CorVal

INFORMATION MEMORANDUM

CORVAL PACT TRUST


Important information
This Information Memorandum is dated 29 May 2014 and has been issued by CorVal Partners Limited ACN 130 628 830 (**Trustee or CorVal**). CorVal is the holder of Australian Financial Services Licence No. 326118.

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This Information Memorandum outlines some of the key points in relation to the investment. The matters included in this Information Memorandum do not constitute a comprehensive statement of the costs, benefits, risks and other characteristics of the investment.

Potential investors should read this Information Memorandum in its entirety, obtain advice from a suitably qualified professional advisor and make their own assessment of the investment before deciding to invest.

This Information Memorandum does not constitute advice on legal, taxation and investment matters and does not take into account the investment objectives or the personal financial circumstances of any person to whom it is provided.

Disclaimer
Whilst this Information Memorandum includes information about the nature of the investment, the Property and other matters, it is not exhaustive in its contents and should not be considered as such.

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Investors
Investment is only available to investors who are “wholesale clients” within the requirements of section 761G of the Corporations Act 2001 (Cth) or who are otherwise entitled to invest – see section 16 for more detail.

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1. Executive Summary

CorVal Partners Limited (**CorVal**) is pleased to present to investors the opportunity to invest in the CorVal Pact Trust (**Trust**).

The Trust, through three wholly owned sub-trusts, has entered into call option agreements to acquire the following properties:

	Condell Park Sydney NSW	Moorabbin Melbourne VIC	Canning Vale Perth WA	**Portfolio**
Street Address	406 Marion St	13 Joel Court	173 Bannister Rd	
Purchase price	$9.75 m	$19.00 m	$8.80 m	**$37.55 m**
Net income	$0.80 m	$1.73 m	$0.71 m	**$3.24 m**
Land area	24,280 sqm	39,010 sqm	15,497 sqm	**78,787 sqm**
GLA	10,794 sqm	17,512 sqm	5,352 sqm	**33,658 sqm**
Initial yield	8.2%	9.1%	8.1%	**8.6%**
Purchase price / sqm of land	$402	$487	$568	**$477**
Purchase price / sqm of GLA	$940	$1,054	$1,639	**$1,116**
WALE	15 years	15 years	15 years	**15 years**

The three properties comprise industrial warehouse and manufacturing facilities in established industrial markets throughout Australia.

Based upon a Trust gearing level of 55%, the equity raising for the Trust is $21.1 m. Consistent with previous CorVal offers, to maintain an alignment of interest with our investors, the directors and shareholders of CorVal will make a co-investment in the Trust of no less than 10% of the Trust equity raising.

Each of the Trust properties will be leased to separate entities controlled by the ASX listed Pact Group Holdings Limited (**Pact**) for an initial fifteen-year term, with the lease obligations of the respective tenants guaranteed by Pact. The leases are individual to each property with fixed rental increases of 3.5% per annum.

Further, each lease is structured as a triple net basis, which requires the tenant to be responsible for all outgoings, repairs, maintenance and capital expenditure on the structure and plant and equipment over the full fifteen-year lease term.

Offer highlights

- A projected Base Case Trust **equity IRR of 13.2%** per annum pre performance fee;
- The bulk of the projected equity IRR is forecast to be generated from an attractive **Trust Earning Per Unit (EPU), which is forecast to average 10.5%** (9.5% in year 1) over the intended five-year investment term of the Trust;
- The properties are being purchased as a portfolio with the added ability to sell them down individually. Given the sub $10 million pricing point for two of the properties, combined with the strength of the

Pact lease covenant, fifteen-year lease term and triple net leases, it is considered a premium above purchase price may be achievable upon any individual sale of these properties. This, combined with the flexibility of having multiple assets to sell down over the Trust term, may lead to returns above the Base Case Trust equity IRR of 13.2% being achieved. An **Individual Sell Down Scenario** has been considered with a projected Trust **equity IRR of 14.5%** (pre performance fee - see Section 12);

- Triple net lease structure with the tenant responsible for all outgoings, repairs, maintenance and capital expenditure on the structure or plant and equipment (subject to fair wear and tear), with the Trust having no capital expenditure obligation, over the full fifteen-year initial lease term;
- The lease guarantor for each lease is the ASX listed Pact Group. The ASX market capitalisation of Pact, as at the date of this Information Memorandum, is circa $1.0 b, thereby providing a strong tenant covenant. The FY14 forecast gross turnover and EBITDA for Pact is $1.12 b and $201.9 m respectively;
- Protected downside investment risk by virtue of the fifteen-year lease across the Trust property portfolio with fixed 3.5% per annum rent reviews and no lease expiry risk during the intended Trust term of five years;
- The purchase price for the portfolio was agreed with the vendor in mid-2013. Since this time:
  - Pact has listed on the ASX, thereby improving the quality of the tenant covenant;
  - capitalisation rates for industrial property assets have firmed, and
  - CorVal has negotiated for the lease terms to increase from twelve to fifteen years in return for an agreed $1 m incentive payment, thereby allowing the Trust to hold the properties for up to five years and still present them for sale with a ten year plus unexpired lease term.

