

Healthcare REIT - Disclosure Principles as at 31 May 2009¹

	Principle 1: Gearing Ratio	Trilogy Satisfies the Principle
1.1	<p>Disclose the gearing ratio for the Trust calculated using the following formula:</p> <p><i>Gearing ratio = total interest bearing liabilities / total assets</i></p> <p>The liabilities and assets used to calculate the gearing ratio are based on the Trust's latest financial statements which in this case are as at 31 December 2008.</p>	<p>The following is the gearing ratio as at 31 December 2008:</p> <p>= 0.39</p>
1.2	<p>What does the ratio means in practical terms and how can investors use the ratio to determine the Trust's level of risk.</p>	<p>The gearing ratio is also known as the 'Debt Asset Ratio'. The ratio measures the extent to which the acquisition of assets has been financed by creditors. If the ratio is less than 0.5, then the majority of a scheme's assets are financed using investor's equity. If the ratio is greater than 0.5, the majority of a scheme's assets are financed using debt. It gives an indication of the potential risks a scheme faces in terms of its level of debt.</p> <p>It is important to note that the gearing ratio has been calculated on the value of the senior debt as at 31 December 2008. At 31 May 2009 and at 31 December 2008, the Trust is in the 'Planning Phase' and fundraising has not yet been completed. Planning Phase is defined as 'the period of time prior to the commencement of the Design and Construction Phase during which a building project is conceived and planned following negotiations with existing and prospective tenants, local government and government authorities, architects, engineers, quality surveyors and valuers and other relevant consultants but before the formal design is finalised and approvals from local government and government authorities obtained.</p> <p>For the period ending 1 July 2008 to 30 April 2009, the Trust repaid \$2,755,250 of</p>

¹ Please note that all financial data is taken from the last quarter end management accounts being 30 April 2009 unless stated otherwise.

		its senior debt leaving a balance as at 30 April 2009 of \$3,345,000.
	Principle 2: Interest Cover	Trilogy Satisfies the Principle
2.1	<p>Disclose the Trust's interest cover calculated using the following formula which is based on the latest financial statements which in this case is as at 31 December 2008:</p> $\text{Interest cover} = \frac{\text{EBITDA}^* - \text{unrealised gains} + \text{unrealised Losses}}{\text{interest expense}}$ <p>*EBITDA (earnings before interest, tax, depreciation and amortization)</p>	<p><i>Interest cover = EBITDA - unrealised gains + unrealised losses / interest expense</i></p> <p>= (1.44)</p> <p>Note: The interest cover ratio of (1.44) includes \$242,250 in establishment costs of the Trust that only occur during the planning phase (excluding these costs the interest cover is (0.22)).</p>
2.2	<p>What does interest cover mean and how can investors use the interest cover ratio to assess the Trust's ability to meet its interest payments?</p>	<p>The interest cover ratio is a measurement of the number of times a company could make its interest payments with its earnings before interest and taxes.</p> <p>A high interest cover ratio means that a scheme is easily able to meet its interest obligations from profits. Similarly, a low value for the interest cover ratio means that a scheme is potentially in danger of not being able to meet its interest obligations.</p> <p>The Trilogy Healthcare REIT distributes its profits to unit holders, thereby reducing its overall profitability. Management believes that a more appropriate measure is its interest covenant with the senior debt provider. Interest cover under the covenant is defined as net annual rent less outgoing (including management fees) divided by the gross interest expense. Interest cover as at 31 December 2008 was 1.28 times.</p>
	Principle 3: Scheme Borrowing	Trilogy Satisfies the Principle
3.1	Disclose:	Of the original three sources of funding outlined in the PDS, the only remaining

