annual management costs (which includes the annual management fee and expense recoveries) by the total average net assets of the Syndicate.

² Additional fees may apply. This includes estimates of the annual management costs which are likely to be incurred (i.e. the annual management fee and expense recoveries). The issuer fee, finance facility fee and acquisition fees are not included because they are once-off upfront costs of the Syndicate, and the capital works fee, asset disposal fees, rollover fees and removal fees are not included because they will fluctuate and cannot be predicted. This example table is designed to give you a measure of the ongoing management costs incurred in relation to the Syndicate. See 'Additional explanation of fees and costs' in this section for further details.

ADDITIONAL EXPLANATION OF FEES AND COSTS

Fee changes and fee waivers or deferral

KCL may accept lower fees than it is entitled to receive or may defer payment for any period.

If KCL defers any fees, then those fees accrue daily until paid. Any deferred fees are payable if KCL is terminated as the responsible entity of the Syndicate, or on a pro rata basis on the disposal of any Assets.

KCL may, at its discretion, elect to receive Units in the Syndicate in satisfaction of any fee payable to it, rather than cash, in which case payment of the issue price for the Units will be deemed satisfied by KCL agreeing to accept the Units in lieu of the equivalent amount of cash. The issue price for Units so issued will be whatever the current issue price for Units is at the relevant time.

Contribution fee

The fee is charged only once, at the time of the investment. However, because the fee is charged to the Syndicate and not to you as an individual Unit Holder, it forms part of the issue price for Units, rather than as a reduction to your application amount. It is from this fee that KCL will pay commission to advisers. This fee equates to \$2,050 for every \$50,000 invested.

KCL has deferred the payment of this fee until the completion of the purchase of the first property by the Syndicate.

Acquisition fee

This is the fee charged for services provided in sourcing suitable properties for investment, conducting due diligence, negotiating and settling the purchase of property. This fee equates to \$500 for every \$50,000 of the value of each Property acquired.



Issuer fee

This is the fee charged to establish and promote the Syndicate. This fee equates to \$512.50 for every \$50,000 of the value of each Property acquired.

This fee will be satisfied by the issue of fully paid Units at \$1.00 each to KCL and the transfer of the existing 10 Units from Andrew Patrick to KCL to a maximum value of \$50,000. The balance of the fee (if any) will be settled by payment of cash by the Syndicate. The transfer/issue of Units and payment of any cash will be made following the completion of purchase of each Property.

Finance facility fee

This is the fee for the arrangement of the Syndicate's financing mandate and advising on interest rate risk management. This fee equates to \$300 for every \$50,000 of borrowed funds.

Management fee

This is the annual fee charged to manage the Syndicate. This fee equates to \$425 for every \$50,000 of gross Asset value.

KCL has deferred the payment of this fee until the completion of the purchase of the first property by the Syndicate.

Capital works fee

This is the fee payable for negotiating, directing and supervising any capital works on the Properties during the term of the Syndicate. For every \$50,000 spent on capital works the capital works fee will be \$2,250.

Asset disposal fee

This is the fee payable in consideration for managing the Properties and arranging the sale of the relevant Property.

The fee is only payable to the extent the gross sale price of a Property less all expenses related to the sale of the Property (including selling agent's fees, legal fees and marketing expenses) exceeds the purchase price of the Property plus all acquisition costs, capital expenditure and other costs associated with the acquisition and capital improvement of the Property.

For every \$50,000 in sale proceeds, the asset disposal fee will be \$1,000.

Rollover fee

This fee is payable in consideration for the past successful management of the Syndicate. If Unit Holders resolve to extend the term of the Syndicate, then KCL will calculate whether the rollover fee is payable, by working out whether the value of the Units have increased above the issue price of \$1.00 each (after making adjustments for any capital distributions made to date, and after allowing for expected Asset disposal costs and the repayment of Syndicate debt, but excluding any allowance for the rollover fee). If the adjusted value of Units has increased, then KCL will receive the rollover fee equal to 2.0% of the gross value of the Syndicate's Assets. However, the fee will be reduced to the extent necessary to ensure that its payment will not reduce the current Unit value below \$1.00.



The same process will be followed if Unit Holders subsequently again decide to extend the term of the Syndicate for a further period; and again at the end of the life of the Syndicate. However, whether a rollover fee is payable at these times will depend on whether the value of the Units has increased since the last time KCL worked out whether a rollover fee was payable.

A rollover fee (calculated on the same basis) will also be payable to KCL if the Unit Holders pass a resolution approving a merger or consolidation of the Syndicate with another entity, or approving a takeover of the Syndicate (again provided at that time, the value of the Units, adjusted as explained earlier, has increased).

As an example, if Unit Holders pass an ordinary resolution to extend the term of the Syndicate, and assuming at that time KCL calculates that the value of each Unit has increased above \$1.00, then KCL will be entitled to a fee equal to \$1,000 for each \$50,000 of gross value of the Syndicate's Assets (reduced if necessary to make sure payment of the fee does not reduce the current Unit value below \$1.00).

Removal fee

If KCL is removed as the responsible entity of the Syndicate, then it will be entitled to a removal fee. For every \$50,000 of gross value of the Assets, the removal fee will be \$1,000.

Unit Holder Register fee

This fee is payable to KCL for establishing and maintaining the register of Unit Holders for the Syndicate. The fee is \$5,000 per financial year (or part thereof), payable annually in advance from the Assets of the Syndicate. For the avoidance of doubt, if the Register is maintained for a period which is less than 12 months in any financial year, then the full \$5,000 is still payable to KCL.

Contingent fees

KCL (or a related entity) may be appointed as the property manager or the selling agent for the Property and if KCL (or a related entity) is so appointed, it will be entitled to earn property management fees or selling agent fees, as the case may be. Such fees will be on commercial arms' length terms.

Indirect cost ratio

The indirect cost ratio (ICR) for the Syndicate is the ratio of the Syndicate's management costs that are not deducted directly from a Unit Holder's account, to the Syndicate's total average net assets.

As at the date of this PDS, the Syndicate does not own any Assets. The ICR shown in the "Example of annual fees and costs" is therefore provided to give an estimate of the annual management costs for the Syndicate, assuming the minimum subscription amount is raised which is then combined with borrowings (at an assumed gearing level of 65%) to acquire the Syndicate's first Property.

In calculating the ICR, no provision has been made for the payment of the acquisition fee, capital works fee, asset disposal fees, rollover fees and removal fees, because the payment of these fees cannot be predicted for a particular period, if payable at all.

As the ICR compares management costs to net asset value, as distinct from gross asset value, the ICR will increase as the gearing level increases, and will decrease when the gearing level decreases.