  Despite these factors, the agreed purchase price for the properties has not changed.
- In support of Pact's longer term commitment to the Trust properties, the vendor has spent a significant amount of their own capital on ensuring the properties are suitable for ongoing manufacturing of food related products, as well as having valuable plant and equipment installed within the properties. Specifically;
  - a major refurbishment was undertaken at the Moorabbin property in 2012 which included refurbishing the two level office component and installing an internal clean manufacturing area;
  - the book value of the tenant's fixtures, fittings, plant and equipment at the Condell Park property is approximately $39 m (which should be considered in the context of the Trust's purchase price for the land and buildings at this property of $9.75 m); and
  - the book value of the tenant's fixtures, fittings, plant and equipment at the Canning Vale property is approximately $8 m (against the purchase price of this property of $8.8 m).
- In addition to this, each of the properties has been earmarked by Pact for future expansion to create additional GLA. If this eventuates, the Trust is required under the terms of the respective lease agreements to fund the cost of these works, with Pact then liable to pay the Trust additional rent based upon the initial entry yield at each respective property (8.1% - 9.0%) multiplied by the total development cost of any such works. There are a number of benefits to the Trust should Pact elect to expand any of the Trust properties, namely:
  - the overall quality of the improvements at the respective property will improve;

- the blended rental rate across the GLA of the premises at the respective property(s) will decrease, as no land cost will be required to be factored into the total development cost; and
- depending upon when any such works are completed, it will re-set the Pact lease term at the respective property(s) to the greater of the then unexpired lease term or ten years.

It is considered the combined effect of these benefits will improve the overall appearance and eventual market yield for the respective property, thereby both increasing the range of investors that may acquire the property and also the eventual sale price for the respective property. An **Expansion Scenario** has been considered with a projected Trust **equity IRR of 14.0%** (pre performance fee - see Section 12);

- Adopting a discount rate of 8.0%, the net present value (NPV) of the future rental income stream from the Pact leases is $33.9 m, which alone represents 90% of the purchase price for the portfolio, excluding any value ascribed to land value or existing improvements. It is possible to discount the future rental income streams in this nature as there is no leakage for capital expenditure / repairs etc on account of the triple net leases with Pact.

  Further, the aggregate statutory assessment of land values for the properties today, which are generally conservative is $17.4 m, thereby indicating the NPV of the future income stream ($33.9 m) plus the unimproved value of the land ($17.4 m) is $51.3 m, a $13.75 m or 36% premium to the $37.55 m purchase price.

  To further illustrate the level of investor downside protection, an alternative way of looking at this analysis is that if the leases were held for the full fifteen year lease term and the respective properties were then sold for the inflated (3% p.a) value of the unimproved land value today (no value on the buildings), the ungeared IRR would still be 9.5%.

- CorVal has completed the majority of due diligence on the properties and the transaction documents are also in final form, thereby providing investors with a level of certainty in the deal. In particular, the following has been undertaken;

  - the leases have been negotiated and are in final form with the key terms outlined Section 4 of this document;
  - the contracts of sale have been negotiated and are in final form with no onerous conditions on the Trust;
  - King Wood and Mallesons (**KWM**) have provided a clean sign off and legal due diligence on each property;
  - valuation reports have been completed by Jones Lang LaSalle (**JLL**) which support the agreed purchase price for each property;
  - Risk Management has completed physical due diligence reports on each property which indicate that there are no material issues with the improvements and that they are suitable for ongoing industrial use;
  - the environmental risk associated with purchasing manufacturing properties has been mitigated by undertaking the following measures;
    - Douglas Partners have completed phase 1 investigations at all of the properties, as well as phase 2 core hole drilling and lab sampling at Condell Park and Moorabbin. The results of the phase 1 investigations indicated that there is no material risk of wide spread

contamination and the soil samples showed low, typically background, concentrations of contaminants;

- the Douglas Partners reports will form a baseline report within the leases with the tenant responsible for returning the properties to the same condition at expiry of the lease. Furthermore, the tenant for each property is also prohibited from doing anything which may result in contamination of the premises and indemnifies the Trust against any liabilities arising from any contamination the tenant causes; and
- the vendor has provided warranties in the respective contracts of sale that they are not aware of any environmental matters or claims.

Pact Group Overview

Having successfully raised $648.8 m in the second half of 2013, Pact recently listed on the ASX in December 2013. As at the date of this Information Memorandum, the ASX market capitalisation of Pact is circa $1.0 b.

