

Investor Choice Melbourne Campus Office Syndicate - Disclosure Principles as at 30 September 2009<sup>1</sup>

	Principle 1: Gearing Ratio	Trilogy Satisfies the Principle
1.1	<p>Disclose the gearing ratio for the Syndicate calculated using the following formula:</p> $\text{Gearing ratio} = \frac{\text{total interest bearing liabilities}}{\text{total assets}}$ <p>The liabilities and assets used to calculate the gearing ratio are based on the Syndicate's latest financial statements which in this case is 30 June 2009.</p>	<p>The following is the gearing ratio as at 30 June 2009:</p> $= 0.64$
1.2	<p>What does the ratio mean in practical terms and how can investors use the ratio to determine the Syndicate'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>
	Principle 2: Interest Cover	Trilogy Satisfies the Principle
2.1	<p>Disclose the Syndicate's interest cover calculated using the following formula which is based on the latest financial statements which in this case is 30 June 2009:</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>	$\text{Interest cover} = \frac{\text{EBITDA} - \text{unrealised gains} + \text{unrealised losses}}{\text{interest expense}}$ $= 2.02$

<sup>1</sup> Please note that all financial data is taken from the last month end management accounts being 31 August 2009 unless stated otherwise.

2.2	<p>What does interest cover mean and how can investors use the interest cover ratio to assess the Syndicate’s ability to meet its interest payments?</p>	<p>The interest cover ratio is a measurement of the number of times a scheme 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 Investor Choice Melbourne Campus Office Syndicate distributes its net income to unit holders, thereby reducing its overall profitability. Management believes that a more appropriate measure of interest cover is by a ratio based on the net rental income derived from security properties.</p> $\frac{\text{EBITD}}{\text{Total Interest Expense}}$ <p>Where:  EBITD = earnings before interest, Tax, refurbishment allowance appropriate to the security properties and depreciation.  Total Interest Expense = interest expense, leasing/HP plus interest expense other.</p> <p>When using this calculation the interest cover is 2.22</p>
	<p><b>Principle 3: Scheme Borrowing</b></p>	<p><b>Trilogy Satisfies the Principle</b></p>
3.1	<p>Disclose:</p> <ol style="list-style-type: none"> <li>for each debt that will mature in 5 years or less—the aggregate amount owing and the maturity profile in increments of 12 months;</li> <li>for debts that mature in more than 5 years—the total amount owing;</li> </ol>	<ol style="list-style-type: none"> <li>The St George Bank Limited debt has a balance outstanding of \$9,290,660 as at 31 August 2009. The maturity date of the Debt is 31/03/2010</li> <li>There are no debts that mature in more than 5 years</li> <li>There are no undrawn amounts</li> <li>The amount owing to the St George Bank and other creditors ranks ahead of an investor’s interest in the Syndicate.</li> </ol>

	<ul style="list-style-type: none"> <li>c. for each credit facility—the aggregate undrawn amount and the maturity profile in increments of no more than 12 months; and</li> <li>d. whether amounts owing to lenders and other creditors of the Syndicate rank ahead of an investor’s interests in the Syndicate.</li> </ul>	
3.2	Where debt and credit facilities are to mature within 12 months, disclose the prospects of refinancing or other possible alternative actions (e.g. sales of assets).	The facility will be repaid through the sale of the property or alternatively, refinanced.
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 St George Bank Limited debt is a fixed rate loan of 6.98% until 31 March 2010.</p> <p>There are no hedging derivatives.</p>
3.3	Disclose information about breaches of loan covenants that is reasonably required by investors.	There are currently no breaches and to the best of my knowledge, I am not aware of any potential breaches of loan covenants.
3.4	Update any information about the status of any breaches.	There are no breaches or potential breaches of loan covenants.
	<b>Principle 4: Portfolio Diversification</b>	<b>Trilogy Satisfies the Principle</b>
4.1	<p>Disclose the current composition of the Syndicate’s investment portfolio, including:</p> <ul style="list-style-type: none"> <li>a. properties by geographic location by number and value;</li> <li>b. non-development properties by sector (e.g. development projects, industrial, commercial, retail, residential and development projects) by number and value;</li> </ul>	<ul style="list-style-type: none"> <li>a. The Syndicate is a single-asset portfolio. The Syndicate has one property investment, located at 90 Maribyrnong Street, Footscray VIC 3011.</li> <li>b. The property is a commercial building.</li> <li>c. The most recent valuation of \$14,500,000 with a capitalization rate of 9% was at 30 June 2009. The valuation was prepared as an indicative valuation by Directors.</li> <li>d. There is one lease on the property which expires 20 September 2011. The</li> </ul>

	<ul style="list-style-type: none"> <li>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;</li> <li>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;</li> <li>e. the occupancy rate(s) of the property portfolio;</li> <li>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</li> <li>g. a clear description of any significant non-direct property assets of the Syndicate, including the value of such assets.</li> </ul>	<p>yearly rental as at 31 August is \$1,430,485 per annum net plus GST.</p> <ul style="list-style-type: none"> <li>e. The occupancy rate is 100%.</li> <li>f. There is one tenant at 90 Maribyrnong Street - Lonely Planet Publications Pty Limited with the lease expiring 20 September 2011. The total lettable area is 10,265 square metres with Lonely Planet Publications leasing the entire space.</li> <li>g. None</li> </ul>
4.2	<p>Disclose the Syndicate's investment strategy on the above matters, including its strategy on investing in other unlisted property schemes.</p>	<p>The Syndicate's investment strategy at the time of opening was to purchase one commercial building and hold this building for approximately 5 years. At this time (approximately early 2010), it is Trilogy's intention to make a recommendation to Investors on the sale (or possible continued ownership) of the property and the appropriate strategies to implement the recommendation.</p> <p>The Constitution of the Syndicate allows flexibility for Trilogy to terminate the project at any time prior to the end of the 5 year term (following due notice) and it will do so if it believes it is in the best interest of Investors.</p> <p>The Syndicate does not intend to invest in any other unlisted property schemes.</p>
4.3	<p>In relation to any property development, disclose:</p> <ul style="list-style-type: none"> <li>a. the project timetable with significant milestones;</li> <li>b. funding arrangements;</li> </ul>	<p>Not applicable, there is no property development.</p>