Expense recoveries

KCL is entitled to be reimbursed for or have paid by the Syndicate, expenses related to the operation of the Syndicate, including legal fees, custody fees, audit fees, agent fees, leasing fees, property management fees, administration fees, brokerage fees and valuation fees. KCL is also entitled to be reimbursed for the expenses incurred in establishing or promoting the Syndicate.



Adviser remuneration and commissions

KCL may pay brokerage or commission to those who are engaged to promote the Syndicate. We will pay commission only to persons who either hold an AFS licence or are otherwise permitted by law to receive such payments. KCL will pay any brokerage or commission from its own resources and payments will be structured as upfront commissions (maximum of 4.10% plus GST e.g., \$410 for every \$10,000 invested). An adviser who receives commission from us will be obliged to disclose this amount to you.

Distributions net of fees and expenses

Distributions to Unit Holders will be net of the management fees and recoverable expenses outlined in this PDS. There will be no fees charged directly to any Unit Holder.

Right of Indemnity

KCL has a right of indemnity out of the Assets for all liabilities it incurs in performing or exercising any of its powers or duties and for all fees payable to it and costs recoverable by it. KCL cannot avail itself of this indemnity if it has not properly performed its duties under the Constitution or the Corporations Act.

Goods and Services Tax (GST)

Unless otherwise indicated, all fees and costs outlined in this section are quoted inclusive of GST, less any input tax credits available. To the extent that the costs of the Offer relate to the making of “financial supplies”, prima facie, no input tax credits can be claimed. However, if the costs are incurred in relation to services provided by a financial supply facilitator, a reduced input tax credit is available for 75% of the GST paid on these costs. For additional information in relation to the taxation implications of an investment in the Syndicate please see Section 8.

Wholesale clients

KCL may negotiate with ‘wholesale clients’ (as defined in the Corporations Act), on an individual basis, in relation to rebates on upfront and ongoing management fees in circumstances permitted by the Corporations Act or applicable relief granted by ASIC. These rebates are payable by KCL from its own resources and therefore do not affect the fees paid by, or any distributions to, other Unit Holders. As an alternative to rebating the contribution fee, KCL may instead reduce the Unit Price payable by wholesale clients to the extent KCL agrees with those clients to reduce its contribution fee.

Transaction costs and buy/sell spreads

The Unit Price under this PDS is fixed at \$1.00. As the Syndicate acquires real property, transaction costs will be incurred by the Syndicate. These transaction costs are higher for the Syndicate than those generally found in funds which invest in assets having a low cost of entry such as publicly listed securities. Specifically, when the Syndicate acquires real property, acquisition costs, such as stamp duty, will have been incurred along with fees payable to KCL and other due diligence and financing costs. As a result, immediately after an investment is made, the value of the sum invested is generally reduced to reflect all or part of such costs. If and when the Syndicate moves to variable unit pricing, then an allowance for these types of transaction costs will be included in the Unit Price for the Syndicate, so that incoming Unit Holders share in the costs associated with the acquisition of the Syndicate’s Properties.



There are no withdrawal rights available to Unit Holders, unless, because of circumstances which may come to exist at a certain time, KCL is able to, and decides to, make a withdrawal offer to Unit Holders. It is therefore difficult to estimate the transaction costs (the sell spread) that may be incurred in the event a withdrawal offer is in fact made. As the Syndicate's Assets will be inherently illiquid in nature, KCL does not presently expect to make a withdrawal offer to Unit Holders.

Fees to related parties

Key Capital (Management) Pty Ltd (KCM) is an entity wholly owned by interests associated with Mr Peter Bailey and Mr Andrew Patrick, both of whom are Directors of KCL. KCM provides services to KCL including services that will assist KCL in discharging its duties as responsible entity for the Syndicate.

KCL may arrange for any of the fees outlined in this PDS to be paid directly to KCM for services rendered to the Syndicate and KCL. Expenses incurred by KCM in this regard and which are properly recoverable from the Syndicate, will be paid to KCM. Expenses incurred by KCM on behalf of the Syndicate will also be recoverable by KCM from the Syndicate.

Peter Bailey & Associates Pty Ltd is an accounting firm wholly owned by interests associated with Mr Peter Bailey, who is a Director of KCL. Peter Bailey & Associates Pty Ltd may attend to some accounting services required by the Syndicate, for which it will be paid fees on normal commercial arms' length terms.

Rann Property Pty Ltd is a professional valuation and consultancy firm associated with Mr Chris Rann, who is a Director of KCL. Rann Property Pty Ltd may be engaged to provide valuation or consultancy services for KCL or the Syndicate, for which it will be paid fees on normal commercial arms' length terms. However, Rann Property Pty Ltd will not be engaged to provide independent valuations for the Syndicate.

John H. Martin & Associates Pty Ltd is an accounting and advisory practice associated with Mr John Martin, who is a Director of KCL. John H. Martin & Associates Pty Ltd may attend to some accounting and advisory services required by KCL or the Syndicate, for which it will be paid fees on normal commercial arms' length terms.

8. Taxation Considerations

This is a general overview of the key taxation implications for an Australian resident investor holding Units as an investment on capital account. The taxation consequences of holding Units may differ for different investors. The summary of the tax implications set out in this section of the PDS should not be considered exhaustive. You are advised to consult your taxation adviser for advice about the specific taxation considerations for you.

INCOME FROM THE SYNDICATE

The Syndicate is structured as a unit trust. On the basis that the Syndicate will derive only rental income or interest income, it is unlikely that the Syndicate will be considered a “public trading trust” for the purposes of Division 6C of the Income Tax Assessment Act 1936 (Cth) (ITAA36), and hence should not be taxed as a company. Therefore, for taxation purposes the Syndicate will be treated as a trust and taxed under Division 6 of the ITAA36. In accordance with Section 95 of the ITAA36, KCL, as the trustee of the Syndicate, must calculate the Syndicate’s “net income” for taxation purposes and lodge an income tax return showing such income. Where Unit Holders (collectively) are presently entitled to all of the net income of the Syndicate, the Syndicate will not be subject to income tax. Unit Holders will be required to include in their assessable income their proportionate share of the Syndicate’s net income.

In the event that the Syndicate incurs an income tax loss, the tax losses will be retained within the Syndicate and cannot be distributed to Unit Holders. As a general rule, income tax losses may be offset against future income of the Syndicate. However, the ability to offset such income tax losses against future income is subject to specific taxation rules relating to the carry forward of tax losses of unit trusts.

QUOTATION OF TAX FILE NUMBER OR AUSTRALIAN BUSINESS NUMBER

A Unit Holder is not obliged to quote their Tax File Number (TFN) or (if relevant) Australian Business Number (ABN). However, if the Unit Holder fails to quote either their TFN or ABN then KCL will be required to deduct tax from distributions to that Unit Holder at the highest marginal tax rate plus the Medicare levy (currently 46.5%).