Pact is a leading supplier of rigid plastics packaging and related products in Australia and New Zealand. The group was originally part of Visy Industries, and prior to its listing on the ASX, was privately owned by the Pratt / Geminder family.

A Deutsche Bank market research paper prepared for the company's listing on the ASX placed an enterprise value on the business of between $1.62 - $1.82 b, with FY14E gross turnover of $1.12 b and an of EBITDA $201.9 m. Net debt is estimated at $0.6 b, which implies an equity valuation range for the company of between $1.02 - $1.22 b.

See section 3 for further details on Pact.

Triple Net Lease Structure

A separate lease will be in place for each property, with the lease terms favourable to the lessor in that each lease is structured as a triple net lease.

This means the tenant is, in addition to their lease rental obligations, also responsible for all property outgoings and capital expenditure.

The capital expenditure includes:

- structural repairs and maintenance; and
- maintenance, repair or replacement of plant and equipment (subject to some limitations on replacement obligations in the last two years of the initial fifteen year lease term).

The benefit of the triple net structure is it effectively transfers the capital expenditure obligation from the landlord to the tenant, mitigating the risk of the Trust's net income being eroded by capital expenditure from time to time. The tenant is obliged to ensure the condition of the property remains the same as it was at the commencement of the lease which coincides with the Trust's date of acquisition.

Investment Strategy

The investment strategy revolves around acquiring the portfolio at an attractive pricing point, maximising the Trust's earnings per unit through the benefits of the Trust's loan facility and monitoring the most appropriate time to realise the individual Trust property assets so as to maximise the Trust's total return.

If the tenant elects to exercise the expansion clauses in the leases at any of the properties, the Trust will be required to fund and undertake these works. The funds required to finance any such works may be raised through any or all of increased debt (on the back of an increase in property value post completion of the expansion works), raising additional investor equity, either on a pro-rata basis from existing Trust investors if they wish to subscribe further equity or from new investors (the issue price per unit for any new equity raised would be the greater of the then NTA per unit of $1) or from any retained Trust earnings.

CorVal will appoint Logos Property (**Logos**) to act as the development manager for any expansion works that may be required by Pact at any of the Trust properties. Logos is a specialist development and asset manager with a sole focus on logistics real estate assets. The executives of both CorVal and Logos have successfully previously worked together on the acquisition and development of industrial property assets.

Expansionary works will only proceed at any of the Trust properties if required by Pact, and therefore, with a tenant in place. No such works will therefore take place on a speculative basis.

Further details on Logos, their role in the Trust and any fees that may be paid to Logos are outlined in section 9.

The properties are likely to be disposed of individually on this basis they are attractive lot sizes for private investors, and therefore, may be disposed of for yields firmer than the Trust acquisition yield for the respective property. While the target investment period is five years, disposals of individual properties may take place sooner than this if we considered that any sale would maximise investor returns having regard to market conditions (both at that time and anticipated market conditions moving forward) and the position of the respective property in comparison to the market-place. Market conditions are key, as well as the availability of a willing buyer at a price we consider reasonable.

Prior to disposing of any individual property, it is CorVal's intention to first approach Pact to see if a lease extension can be negotiated.

Industrial Market Overview

The Australian economy is transitioning away from a reliance on the mining sector, with the consumer, housing and export sectors expected to drive economic growth back towards trend by 2015 and the lower Australian dollar to take pressure off the east coast states as trade competing manufactures. This is expected to generate an improvement in industrial output over the second half of 2014 and support rental growth moving into 2015.

Sales volumes for industrial property assets picked up over 2013 and into 2014 and yield compression was recorded in the majority of prime industrial markets. With the economic recovery forecast to strengthen in the second half of 2014 and into 2015, further yield compression is likely, particularly in prime grade assets or assets with strong long term lease covenants.

Financial snapshot

Due to the strength of the Pact lease covenant, fifteen-year lease terms, 100% occupancy across the portfolio, triple net lease structures and attractive purchase yield, the Trust will utilise an initial gearing level of 55% ($20.65 m) to settle the properties. It is proposed that each property will be acquired in a separate wholly-owned sub-trust of the Trust, so therefore, it is intended debt will be put in place at each of the respective sub-trusts.

Whilst the Trust does not have in place a formal credit approved loan facility as at the date of this Information Memorandum, advanced discussions have taken place with at least two major Australian bank to provide the required loan facility.

From this, CorVal has received an indicative response from the subject bank to provide a term loan facility with a 65% LVR covenant, ICR covenant of 2.0 times and indicative interest margin of 135 basis points.

Whilst these terms are not credit approved as at the date of this Information Memorandum, the respective option agreements to acquire the Trust properties will only be exercised once credit approved debt is in place.