	<ul style="list-style-type: none"> a. for each debt that will mature in 5 years or less—the aggregate amount owing and the maturity profile in increments of 12 months; b. for debts that mature in more than 5 years—the total amount owing; c. for each credit facility—the aggregate undrawn amount and the maturity profile in increments of no more than 12 months; and d. whether amounts owing to lenders and other creditors of the scheme rank ahead of an investor’s interests in the scheme. 	<p>debt is the ANZ Senior Debt.</p> <p>The ‘Rojacan Debt Facility of \$540,000 and the Junior Debt of \$2,143,000 have been repaid. As at 30 April 2009, there still remains outstanding interest payable by the Trust as follows: Rojacan Debt Facility - \$34,812</p> <ul style="list-style-type: none"> a. There is one debt still owing. This is the ANZ Senior debt with \$3,345,000 as at 30 April 2009 still outstanding. The maturity date of the Senior Debt is 31 March 2010. b. There are no debts that mature in more than 5 years c. There are no undrawn amounts d. The amount owing to the ANZ Bank ranks ahead of an investor’s interest in the Trust.
3.2	Where debt and credit facilities are to mature within 12 months, disclosure the prospects of refinancing or other possible alternative actions (e.g. sales of assets).	Not applicable as the maturity of the ANZ Senior Debt is greater than 12 months.
3.3	Explain any risks associated with the debt maturity profile, including whether borrowing have been hedged and if so, to what extent.	<p>The ANZ Senior Debt is a variable rate loan based on the Average BID for 30 days plus a margin of 1.25% per annum.</p> <p>There is a risk that interest costs may increase beyond that estimated which could affect the distributions of the Trust. There is also a risk that the Senior Debt may not be paid down to the anticipated \$1,402,066 prior to development commencing in which case difficulty may be experienced in obtaining the funding required.</p>
3.4	Disclose information about breaches of loan covenants that is reasonably required by investors.	All covenants are met
3.5	Update any information about the status of any breaches.	There are no material breaches or potential breaches of loan covenants.

	Principle 4: Portfolio Diversification	Trilogy Satisfies the Principle
4.1	<p>Disclose the current composition of the Trust’s investment portfolio, including:</p> <ol style="list-style-type: none"> a. properties by geographic location by number and value; b. non-development properties by sector (e.g. development projects, industrial, commercial, retail, residential and development projects) by number and value; c. for each significant property, the most recent valuation, the date of the valuation, whether the valuation was performed by an independent valuer and, where applicable, the capitalisation rate adopted in the valuation; d. the portfolio lease expiry profile in yearly periods calculated on the basis of lettable area or income and where applicable, the weighted average lease expiry; e. the occupancy rate(s) of the property portfolio; f. for the top 5 tenants that each constitutes 5% or more by income across the investment portfolio, the name of the tenant and percentage of lettable area or income; and g. a clear description of any significant non-direct property assets of the scheme, including the value of such assets. 	<p>a. The Trust currently has one property investment, Lot 1, located at 286 Pacific Highway, Crows Nest North Sydney NSW.</p> <p>There is an option to purchase Lots 2 - 6 located at 79 - 81 Sinclair Street, Crows Nest, NSW. The option to purchase expires 30 June 2011.</p> <p>b. Properties by sector:</p> <ul style="list-style-type: none"> ▪ Lot 1 - Commercial building ▪ Option over Lot 2 - 6 - Proposed commercial development project <p>c. Most recent valuation was dated 7 June 2007 and was performed by independent valuers:</p> <ul style="list-style-type: none"> ▪ Lot 1 - \$8,100,000 - Capitalization rate 7.65% ▪ Lot 2 - 6 (Option to purchase) - \$2,300,000 <p>d. The lease expires 30 June 2011. The yearly rental is as at 31 May 2009 is \$663,150 per annum plus GST</p> <p>e. The occupancy rate is 100%.</p> <p>f. There is one tenant in Lot 1 - North Sydney Orthopaedic & Sports Medicine Clinic Pty Limited with the lease expiring 30 June 2011. The total lettable area is 1,445 m² with North Sydney Orthopaedic leasing the entire space.</p> <p>g. The only significant other asset of the Trust is the ‘Option to Purchase’ Lots 2 - 6. This asset of the Trust is recorded at \$22,500.00.</p>
4.2	Disclosure the Trust’s investment strategy on the above	The Trust is an open ended trust that will acquire health care property assets with