TAX DEFERRED DISTRIBUTIONS

Unit Holders may, from time to time, receive distributions that exceed the amount they must include in their assessable income. These distributions in excess of the assessable distributions are referred to as “tax deferred distributions”. It is anticipated that the tax deferred distributions will be largely attributable to the Syndicate’s ability to claim deductions for the following items not recognised as expenses in calculating the Syndicate’s distributable profit for accounting purposes:

- the depreciation of certain items of plant and equipment that do not form part of the building;
- capital works allowances on building;
- borrowing costs; and
- certain Syndicate establishment expenditure.





If the property is leased to a tax exempt entity, Division 250 of the Income Tax Assessment Act 1997 (Cth) (“ITAA97”) may apply to deny some of the above deductions.

Tax deferred distributions are not included in the Unit Holder’s assessable income. Instead, Unit Holders will be required to reduce the capital gains tax cost base of their Units by the amount of the tax deferred distribution. If the Unit Holder disposes of their Units or their Units are redeemed upon the winding up of the Syndicate, the Unit Holder’s capital gain (if any) on the disposal of their Units will be calculated by reference to this reduced cost base. Therefore, a Unit Holder’s taxable capital gain on the eventual redemption or disposal of their Units is likely to be higher where distributions include a tax deferred amount as compared to the taxable capital gain that would arise had there been no tax deferred distributions. If the capital gains tax cost base is reduced to nil because of the tax deferred distributions, any further tax deferred amounts distributed to the Unit Holder will be treated as a taxable capital gain.

The Unit Holder may be eligible for the capital gains tax discount on such capital gains (provided that the Unit Holder has held the Units for more than 12 months). The capital gains tax discount is discussed under “Capital gains tax” below.

DISPOSAL OF THE PROPERTY

Capital gains tax

If property is disposed of for a capital gain, the Syndicate’s net taxable capital gain will be calculated based on the net capital gain remaining after offsetting current year or unapplied prior year losses against the capital gain (subject to the loss recoupment rules). A net taxable capital gain is included in the Syndicate’s net income for the year in which the relevant contract for disposal was entered into. Where a Property disposed of has been held by the Syndicate for more than 12 months, the 50% capital gains tax discount will apply.

The net taxable capital gain (after application of the 50% capital gains tax discount) will be distributed to Unit Holders in proportion to the number of Units they hold. Unit Holders will need to gross up the distribution, and apply any current or prior year losses they may have against the grossed up capital gain to arrive at the Unit Holder’s net capital gain position. Depending on the Unit Holder’s circumstances, Unit Holders may then be able to apply the appropriate capital gains tax discount percentage (i.e. 50% for individuals or trusts, and 33.3% for complying superannuation entities) to their net capital gain. Unit Holders that are companies are ineligible for the capital gains tax discount.

Capital loss

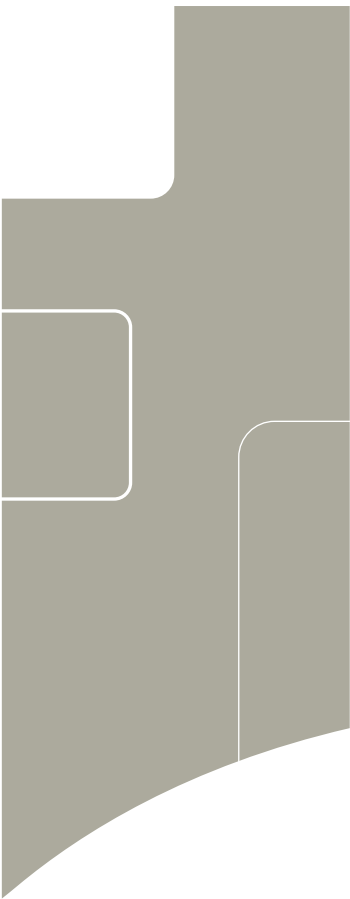
A capital loss cannot be distributed to Unit Holders in the event that a Property is disposed for a capital loss.

STAMP DUTY

It is expected that stamp duty will not be payable on the issue of Units in the Syndicate as KCL will endeavour to manage the Syndicate’s investments and equity raisings.

It is not expected that the Syndicate will qualify as a “public unit trust scheme” for stamp duty purposes in the jurisdictions in which it may make direct property investments. Generally (other than in respect of Queensland), provided no Unit Holder (together with their “associates”) acquires a 20% or more interest in the Syndicate at a time when the Syndicate holds a direct or indirect property interest, then it is anticipated that stamp duty will not be payable on the issue, redemption (if applicable) or transfer of Units.

However, KCL cannot guarantee there will never be circumstances in which stamp duty may be payable on the issue, redemption (if applicable) or transfer of Units. If stamp duty is payable on one of these transactions, then it will have to be borne by the transacting Unit Holder at the time.



It should be noted stamp duty legislation varies across the various States and Territories of Australia. The stamp duty law is complex and changes from time to time. Accordingly, a Unit Holder should seek stamp duty advice before making a decision to transfer their Units.

GOODS AND SERVICES TAX

The issue of Units is a financial supply for GST purposes and accordingly no GST is payable by Investors for the acquisition of their Units. No GST applies on distributions paid to Unit Holders, nor to the sale of Units by Unit Holders.

PROPOSED AMENDMENTS TO THE MANAGED INVESTMENT TRUST RULES

The Board of Taxation has recently released a high level discussion paper, 'Review of the Tax Arrangements to Managed Investment Trusts' ("the Paper"). The Paper outlines proposals to amend the taxation of managed investment trusts or schemes. Hence, these proposals may have an impact on the way the Syndicate is taxed in the future.



9. Material Contracts

Summaries of the following documents relevant to the Syndicate are set out below. Each of these documents may be inspected at the office of KCL.

CONSTITUTION

Set out below is a summary of some of the provisions of the Constitution. This summary should only be used as a guide. Please read the Constitution if you require any further details. Investors may inspect copies of the Constitution at the registered office of KCL by appointment at any time between 9.00 am and 5.00 pm (Melbourne time) Monday to Friday (excluding public holidays).

Declaration of trust—KCL declares that it will hold the Assets upon trust for the Unit Holders. The Custodian has been appointed by KCL, as responsible entity, to hold the Assets as custodian and agent for KCL.

Unit Holder entitlements—A Unit confers upon the holder of the Unit a beneficial interest in the Assets, but such Unit does not entitle the Unit Holder to:

- interfere with the rights, powers authorities or discretions of the responsible entity in its dealings with the Syndicate;
- exercise any rights, powers or privileges in respect of any Asset;
- lodge a caveat or other notice encumbering the Assets or otherwise claim an interest in the Assets;
- require any Asset to be transferred to that Unit Holder;
- give any directions to the responsible entity if they would require the responsible entity to do or omit to do anything which may result in the exercise of any discretion expressly conferred on the responsible entity by the Constitution or the determination of any matter which requires the approval of the responsible entity under this Constitution.