Subject to the assumptions outlined in section 11 and the risks outlined in section 14, the projected financial returns from an investment are presented below:

Projected Trust equity IRR*			**13.2%***
	Note	**Projected Trust Earning Yield***	**Projected Trust Distribution Yield***
Year to end 30.6.15	a	9.5%	9.0%
Year to end 30.6.16	a	10.0%	9.0%
Year to end 30.6.17	a	10.5%	9.5%
Year to end 30.6.18	b	11.0%	10.5%
Year to end 30.6.19	b	11.6%	11.0%
Average		**10.5%**	**9.8%**
Initial investment			($500,000)
Projected Trust earnings *			$267,916
Projected net sale proceeds *			$563,301
Total cash available for distribution			$831,217
Multiple			**1.66 x**

* Net of base fees and Trust expenses but before any performance fee. The projected returns are based on the opinions of, and the assumptions and qualifications made by, the directors of CorVal as at the date of this Information Memorandum. Actual results may be materially affected by changes in economic and other circumstances. See section 11 for the assumptions around the returns, section 14 for the various risk factors and section 12 for some sensitivity analysis around the projected returns.

a) It is CorVal's intention to conservatively manage the Trust cashflows, and in so doing, the intention is to maintain a distribution per unit (DPU) to Trust investors of 9.0% in the first two years, increasing to 9.50% in the third year of the Trust term. As this is below the Trust earning per unit (EPU), this is forecast to generate $0.5 m in retained earnings which may be used to pay down debt, partially fund any property expansion works or be paid to investors in future years through increased income distributions.

b) Remains subject to the performance of the Trust.

The forecast investor returns are subject to the following key property assumptions:

Portfolio disposal date	Jul 2019
Portfolio disposal price	$45.2 m
Disposal price per sqm of GLA	$1,338
Property disposal yield (on passing income)	8.50%
Hold period	5 years
WALE at disposal	10 years

Time line

The Trust, through three wholly owned sub-trusts, has entered into call option agreements to acquire the three properties.

Subject to the procurement of debt finance on terms materially consistent with the terms outlined in Section 13 and the completion of the final stages of due diligence to the satisfaction of CorVal, it is CorVal's intention to exercise the call option on or before the expiry of the option on 27 June 2014.

Upon exercising the call options, the Trust will unconditionally exchange contracts of sale and pay a 10% deposit. Settlement of the properties is required within fifteen business days thereafter.

The Vendor does not have the ability to rescind on the option, put the properties to the Trust or re-negotiate the agreed documents.

Should CorVal, on behalf of the Trust, elect to not proceed with the acquisition of the subject property assets, **investors will have no liability towards any of the due diligence costs incurred up until that point in time.** These costs will be the liability of CorVal.

The key dates for the offer are as follows:

	By when
Indicative expressions of interest from investors to invest in the Trust (non-binding)	First come first served basis
Receipt of signed application form and 10% non-refundable deposit from investors	20 June 2014
Exercise Call Option and exchange unconditional Contract of Sale	27 June 2014
Receipt of 90% balance of investor application monies	4 July 2014
Settlement of the properties and allotment of units to investors	18 July 2014

2. Property Overview

406 Marion Street, Condell Park, NSW

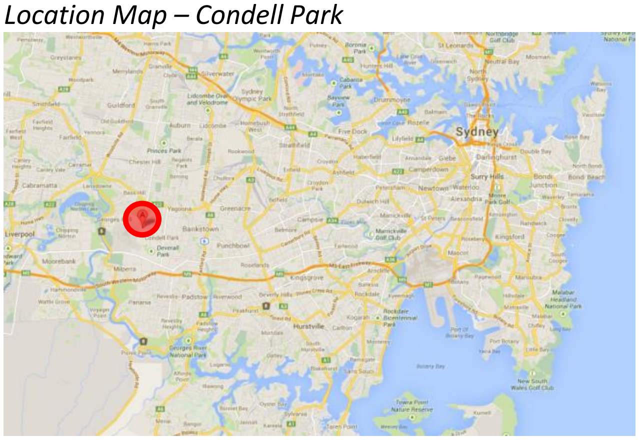
406 Marion Street, Condell Park comprises a regular shaped 24,280 sqm site, improved with two office and warehouse / manufacturing buildings. Built in the 1960/70's, construction of the property comprises reinforced concrete slabs, steel frames with aluminum framed windows and doors, and fibrous roof sheeting. The site is accessed via two concrete sealed driveways off Marion Street, which lead to a sealed hardstand area suitable for on grade parking, truck maneuverability and general outdoor storage.

Together the buildings have a total GLA of 10,794 sqm with the office component comprising approximately 20% of the GLA.

There is expansion land at the rear of the property which could accommodate a new warehouse of up to 7,500 sqm.

The property is centrally located in the industrial pocket of Bankstown / Condell Park which is located next to Bankstown Airport and is approximately 33 km south west of the Sydney CBD. The area is serviced by the surrounding road network with the major arterial roads in the area being the M5 Freeway and Canterbury Road.