	matters, including its strategy on investing in other unlisted property schemes.	<p>the aim of providing income and capital growth for investors over the medium to long term. It is envisaged that over time the Trust will build a diversified portfolio of health care property assets spread across Australia.</p> <p>The Trust does not intend to invest in other unlisted property schemes.</p>
4.3	<p>In relation to any property development, disclose:</p> <ol style="list-style-type: none"> the project timetable with significant milestones; funding arrangements; pre-sale and lease pre-commitments where applicable; and development approval status (e.g. percentage of completion) 	<p>As at 31 May 2009, the following applies:</p> <ol style="list-style-type: none"> The plan is to lodge the Development Application with the council prior to 30 June 2009. We anticipate council approval by approximately December 2009. Depending on when we receive council approval, site works are planned to commence approximately March 2010 and planned to be completed by approximately May 2011. There is no development funding arrangements at present. There is no current pre-sales and lease pre-commitments at present. 0%.
	Principle 5: Valuation Policy	Trilogy Satisfies the Principle
5.1	<p>Disclose the valuations policy of direct property investments. This policy should cover, at a minimum:</p> <ol style="list-style-type: none"> how often are valuations obtained for direct investments in real property, including how often independent valuations are obtained; if independent valuations are not regularly obtained, the reason for this; and whether the valuation is in accordance with relevant industry standards. 	<ol style="list-style-type: none"> Under the Trust's compliance plan, the property assets must be valued before acquisition and revalued every three years and before disposition, in each case by an independent valuer. See Item a above Trilogy uses 'Certified Practising Valuers' for any valuations. The Australian Property Institute (API) administers a set of ethics and standards with which valuer members are required to comply. Such people practice as "Certified Practising Valuers". Their valuations and code of conduct are based upon Code of Ethics, Rules of Conduct, Concepts, Principles and Definitions, Practice Standards, Guidance notes, etc, published by the API.
5.2	Where a property under development is valued on an 'as if complete' basis, the 'as is' basis of the valuation should also	There is no development occurring as yet. This is scheduled to commence

	be disclosed. The responsible entity should also disclose the risks associated with 'as if complete' valuations, including the risk that assumptions about future market conditions on which such valuations are based may prove to be inaccurate.	approximately March 2010.
5.3	Has the previously disclosed policy on valuations been followed or has there been any changes to the policy (unless clearly immaterial).	The valuations obtained for the current portfolio properties before acquisition complied with the valuation policy described in Item 5.1 above. There has not been any change to the policy.
5.4	Are valuers who accept an appointment to provide valuations for an unlisted property scheme: a. where applicable, registered under one of the state or territory valuer registration regimes; and b. include a statement in their valuation reports on whether the valuation complies with all relevant industry standards.	Yes, valuers who accept an appointment: a. are where possible, registered under one of the state/territory valuer registration regimes; and b. include a statement in their valuation reports on whether the valuation complies with all relevant industry standards and codes.
Principle 6: Related Party Transactions		Trilogy Satisfies the Principle
6.1	Disclose the approach to related party transactions, including: a. details of investments in and loans, guarantees and fees to any related party; b. the policy on related party transactions, including the assessment and approval process and arrangements to manage conflicts of interest; and	a. There are no loans or guarantees to any related party. Related parties are able to investment in the Trust on the same terms and conditions as any other investor. There are various regular related party transactions such as re-imburements for management and other fees and expenses as set out in the PDS. b. The related party transaction policy is contained in Trilogy 'Outsourcing