All Unit Holders will be entitled to the benefit of, and will be bound by, the Constitution as if each Unit Holder was a party to the Constitution.

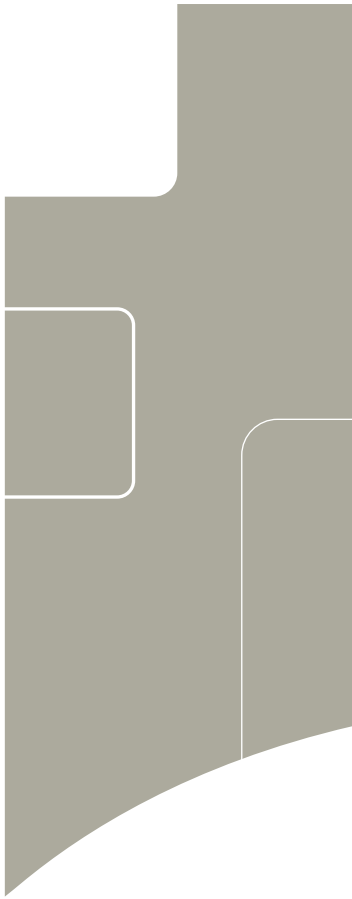
Transfer of Units—Subject to the Constitution, Units may be transferred. Transfers of Units must be in writing and made in such form as the responsible entity may from time to time accept.

Powers of the responsible entity—The responsible entity has all the powers possible under the law to confer on a responsible entity and as though it were the absolute owner of the Assets acting in its personal capacity, including any powers to acquire and invest in any property or assets (including the purchase of properties), and to incur liabilities and obligations of any kind and to borrow and raise money.

Distributions—The responsible entity may at any time make distributions to Unit Holders in proportion to the Units held by them.

The responsible entity is entitled to deduct from any amount payable or distributable to a Unit Holder an amount for any tax payable by, or subject to deduction or withholding by, the responsible entity, on account of or in respect of the Unit Holder.





Indemnity—In performing any of its duties, exercising any of its powers or attempting to do so in relation to the Syndicate, the responsible entity is entitled to be totally indemnified out of the Assets for any liability incurred by it and for all fees payable to and costs recoverable by the responsible entity under the Constitution, provided that the responsible entity did not act negligently, fraudulently or in breach of duty, and acted in accordance with the Constitution and the law and in good faith.

Retirement of the responsible entity—The responsible entity must retire where required to do so by the Corporations Act. The responsible entity may voluntarily retire as the responsible entity of the Syndicate at any time.

Meeting of Unit Holders—The responsible entity may at any time convene and conduct a meeting of the Unit Holders. Unit Holders can attend and vote at Unit Holders’ meetings of the Syndicate. Meetings can be requested by at least 100 Unit Holders, or Unit Holders holding at least 5% of the total number of Units in the Syndicate. At a meeting, a Unit Holder has one vote on a show of hands, and one vote for each Unit held if a poll is taken.

Winding up of the Syndicate—As soon as practicable after the Syndicate’s purpose has been accomplished or the responsible entity determines the Syndicate’s investment objective can no longer be achieved, the responsible entity must wind up the Syndicate or cause the Syndicate to be wound up.

Remuneration—The Constitution also provides for the remuneration of the responsible entity, and the reimbursement of certain of its expenses, from the Assets of the Syndicate. A description of the nature and amount of these fees and expenses is set out in the “Fees and Expenses” section of this PDS.

Termination of the Syndicate—The Syndicate will terminate when the Syndicate’s purpose has been accomplished, for example, on the sale of all of the Assets or when the responsible entity determines the Syndicate’s investment objective can no longer be achieved, and the responsible entity has notified Unit Holders that the Syndicate is to terminate.

Amendments to the Constitution—The responsible entity may amend the Constitution if it reasonably considers the change will not adversely affect Unit Holders’ rights. Otherwise, the Constitution can only be amended by a special resolution passed by Unit Holders. A special resolution must be passed by at least 75% of the votes cast by Unit Holders entitled to vote on the resolution.

CUSTODIAN AGREEMENT

The Custodian Agreement between the responsible entity and the Custodian sets out the terms of their relationship in relation to the Syndicate. The Custodian Agreement provides for the responsible entity to direct the Custodian to hold the assets of the Syndicate as agent for the responsible entity.



The Custodian is required to act on instructions from the responsible entity and maintain compliance with the Corporations Act and ASIC policy as they apply to third party custodians. The Custodian is indemnified by the responsible entity in respect of matters arising out of the Custodian's proper performance of its duties under the Custodian Agreement. The Custodian is liable to the responsible entity and to the Syndicate for any failure to comply with its duty to exercise all due care and to act honestly in good faith without negligence or default in carrying out its obligations under the Custodian Agreement.

COMPLIANCE PLAN

The Compliance Plan is the document which outlines the principles and procedures which the responsible entity will invoke to ensure that it complies in all respects with the provisions of the Corporations Act, ASIC policy and the Constitution. The Compliance Plan has been lodged with ASIC.

The Compliance Plan deals with an extensive range of issues including the formation and operation of the Syndicate. The Compliance Plan also focuses on the systems in place to ensure competent management of the Syndicate. Systems for a wide variety of functions, including accounting, filing and office security are prescribed.

SYNDICATE MANAGEMENT AGREEMENT

The Syndicate Management Agreement, between the responsible entity and the Syndicate Manager, sets out the terms of their relationship in relation to the operation and management of the Syndicate.

The Syndicate Management Agreement will continue for the life of the Syndicate.

The Syndicate Manager is appointed as the sole and exclusive manager of the Syndicate to do the following:

- To manage the Syndicate in accordance with the Constitution, Compliance Plan and this PDS.
- Advise on the acquisition and disposal of Assets.
- Source and assess Assets (including potential properties) for acquisition by the Syndicate, as required from time to time.
- Undertake due diligence in relation to the acquisition of Assets.
- Undertake such activities as is necessary to market or promote the Syndicate, including marketing material.
- Source or identify potential buyers for the disposal of Assets of the Syndicate from time to time.
- Manage and supervise any capital works in relation to the Assets.
- To assist the responsible entity in the calculation and payment of distributions.
- To assist the responsible entity in the administration and reporting functions associated with the operation of the Syndicate.

The fees payable to the Syndicate Manager are the acquisition fee, finance facility fee, management fee, capital works fee, asset disposal fee and the Unit Holder register fee, which are set out in Section 7. In addition, the Syndicate Management Agreement also sets out the Syndicate Manager's rights for reimbursement for costs incurred in the operation and management of the Syndicate.

The responsible entity or the Syndicate Manager may terminate the Syndicate Management Agreement by written agreement or otherwise by notice in writing only if the other party goes into liquidation or has a controller or administrator is appointed.