	<ul style="list-style-type: none"> <li>c. pre-sale and lease pre-commitments where applicable; and</li> <li>d. development approval status (e.g. percentage of completion)</li> </ul>	
	<b>Principle 5: Valuation Policy</b>	<b>Trilogy Satisfies the Principle</b>
5.1	<p>Disclose the valuation policy of direct property investments. This policy should cover, at a minimum:</p> <ul style="list-style-type: none"> <li>a. how often are valuations obtained for direct investments in real property, including how often independent valuations are obtained;</li> <li>b. if independent valuations are not regularly obtained, the reason for this; and</li> <li>c. whether the valuation is in accordance with relevant industry standards.</li> </ul>	<ul style="list-style-type: none"> <li>a. 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.</li> <li>b. See Item a above</li> <li>c. Trilogy uses ‘Certified Practicing Valuers’ for all 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 Practicing 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.</li> </ul>
5.2	<p>Where a property under development is valued on an ‘as if complete’ basis, the ‘as is’ basis of the valuation should also 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.</p>	<p>Not applicable, no property is under development.</p>
5.3	<p>Has the previously disclosed policy on valuations been followed or has there been any changes to the policy (unless clearly immaterial).</p>	<p>The valuations obtained for the current portfolio properties before acquisition complied with the valuation policy described in Item 5.1 above.</p>
5.4	<p>Are valuers who accept an appointment to provide valuations for the Syndicate:</p> <ul style="list-style-type: none"> <li>a. where applicable, registered under one of the state or</li> </ul>	<p>Yes, valuers who accept an appointment:</p> <ul style="list-style-type: none"> <li>a. are where possible, registered under one of the state/territory valuer registration regimes; and</li> </ul>

	territory valuer registration regimes; and  b. include a statement in their valuation reports on whether the valuation complies with all relevant industry standards.	b. include a statement in their valuation reports on whether the valuation complies with all relevant industry standards and codes.
	<b>Principle 6: Related Party Transactions</b>	<b>Trilogy Satisfies the Principle</b>
6.1	<p>Disclose the approach to related party transactions, including:</p> <ul style="list-style-type: none"> <li>a. details of investments in and loans, guarantees and fees to any related party;</li> <li>b. the policy on related party transactions, including the assessment and approval process and arrangements to manage conflicts of interest; and</li> <li>c. how the processes and arrangements are monitored to ensure their policy is followed.</li> </ul>	<ul style="list-style-type: none"> <li>a. There are no loans or guarantees to any related party. Related parties are able to invest in the Trust on the same terms and conditions as any other investor.  There are various regular related party transactions such as re-imbursments for management and other fees and expenses as set out in the PDS.</li> <li>b. The related party transaction policy is contained in Trilogy ‘Outsourcing Policy Statement Version 4’ dated 1 July 2009. The following describes the process: <ul style="list-style-type: none"> <li>□ 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.</li> <li>□ 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.</li> </ul> </li> </ul>

		<ul style="list-style-type: none"> <li>□ Details of all transactions involving a related party shall be placed in Trilogy’s Related Party Register.</li> <li>□ 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.</li> <li>□ 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.</li> <li>□ 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.</li> <li>□ Any actual or potential conflicts of interest are managed by Trilogy’s Conflict of Interest Policy.</li> </ul> <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	Where a scheme has made or forecasts to make distributions to members, disclose:	<p>a. Trilogy distributes net income from the property on a monthly basis (Please note this is a targeted return only and is not guaranteed by the Trilogy.) The source of the distribution is realised income from the</p>

	<ul style="list-style-type: none"> <li>a. the sources of the distributions (e.g. from realised income, capital, unrealised revaluation gains);</li> <li>b. the source of any forecast distributions;</li> <li>c. if the current or forecast distribution are not solely sourced from realised income, the reasons for making distributions from other sources; and</li> <li>d. if the current distribution or forecast distribution is sourced other than from realised income, whether this is sustainable over the next 12 months.</li> </ul>	<ul style="list-style-type: none"> <li>b. Syndicate and the loan facility, if required.</li> <li>c. See above</li> <li>d. The model allows for top-up income.</li> <li>e. Yes, this is sustainable over the next 12 months.</li> </ul>
<b>Principle 8: Withdrawal Rights</b>		<b>Trilogy Satisfies the Principle</b>
8.1	<p>Are investors given the right to withdraw from the Syndicate? If yes, answer the following questions:</p> <ul style="list-style-type: none"> <li>a. the maximum withdrawal period allowed under the constitution for the Syndicate (this disclosure should be at least as prominent as any shorter withdrawal period promoted to investors);</li> <li>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);</li> <li>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</li> <li>d. If withdrawals from the Syndicate 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.</li> </ul>	<p>There is no redemption features in this Syndicate, although Investors may transfer their units if they wish.</p>