<p>c. how the processes and arrangements are monitored to ensure their policy is followed.</p>	<p>Policy Statement Version 2' dated 29 July 2008. The following describes the process:</p> <ul style="list-style-type: none"> □ Any transaction involving a related party shall be on terms and conditions no more favourable to the related party than those which it is reasonably expected would be the case if the benefit directly or indirectly was paid to a third party dealing at arm's-length in the same circumstances and on commercial terms. □ Before any related party transaction is entered into, the Board will satisfy itself that the fees to be paid to the related party are approximately equivalent to what would be paid to a third party at arm's-length for the same goods or services. □ Details of all transactions involving a related party shall be placed in Trilogy's Related Party Register. □ The Related Party Register shall be maintained by the Compliance Officer who shall have the responsibility of regularly seeking review of disclosure by Directors of their interests in accordance with the law. □ Trilogy shall ensure its Directors, Responsible Managers, Compliance Committee members and Compliance Officer are aware of their obligations under the law, the Compliance Plan and Compliance System in relation to related party duties and how to comply with these duties. □ The Compliance Officer has the responsibility for assisting all officers and employees of Trilogy and Compliance Committee members in connection with related party issues. The Compliance Committee members will be able to obtain such independent advice on these matters as they and the Board determine is reasonably necessary.
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		<p>Any actual or potential conflicts of interest are managed by Trilogy's Conflict of Interest Policy.</p> <p>c. All related party transactions are reviewed on an annual basis by the Board. The Compliance Committee reviews authorised related party transactions and the Compliance Officer is responsible for ongoing reviews of any actual or potential conflicts of interest.</p>
	Principle 7: Distribution Practices	Trilogy satisfies the Principle
7.1	<p>Where a scheme has made or forecasts to make distributions to members, disclose:</p> <p>a. the sources of the distributions (e.g. from realised income, capital, unrealised revaluation gains);</p> <p>b. the source of any forecast distributions;</p> <p>c. if the current or forecast distribution are not solely sourced from realised income, the reasons for making distributions from other sources; and</p> <p>d. if the current distribution or forecast distribution is sourced other than from realised income, whether this is sustainable over the next 12 months.</p>	<p>a. Trilogy distributes income to investors on a monthly basis and during the Planning Phase (the current phase) it is forecast to be approximately 5.63%. (Please note this is a targeted return only and is not guaranteed by Trilogy.) The source of the distribution is realised income from the Trust and a waiver of management fees.</p> <p>b. See Item a above</p> <p>c. So that the payment of distributions during the planning phase can be made as outlined in the second supplemental PDS dated 16 July 2008, Trilogy has agreed to waive sufficient of its management and other fees to support it.</p> <p>d. Waiver of the management and other fees is dependent upon the level of application monies received into the Trust.</p> <p>As at 31 May 2009 Trilogy has no reason not to believe that its distribution practices are not sustainable over the next 12 months. This statement is based upon information available and known at this date and subject to the possible effects of the re-development on clause 23 of the lease.</p>

	Principle 8: Withdrawal Rights	Trilogy Satisfies the Principle
8.1	<p>Are investors given the right to withdraw from the Trust? If yes, answer the following questions:</p> <ul style="list-style-type: none"> a. the maximum withdrawal period allowed under the constitution for the Trust (this disclosure should be at least as prominent as any shorter withdrawal period promoted to investors); b. any significant risk factors or limitations that may impact on the ability of investors to withdraw from the scheme (including risk factors that may impact on the ability of the responsible entity to meet a promoted withdrawal period); c. a clear explanation of how investors can exercise their withdrawal rights, including any conditions on exercise (e.g. specified withdrawal periods and scheme liquidity requirements); and d. If withdrawals from the Trust are to be funded from an external liquidity facility, the material terms of this facility including any rights the provider has to suspend or cancel the facility. 	<p>There is no redemption facility available for NS units in the Trust until they are converted into ordinary units. As at 31 May 2009, all units in the Trust are NS units.</p>