10. Additional Notes

INFORMATION ABOUT YOUR INVESTMENT

As a Unit Holder, we will keep you informed of your investment by sending you:

- a letter, confirming your investment;
- a tax statement after 30 June in each year as well as when the Syndicate ends, which will set out the components of your distributions to assist you in preparing your tax return;
- an annual financial report containing details of the financial position and performance of the Syndicate over the previous financial year; and
- a report after 30 June each year, summarising some other relevant information in relation to the Syndicate and your investment in it (unless we have already provided you with the same information through our other communications with you).

If your personal details change (e.g. change of address, name, or bank account details), you should inform KCL in writing. We will send you confirmation of these changes on request.

We can send you a copy of your account details on request.

TRANSFER OF UNITS

A Unit Holder is able to transfer their Units to another party in accordance with the Constitution. A transfer of Units must be in writing and signed by both the transferor and the transferee before it is lodged with KCL for registration. KCL may refuse to register all or part of any transfer without giving reasons.

DISCLOSURE OF INTERESTS

Other than as disclosed in this PDS, neither KCL nor any of the Directors of KCL has any interest (nor has had any interest in the two years before the issue of this PDS) in the Syndicate. Except for remuneration or reimbursements that have been paid, accrued, or will accrue to KCL under the Constitution, no amount has been paid or agreed to be paid to KCL for services rendered by it in connection with the promotion or formation of the Syndicate or for other services rendered in accordance with the Constitution.

Other than their ordinary remuneration and other entitlements as a Director, no Director of KCL has been paid or agreed to be paid any amount in cash (or otherwise) to induce them to become or to qualify them as a Director, or for other services rendered in connection with the promotion or formation of the Syndicate.





INTERESTS OF KCL AND ITS DIRECTORS

KCL is owned by entities associated with and controlled by Mr Peter Bailey and Mr Andrew Patrick who are both Directors. Therefore, Peter Bailey and Andrew Patrick each have a beneficial ownership interest in KCL and will benefit from any fees derived by it.

KCL, the Directors of KCL and other related parties of KCL may hold Units in the Syndicate from time to time. Where this occurs those investments will be acquired on the same terms as for any other Unit Holder in the Syndicate or as otherwise permitted by the Constitution.

Mr Andrew Patrick currently holds the only 10 Units on issue in the Syndicate. These Units will be transferred to KCL as part of the issuer fee (see Section 7).

CONSENTS OF PARTIES

Each of the parties listed below consents to being named in this PDS in the capacity stated and in the form and context in which they appear in the PDS.

None of the parties listed below makes any representations or gives any guarantee as to the performance of the Syndicate, maintenance or return of capital or any particular rate of return. None of the parties named have withdrawn their consent prior to the date of this PDS. None of the parties named are responsible for any statements made in or omissions from the PDS nor are they aware of any statements made in the PDS being attributed to them, unless otherwise stated. The parties named below expressly disclaim and take no responsibility for the content of this PDS to the maximum extent possible by law other than the references to them by name and the statements set out below.

Sandhurst Trustees Limited has given its consent to being named as the Custodian of the Syndicate;

BDO Kendalls Audit & Assurance (NSW/VIC) Pty Ltd has given its consent to being named as the auditor of the Syndicate;

McMahon Clarke Legal has given its consent to being named as the legal advisers to KCL, as the responsible entity of the Syndicate.

REPORTING REQUIREMENTS AND THE RIGHT TO OBTAIN INFORMATION

KCL considers that it is possible the Syndicate may, on completion of the Offer, be a “disclosing entity” under the Corporations Act. Disclosing entities are subject to regular reporting and disclosure obligations to ASIC. Copies of documents lodged with ASIC by the Syndicate may be obtained from, or inspected at, an ASIC office. Further, if the Syndicate is a “disclosing entity” under the Corporations Act then, on request, KCL will send to Unit Holders, free of charge, a copy of the following documents:

- the annual financial report most recently lodged with ASIC by the Syndicate;
- the half-year financial report lodged with ASIC by the Syndicate after the lodgement of the most recent annual financial report; and
- any continuous disclosure notices given by the Syndicate after the lodgement of the most recent annual financial report.

REMOVAL OF THE RESPONSIBLE ENTITY

KCL can be removed as the responsible entity of the Syndicate and replaced with another appropriately licensed company if Unit Holders pass an extraordinary resolution to that effect at a duly convened meeting of Investors. An extraordinary resolution must be passed by at least 50% of the total votes that may be cast by Unit Holders entitled to vote on the resolution.



COMPLAINTS HANDLING PROCEDURES

KCL takes complaints seriously and aims to resolve them as quickly as possible. If you have a complaint, please notify KCL in writing or by telephone. Written complaints must be addressed to:

Complaints Officer Key Capital Limited

Suite 209
685 Burke Road
Camberwell VIC 3124

Telephone: (03) 8080 5630

KCL will promptly acknowledge your complaint, investigate it and decide in a timely manner what action needs to be taken. KCL will notify you of its decision, together with any remedies that are available, or other avenues of appeal against the decision. If you are not satisfied with KCL's handling of your complaint, you can contact:

Financial Ombudsman Service Ltd

GPO Box 3
Melbourne VIC 3001

Telephone: 1300 780 808

Facsimile: (03) 9613 6399

www.fos.org.au

OTHER CONSIDERATIONS

The Corporations Act requires KCL to comment on the extent to which labour standards or environmental, social or ethical considerations are taken into account in the selection, retention or realisation of the investment. Having regard to the nature of this investment, KCL considers that it has been unnecessary to take these standards or considerations specifically into account, apart from its overall policy of always conducting its affairs in an ethical and sound manner.

USE OF YOUR INFORMATION

The privacy of your information is important to KCL. The main reason we collect, use and/or disclose your personal information is to provide you with the products and services that you request. This may also include the following related purposes:

- to help your financial adviser provide you with financial advice and ongoing services;
- to facilitate internal administration, accounting, research, risk management, compliance and evaluation of KCL's products and services; and
- to allow KCL to market products and services to you (subject to your right to opt-out of receiving various direct marketing materials at any time).

You may access your information at any time in accordance with the National Privacy Principles.



You should notify us immediately if any of the information we hold about you changes, so that we may ensure that your information is always complete, accurate and current. If you do not provide the information requested on the Application Form, we may be unable to process the Application Form.

UNIT PRICING

The Unit price under this PDS is fixed at \$1.00. However, KCL may undertake future capital raisings for the Syndicate to acquire additional Properties. The Unit price for any Units issued under a further offer for the Syndicate will be determined in accordance with the Constitution, which will be based on the net asset value of the Syndicate.