Location Map – Condell Park



Aerial Shot

Photo

Photo

13-15 Joel Court, Moorabbin, VIC

13-15 Joel Court, Moorabbin comprises three separate freestanding buildings located on an irregular shaped 39,010 sqm site.

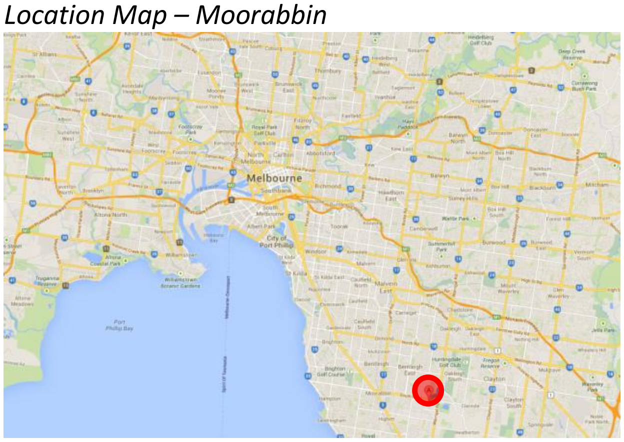
The building located at the Joel Court frontage (northern part of the property) comprises an office and warehouse building constructed in 1999. The building provides for first floor office accommodation with under-croft car parking and an attached warehouse part of which is used for manufacturing purposes. This building has a GLA of 9,366 sqm.

The building located in the center of the property comprises a modern warehouse which is clear span and has a minimum internal clearance of 7.5 metres. This building has a GLA of 4,669 sqm.

Situated at the southern end of the site is an office and warehouse facility of portable steel construction. The warehouse has a minimum clearance of 7.6 metres and a maximum clearance of 9.5 metres. This building is separated from the other building by 3,000 sqm of potential development land, it has a GLA of 3,477 sqm.

The property is located at the north-eastern section of the Moorabbin industrial pocket, Moorabbin is located approximately 17 km south-east of the Melbourne CBD, the main arterial roads in proximity are the Nepean Highway and Warrigal Road.

Location Map – Moorabbin



Aerial Shot

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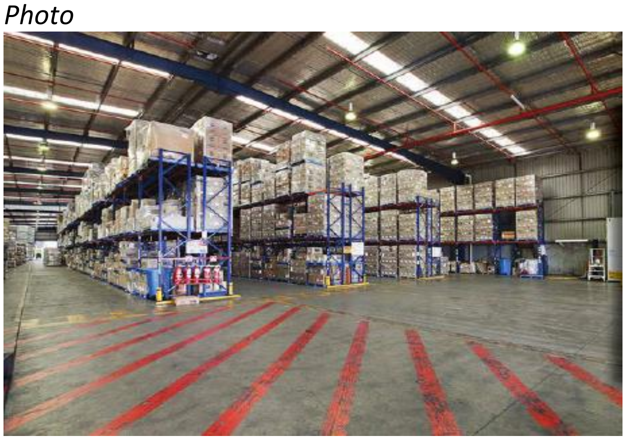


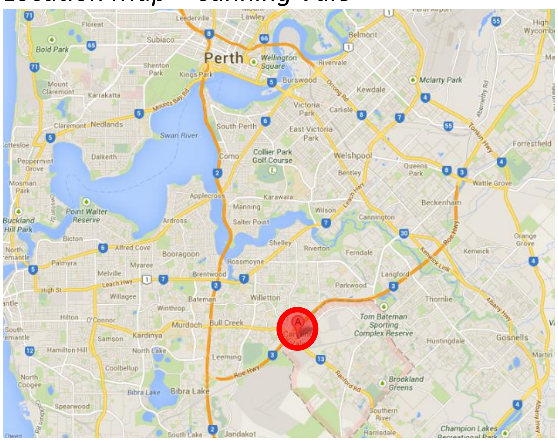
Photo

175 Bannister Road, Canning Vale, WA

The Property is improved with a 1980's office and warehouse of 5,352 square metres, apportioned as 274 sqm of office area and 5,077 sqm of warehouse accommodation, with a clearance height of 8 – 9 m. Ancillary site improvements include car parking, secure fencing and approximately 3,000 sqm of surplus land at the rear of the warehouse for future expansion.

The property is located at the corner of Bannister Road and Willert Drive, Canning Vale. Canning Vale is south-eastern industrial suburb some 20 kilometres from the Perth CBD., it is highly regarded with excellent infrastructure and a well-established road network. There is a mix of large scale users as well as the smaller businesses that operate within the area.