The Constitution allows KCL to exercise discretion in determining the Unit price if it is required to do so. As such, KCL is required to have a unit pricing policy. A copy of the policy is available on request at no charge.

ANTI-MONEY LAUNDERING AND COUNTER-TERRORISM FINANCING

In 2006 the Federal Government enacted the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (AML/CTF Act). Under the AML/CTF Act additional identification and verification is now required of Investors.

If you invest in the Syndicate through a dealer or other financial adviser then that person or entity will request and collect any verification materials. If you invest directly with KCL, then you must provide KCL with the relevant identification material as set out in Section 12, along with the completed Application Form. KCL may request additional information from you where we reasonably consider it necessary to satisfy our obligations under the AML/CTF Act.

KCL will maintain all information collected from Investors in a secure manner in accordance with the AML/CTF Act and relevant privacy principles. KCL will only disclose information about you where we reasonably consider that it is required to do so by the laws of Australia. This means that identification information may be disclosed to government or law enforcement agencies. KCL may also disclose this information to other entities involved with the Syndicate to the extent that this information is required to fulfil that entity's AML/CTF obligations.

11. Glossary

The following words have the following meaning in this PDS unless the context implies otherwise.

ABN	Australian Business Number.
AFS Licence	Australian financial services licence.
A-IFRS	Australian Equivalents to International Financial Reporting Standards.
AML/CTF	Anti-money laundering and counter-terrorism financing.
Applicant	A person who submits a valid Application Form under this PDS.
Application	An application for Units under this PDS.
Application Form	The application form attached to this PDS.
ASIC	Australian Securities and Investments Commission.
Assets	All the property, assets and rights of the Syndicate which for the avoidance of doubt, includes the Properties.
Closing Date	12 December 2008 (unless the Offer Period is reduced or extended by KCL at its discretion and without notice).
Compliance Plan	The compliance plan in respect of the Syndicate dated 21 October 2008.
Constitution	The Constitution of the Syndicate dated 21 October 2008 (as amended from time to time).
Corporations Act	Corporations Act 2001 (Cth) (including the Corporations Regulations 2001) as amended from time to time.
Custodian	Sandhurst Trustees Limited (ACN 004 030 737).
Director or Directors	A director or the directors of KCL.
GST	The goods and services tax imposed by the GST Act.
GST Act	A New Tax System (Goods and Services Tax) Act 1999 (Cth) and all other legislation in relation to the GST.
KCL	Key Capital Ltd (ACN 112 191 198), being the responsible entity of the Syndicate.



KCM	Key Capital (Management) Pty Ltd (ACN 113 861 626), a company related to KCL.
Managing Agent	Property agents appointed by KCL to manage the Properties of the Syndicate.
Offer	The offer of Units made under this PDS.
Offer Period	The period commencing on the date of issue of this PDS and ending on the Closing Date.
PDS	This product disclosure statement.
Property or Properties	Real property assets acquired by the Syndicate from time to time.
Syndicate	The unit trust established under the Constitution known as Key Capital Property Syndicate No. 7 ARSN 133 877 335.
Syndicate Management Agreement	The agreement between KCL and the Syndicate Manager for the provision of management services to the Syndicate.
Syndicate Manager	KCM, or any other person as appointed under the Syndicate Management Agreement from time to time.
TFN	Tax File Number.
Unit	A fully paid ordinary Unit on issue in the Syndicate.
Unit Holder	A holder of Units in the Syndicate.
you or your	An Applicant or Unit Holder as the case requires.
we or us	KCL, including its Directors.

12. How to complete the Application Form

Please read the PDS carefully before completing the Application Form on the following pages.

Complete all relevant sections of the Application Form using BLOCK LETTERS. Instructions in relation to completing the Application Form correctly are set out on this page and the following pages. If you have any questions concerning the Application Form please call Key Capital Limited on (03) 8080 5630.

STEPS TO COMPLETE THE APPLICATION FORM

Write the full name of the Applicant. This must be either your own name or the name of a company. Up to 2 joint applicants may register. You should refer to the correct form of registrable names below. Applications using the wrong form of name will not be accepted. Applicants who are natural persons must provide their date of birth, and must be at least 18 years of age.

Enter your postal address. All correspondence sent to you by KCL will be mailed to the person(s) and address as shown. For joint Applicants, only one address can be entered. If your postal address is not within Australia, please specify your country of residence. Corporate investors must provide the name of a contact person.

Enter your telephone number(s), area code and contact name in case we need to contact you in relation to your Application.

Enter your TAX FILE NUMBER (TFN) or exemption category. The TFN for each joint Applicant must be entered. Collection of TFNs is authorised by taxation law. It is not compulsory to provide your TFN; however, if you do not provide your TFN, tax may be deducted from monthly distributions at the top personal rate plus the Medicare levy.

Enter the total amount of Application money being lodged. The Application must be for a minimum subscription of \$10,000 and thereafter in multiples of \$1,000. KCL may in its discretion accept an Application for a different amount. Units will be issued at an issue price of \$1.00 per Unit, and Units will be issued by reference to Application moneys lodged.

Complete the cheque details as requested.

The cheque must be in Australian currency drawn on an Australian bank. Your cheque must be crossed "Not Negotiable".

The cheque should be made payable to "Sandhurst Trustees Limited – Key Capital Property Syndicate No. 7 – Applications Account".

Sign the Application Form. It must be signed by the Applicant(s) personally or, for a company, by the sole director/secretary, two directors or a director and secretary, or in either case, by an attorney. If your Application Form is signed by an attorney, the power of attorney is not required to be lodged. Joint Applicants must each sign the Application Form.





In signing this Application Form, you agree:

- That you have read the Product Disclosure Statement to which this Application is attached.
- To be bound by the terms of the Constitution.
- That KCL may accept or reject your Application in whole or in part.

Forward your completed Application Form with the Application moneys to:

Key Capital Limited

Suite 209
685 Burke Road
Camberwell VIC 3124

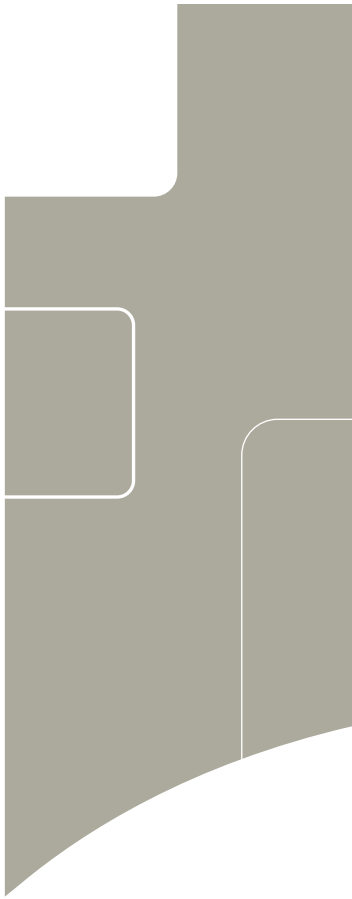
NAME STANDARDS

Note that only legal entities are allowed to hold Units. Applications must be in the name(s) of natural persons or companies. At least one full given name and surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable names below.