Location Map – Canning Vale



Aerial Shot

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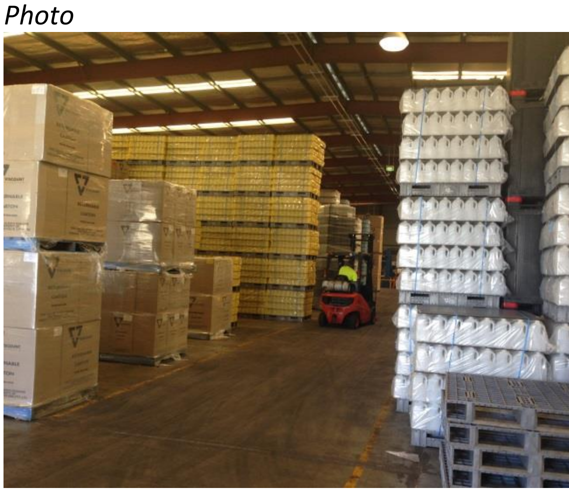


Photo

3. Pact Group *

Pact was established in 2002 by Raphael Geminder with the acquisition from Visy Industries of assets previously part of Southcorp's packaging division.

The Pact Group is the leading supplier of rigid plastics packaging and related products in Australia and New Zealand with an emerging presence in Asia. Pact is also a leading manufacturer of industrial metals packaging in Australia and New Zealand. Pact primarily converts plastic resin and steel into packaging and related products for customers in the food, dairy, beverage, personal care, other household consumables, chemical, agricultural and other sectors. Pact has 57 manufacturing plants across Australia and New Zealand and five in the higher-growth markets of China, the Philippines and Thailand.

Pact is primarily exposed to the relatively higher growth rigid plastics segment (91%) and to the consumer sector. According to the market research firm Smithers Pira, the global rigid plastics industry will increase by a 5.3% CAGR over 2012-2018 with Australasia to increase by 4.0% pa and Asia by 8.4% pa.

The company has strong relationships with its top ten customers having an average length of relationship in excess of 10 years. The customer base is quite fragmented, with the top twenty customers representing just 42% of sales revenue and no one customer representing more than 10% of sales revenue.

The senior management team is highly experienced with an average tenure of circa 30 years in the packaging industry. Both the CEO and CFO have been with the company since its formation in 2002.

The company has a solid financial track record with EBITDA increasing by a compound annual growth rate of 18.6%in the 2003-2014E period on sales revenue growth of 16.5%. The company has a record of successfully integrating acquisitions, having undertaken 34 acquisitions over the past 11 years.

The company has market-leading EBITDA margins and free cashflow metrics given a rigorous focus on operating efficiencies, the recovery of raw material and other input costs, capital expenditure and working capital management. The company's EBITDA margin of 16.9% compares to the peer median of 13.2 while its free cashflow margin of 12.7% compares to the peer median of 8.5%.

Deutsche Bank value Pact at A$1,615 m – A$1,817 m on an enterprise valuation basis, utilising an FY14E EBITDA multiple range of 8.0 – 9.0 x, which is consistent with an average of domestic and global peers. With assumed net debt of A$603 m, this implies an equity valuation of A$1,012 m – A$1,214 m. This valuation range implies an EBIT multiple range of 10.8 – 12.2 x and a P/E multiple range of 12.1 – 14.5 x.

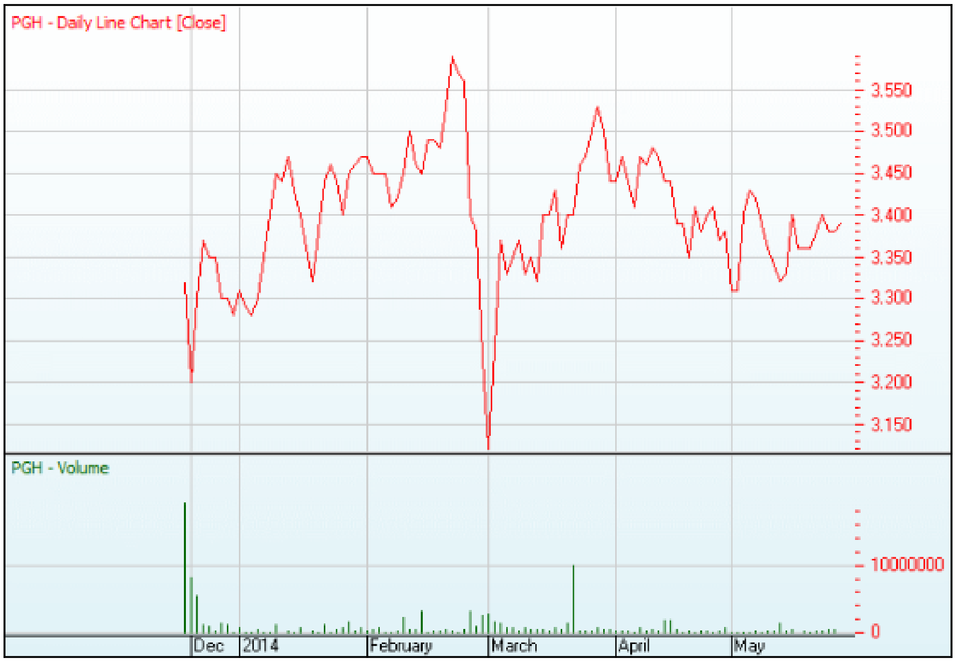
Key risks to the business include:

- the gain or loss of major customer or contract;
- changes to the competitive landscape;
- the ability to pass through cost increases;
- changes to industry sectors and/or consumer preferences;
- acquisition and integration risk;
- regulatory risks; and
- adverse movements in foreign currency.

Pact listed on the ASX in December 2013 having successfully raised $648.8 m to facilitate that listing. The issue price for Pact securities was $3.80 versus the current ASX trading price per Pact security of $3.43 as at

the date of this Information Memorandum, thereby implying an ASX market capitalisation for Pact of $1.0 b.

The chart below shows the daily price average for Pact shares and trading volumes since listing on the ASX in December 2013.



** Source: Deutsche Bank Market Research Group – PACT (2013) and ASX*

4. Lease Summary

The pertinent terms for each of the respective lease agreements which have been negotiated with Pact are:

Tenant	VIP Plastics Packaging – Moorabbin Alto Manufacturing Pty Ltd - Condell Park Viscount Plastics Australia Pty Ltd - Canning Vale
Guarantor	Pact Group Holdings Ltd
Lease commencement date	One day prior to settlement
Commencement net rent	$800,553 – Condell Park $1,7250,000 – Moorabbin $710,000 – Canning Vale
Initial lease term	Fifteen (15) years
Option	There is a single 6 year option period, which if the tenant elects to exercise, must be exercised not more than 12 months nor less than 9 month before the expiry of the lease
Rent reviews	Fixed annual increases of 3.50%, occurring at the anniversary of commencement date throughout the initial lease term. If the option period is exercised a market review is to occur with no ratchet clause.
Permitted use	Manufacturing, warehousing, storage and distribution, trade and wholesaling and bulk sale of any goods, material, products and merchandise and items of any description or any other purpose or use permitted by law.
Lease type	**Triple net (see tenant maintenance and repair provisions)**, as per KWM legal report and subject to the rent abating if the premises is damaged or destroyed.
Outgoings	The tenant must pay the relevant authority, or reimburse to the Landlord within 20 business days of demand, the operating and service costs. These include; - land tax, council rates, water rates or any other charge from authorities; - all insurance premiums (excluding loss of rent insurance); - a property management fee capped at 1.25% of the rent; - the supply of water, sewerage and drainage services, and;

- service costs means all services or systems provided to the premise by an Authority, the landlord or other for use.

Tenant maintenance and repair provisions	The tenant must throughout the term at the tenant's cost and expense; - keep the premises in good repair and watertight, and must promptly carry out all necessary repairs to the premises (including structural) to maintain in the condition of the baseline Condition Report (excluding fair wear and tear) (see comments to follow under heading Contamination); - maintain, repair and replace all plant and equipment located at the premises and essential services having regard to the baseline Condition Report and keep such items in good repair and condition (excluding fair wear and tear and subject to limited replacement obligations in the last two years of the term); - keep the premises clean and free from dirt and rubbish; - maintaining and keep trimming and in good order and condition all garden areas of the premises.
Landlord maintenance and repair provisions	If the Tenant does not maintain and repair the premises as required (as described above), the landlord may serve notice requiring rectification of the breach and if not rectified, the Landlord may rectify at the tenant's cost.
Contamination	Prior to the Commencement Date, the landlord is required to procure a baseline environmental report and provide it to the tenant for approval, or for expert determination (should the tenant dispute the report), the report is to be attached to the lease. The tenant is prohibited from doing anything which may result in contamination of the premise, the land or land nearby. The landlord may undertake environmental testing of the property in the period of six months prior to expiry of the lease to determine whether any contamination is present beyond that which was identified in the baseline report, which must then be remediated as above. The Tenant releases and indemnifies the Landlord against liabilities arising from contamination that arises in the circumstances outlined above. The tenant is also required to comply with environmental laws.
Make good	The tenant is required to yield up the premises in the state of repair and condition described in the condition report (unless the property is to be redeveloped or demolished).