Type of Investor	Correct Form of Registration
Individual – Use given names in full, not initials.	Mr John Smith
Companies – Use the company’s full title, not abbreviations. Please also provide the company’s ABN, ACN or ARBN.	John Smith Pty Ltd ABN 01 234 567 890
Trusts – Use the personal name of the trustee; do not use the name of the trust.	Janet Smith [Janet Smith Family A/C]
Partnerships – Use partners’ personal names; do not use the name of the partnership.	John Smith and Janet Smith [Mr & Mrs Smith A/C]
Clubs/Unincorporated Bodies/Business Names – Use office bearer(s) personal name(s), do not use the name of clubs etc.	Janet Smith [ABC Association]
Superannuation Funds – Use name of trustee of fund, do not use the name of the fund.	John Smith Pty Ltd [Super Fund A/C]

AML/CTF IDENTIFICATION MATERIALS (FOR DIRECT INVESTORS ONLY)

If you are not investing through a dealer or other financial adviser, then you must provide the following documentation to KCL along with the completed Application Form. This table contains a list of acceptable identification materials.



Individual

Please provide the documentation from either A or B:

A A current original or certified copy of **one** of the following:

- an Australian driver's licence containing a photograph of the person
- an Australian passport
- an identification card issued by a state or territory of Australia that contains the date of birth and a photograph of the card holder, or
- a foreign government, the United Nations or a United Nations agency issued passport or similar travel document containing a photograph and signature of the person. Where the document is not in English, it must be accompanied by an English translation prepared by an accredited translator.

B A current original or certified copy of **one** of the following:

- an Australian birth certificate
- an Australian citizenship certificate
- a pension card issued by Centrelink
- a foreign driver's licence that contains a photograph of the person. Where the document is not in English, it must be accompanied by an English translation prepared by an accredited translator
- a citizenship certificate issued by a foreign government. Where the document is not in English, it must be accompanied by an English translation prepared by an accredited translator, or
- a birth certificate issued by a foreign government, the United Nations or a United Nations agency. Where the document is not in English, it must be accompanied by an English translation prepared by an accredited translator

PLUS

An original notice that contains the name and residential address of the person, issued by **one** of the following:

- issued by the Commonwealth or a state or territory of Australia within the preceding 12 months that records the provision of financial benefits
- issued by the Australian Taxation Office within the preceding 12 months; and records a debt payable to or by the person by or to the Commonwealth, or
- issued by a local government or utilities provider in Australia within the preceding 3 months that records the provision of services to that address or to that person.

Individual acting in the capacity of a Sole Trader

Please provide the documentation for verification of individuals (listed above) and a business name search.



Company

Please provide the following:

A search of the ASIC databases showing—

- the full name of the company
- the ACN
- the registered office address of the company
- the principal place of business of the company
- the names of each director (only provide if a proprietary company)
- the names and addresses of each shareholder (only provide if a proprietary company that is not licensed and is not subject to regulation).

Trust

Please provide the following:

- For a registered managed investment scheme or a government superannuation fund:
 - an ASIC search confirming the registration of the managed investment scheme, or
 - an extract from relevant legislation confirming registration of the government superannuation fund.
- For an unregistered managed investment scheme that only has wholesale clients and does not make small scale offerings under section 1012E of the Corporations Act, a declaration is provided to this effect in the Application Form.
- For all other trusts (including wrap trusts/master trusts/IDPS) please provide the original trust deed or a certified copy or certified extract of the trust deed confirming the following:
 - the full name of the trust
 - the type of trust
 - the country where the trust was established
 - the name of each beneficiary or class of beneficiary

Note—if the trust is a unit trust then you will need to provide a certified extract of the trust register to confirm the name of each beneficiary.

If the trustee is an individual, please also provide documentation required for individuals (listed on page 48).

If the trustee is a company, please also provide documentation required for companies (listed above).

Partnership

Please provide the following:

- a partnership agreement, certified copy or certified extract of the partnership agreement, or
- a certified copy or certified extract of minutes of a partnership meeting showing:
 - the full name of the partnership
 - the full name of the partnership, as registered under any state or territory of Australia business names legislation
 - the country in which the partnership was established, and
 - the full name and residential address of each partner.

Please also provide the documentation required for individuals (listed on page 48) for **one** partner.

13. Application Forms





KEY CAPITAL PROPERTY SYNDICATE No. 7 Investment Application Form

ARSN 133 877 335

Please complete all THREE pages of this form using BLACK ink and print well within the boxes in CAPITAL LETTERS. Mark appropriate answer boxes with a cross (X). Do not use this form unless it is attached to the Product Disclosure Statement dated 17 November 2008 issued by **Key Capital Limited, ABN 81 112 191 198, AFSL 287725 ("KCL")**.

ADVISOR
STAMP

SECTION 1 Investment

Please mark with a cross (X) one of the boxes to indicate who is making the investment.

- Individual Investor Joint Investor Trustee for Super Fund
 Executor of an estate Company Trustee for Family Trust

Minimum application is \$10,000 and thereafter multiples of \$1,000.

Investment amount \$, , 0 0 0 . 0 0

SECTION 2 Applicant(s) Details

A

Individual Investor, Joint Investor 1, Company Director 1, Executor 1 or Trustee 1

Title Given name(s)

Surname Date of birth (day/month/year) / /

Residential address

State Postcode

B

Joint Investor 2, Company Director 2, Executor 2 or Trustee 2

Title Given name(s)

Surname Date of birth (day/month/year) / /

Residential address

State Postcode

Please include your TFN in the space provided to ensure tax is not deducted from distributions.

Tax File Number(s) (Individual and Joint Investors only)

A **B**

If any of the investors above are exempt from providing a TFN, please provide the reason for the exemption (e.g.: Sole Parent Benefits, Service Pension, etc.)

C

Company / Corporate Trustee

Full Name of Company / Corporate Trustee (as registered with ASIC)

TFN or ABN or reason for exemption ACN

Please complete this section if you are investing on behalf of a Company, Trust or Superannuation Fund.

D

Trust / Superannuation Fund (Trustee must also complete either A or C as relevant)

Full Name of Trust

TFN or ABN or reason for exemption Country where Trust is established

Full Business Name (if any) of Trustee

ARSN (if a registered managed investment scheme) Type of Trust (i.e. Unit Trust)

SECTION 2 Applicant(s) Details *(continued)*

E

Partnership (one Partner must complete all details below)

Title Given name(s)

Surname Date of birth (day/month/year) / /

Residential address

State Postcode

TFN or ABN or reason for exemption Country where established

Partnership Name and Business Name (if applicable)

SECTION 3 Contact Details

Please enter all relevant contact details, including your daytime telephone number, in case we need to contact you in relation to your application.

Advisor details are not acceptable unless your Advisor holds a power of attorney, a copy of which must be provided.

All administration correspondence in relation to this investment will be sent to the nominated mailing address.

Syndicate Reports will be emailed unless indicated otherwise.

Contact Person for this investment

Email address

Mailing address

State Postcode

Daytime phone number - After hours phone number -

Fax number - Mobile number -

Indicate how you would like to receive your Investment and Annual Reports for the Syndicate. Email Mail Neither

SECTION 4 Advisor Details and AML/CTF Certification

If you use a Financial Advisor, please have them sign this section and stamp the front of the application form.

By stamping this application the Advisor is confirming that they hold a current AFS Licence and are authorised to deal in and/or advise on managed investment products.

Some advisors may rebate their normal upfront commission (not including the GST component) to investors, although they are under no obligation to do so.

Title Advisor full given name

Advisor surname

Advisor Company (if applicable)

Licensed Dealer

Dealer Licence Number

Upfront commission to be rebated? Yes No

AML/CTF Certification I confirm I have completed AML/CTF identification and verification requirements for this investor as required under the AML/CTF Act (Please X box to confirm)

ADVISOR SIGNATURE

SECTION 5 Additional Investment Enquirer

If you would like someone other than the Contact or Advisor to enquire about this investment, please provide us with their details here.

Title	Given name
<input type="text"/>	<input type="text"/>
Surname	Date of birth (day/month/year)
<input type="text"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>
Company (if applicable)	
<input type="text"/>	

SECTION 6 Distribution Payments

Name that appears on the Account	
<input type="text"/>	
Name of Financial Institution	
<input type="text"/>	
BSB	Account number
<input type="text"/>	<input type="text"/>

SECTION 7 Declaration And Authorisation

This application forms part of the PDS which contains information which should be read before you apply. The Applicant agrees to be bound by the PDS, and provisions of the Constitution of the Key Capital Property Syndicate No. 7 (as amended and as it may be amended from time to time in the future) and acknowledges that neither KCL nor Sandhurst Trustees Limited nor any staff or subsidiaries of those entities guarantees the performance of the Syndicate or the repayment of capital. The Applicant further acknowledges that any subscription is subject to investment risk including the possible loss of income and capital invested and that KCL and its related entities do not in any way guarantee to stand behind the capital value and/or performance of the Syndicate other than as specifically provided in the PDS. Any application for units can be accepted by KCL at any time.

I/we acknowledge I/we have provided either the Advisor or Key Capital (if applying directly) with all documentation requested for AML/CTF investor identification and verification purposes.

Declaration for wholesale registered managed investment scheme investors (tick box if applicable)

We confirm and declare we are an unregistered managed investment scheme with wholesale clients only and we do not make small scale offerings under Section 1012E of the Corporations Act.

If the application is signed by more than one person, who will operate the account Any to sign All to sign together

SIGNATURE A	Date	SIGNATURE B	Date
<input type="text"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="text"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>

Name <input type="text"/>	Name <input type="text"/>
---------------------------	---------------------------

If a Company Officer or Trustee, you MUST specify your title:

Director Sole Director Trustee

Other

If a Company Officer or Trustee, you MUST specify your title:

Director Sole Director Trustee

Other

Cheques must be made payable to "Sandhurst Trustees Ltd - Key Capital Property Syndicate No. 7 - Applications Account". Only cheques in Australian currency and drawn on an Australian bank will be accepted. Your cheque(s) should be crossed NOT NEGOTIABLE.

Mail your completed application form with your cheque(s) to:

Key Capital Limited
Suite 209, 685 Burke Road
CAMBERWELL VIC 3124

PLEASE ATTACH RELEVANT AML/CTF DOCUMENTS – SEE PAGES 48-49.



KEY CAPITAL PROPERTY SYNDICATE No. 7 Investment Application Form

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Investment amount \$, , 0 0 0 . 0 0

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Individual Investor, Joint Investor 1, Company Director 1, Executor 1 or Trustee 1

Title Given name(s)

Surname Date of birth (day/month/year) / /

Residential address

State Postcode

B

Joint Investor 2, Company Director 2, Executor 2 or Trustee 2

Title Given name(s)

Surname Date of birth (day/month/year) / /

Residential address

State Postcode

Please include your TFN in the space provided to ensure tax is not deducted from distributions.

Tax File Number(s) (Individual and Joint Investors only)

A **B**

If any of the investors above are exempt from providing a TFN, please provide the reason for the exemption (e.g.: Sole Parent Benefits, Service Pension, etc.)

C

Company / Corporate Trustee

Full Name of Company / Corporate Trustee (as registered with ASIC)

TFN or ABN or reason for exemption ACN

Please complete this section if you are investing on behalf of a Company, Trust or Superannuation Fund.

D

Trust / Superannuation Fund (Trustee must also complete either A or C as relevant)

Full Name of Trust

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Full Business Name (if any) of Trustee

ARSN (if a registered managed investment scheme) Type of Trust (i.e. Unit Trust)

SECTION 2 Applicant(s) Details *(continued)*

E

Partnership (one Partner must complete all details below)

Title Given name(s)

Surname Date of birth (day/month/year) / /

Residential address

State Postcode

TFN or ABN or reason for exemption Country where established

Partnership Name and Business Name (if applicable)

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Fax number - Mobile number -

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Licensed Dealer

Dealer Licence Number

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<input type="text"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>	<input type="text"/>	<input type="text"/> / <input type="text"/> / <input type="text"/>

Name <input type="text"/>	Name <input type="text"/>
---------------------------	---------------------------

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Other

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Mail your completed application form with your cheque(s) to:

Key Capital Limited
Suite 209, 685 Burke Road
CAMBERWELL VIC 3124



Directory

RESPONSIBLE ENTITY

Key Capital Limited

ACN 112 191 198

Suite 209, 685 Burke Road

CAMBERWELL VIC 3124

Phone: (03) 8080 5630

Fax: (03) 8080 5631

DIRECTORS OF THE RESPONSIBLE ENTITY

Peter G. Bailey

Andrew I. Patrick

Christopher W. Rann

John H. Martin

CUSTODIAN

Sandhurst Trustees Limited

Level 5, 120 Harbour Esplanade

DOCKLANDS VIC 3008

LEGAL ADVISER

McMahon Clarke Legal

62 Charlotte Street

BRISBANE QLD 4000

AUDITOR OF THE SYNDICATE

BDO Kendalls Audit & Assurance (NSW/VIC) Pty Ltd

Level 30, 525 Collins Street

MELBOURNE VIC 3000