Damage/destruction of premises	The rent and operating costs will abate in proportion to the loss of amenity suffered by the tenant for the period the premises are unfit for use.
Expansion rights	At any time, the tenant may give the landlord notice advising the Landlord that it wishes to expand (or in the case of Condell Park and Moorabbin also upgrade) the premises and requiring the landlord to construct or procure construction of expansion and a project brief which contains the detailed specifications for the expansion. The landlord must procure details on the cost of the expansion and provide these to the tenant. If the tenant elects not to proceed, it must pay the landlord's reasonable costs incurred up to the date of the notice. The landlord will only be required to proceed where the estimate cost of expansion is at least $250,000 for Condell Park and Moorabbin (no minimum spend for Canning Vale) and no more than $8 million (for Canning Vale $3 m). For Moorabbin there is also a cap on upgrades of $0.75 m. These caps apply over the term of the lease on an aggregate basis. If the tenant does wish to proceed, the landlord must construct the expansion and notify the tenant of practical completion. The rent will be updated to include an additional component for expansion rent, calculated as follows; W x C = R Where: W = Expansion Cost C = 9.0% for Moorabbin, 8.5% for Condell Park and 8.07% for Canning Vale R = Expansion Rent

5. Industrial Market Overview

Australian Industrial Overview

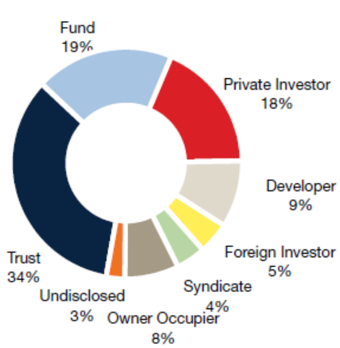
The Australian economy is transitioning away from a reliance on the mining sector, with the consumer, housing and export sectors expected to drive economic growth back towards trend by 2015 and the lower AUD to take pressure off the east coast states as trade competing manufactures. This is expected to generate an improvement in industrial output over the second half of 2014 and support an uplift in rental growth moving into 2015.

Although there have been signs of improvement in businesses confidence in late 2013 and into 2014, the recent announcement by car manufacturer Toyota to leave Australia (following Holden and Ford) is likely to impact on sentiment within the industrial sector, particularly in the affected states of Victoria and South Australia. Despite these departures receiving a high amount of media coverage, CBRE forecast it will have a minimal direct impact on the industrial market and space requirements, on the basis of the motor vehicle and parts manufacturing sector being a small contributor to total output and this loss being offset by the pick-up in other sectors such as the transport and storage sector. However, a broader concern remains around manufacturing in Australia with Deloitte Access Economics forecasting that there will be 80,000 job losses in this section of the economy from now until the end of 2015.

Direct investment into the industrial sector increased by 22% year on year in 2013 to $3.1 b (5 year average of $2.7b) with a strong December quarter in which $1.5 b of sales was recorded. Yield compression of 16 bps was recorded in the prime grade sector to bring yields down to an indicative average of 8.3% across Australia. This has been fuelled by the low interest rate environment, with an attractive spread between alternatives investments such term deposits or bonds, as well as spread between property yields and borrowing costs.

As shown in the table below the “Trust” category acquired the most property by dollar value, however, the Private Investor category recorded the highest number of transactions (48 of the 165 sales, 29.1% of total sales).

Australian Industrial
Industrial Sales Buyer Profile (%)
12 months to Dec-13



Source: Savills Research

CBRE are currently forecasting an improvement in industrial occupier fundamentals, with stable rents in 2014 followed by a mild recovery in 2015. This is likely to support a continuation of yield compression, particularly in prime grade assets or assets with strong long term lease covenants.

Sydney Industrial Market

The Sydney industrial market experienced soft rental growth in 2013 with year on year rents down 1.7%. This performance reflected subdued demand and growth conditions within the sector. The economic recovery and momentum in NSW towards to the end of 2013 suggests that the turning point should be reached in the second half of 2014.

Supply additions over the last two years have been above average and notably more significant than other states. This has also been a contributor to the soft rental growth witnessed. These large amounts of supply is forecast to continue with 700,000 sqm of space in the development pipeline for 2014, with the largest blocks of new supply in the Central and Outer West regions.

Sales activity and demand strengthened in Sydney over 2013, with investors targeting prime grade industrial assets, particularly those with long lease expiries and strong covenants, which lead to a tightening in yields for these assets. Secondary yields compressed in some regions where the spread between prime yields is notable.

Melbourne Industrial Market

Rent growth and yield compression was experienced in Melbourne over 2013 with it being the strongest performing of the nation's capitals since 2009.

This is despite the state economy experiencing a relatively sharp slowing in activity, with the previous boost from the housing and consumer sectors falling away. However, more recent indicators suggest that Victoria's retail trade is improving relative to national averages and that housing has now stabilised. This is expected to provide a broader base of demand for local industrial demand from late 2014, despite the short term adverse sentiment surrounding car manufacturing.

Additional supply in Melbourne was 292,000 sqm in 2013, below the long term average of 532,000 sqm. An emerging trend in the supply is an increase in size of the facilities being built, with the majority of new buildings being over 20,000 sqm in size. Supply is anticipated to rise sharply in 2014 with over 500,000 sqm due to be completed.

Investment sales over 2013 in Melbourne totalled $610 m, which is in line with the average volumes. There was compression in prime grade yields, while secondary yields remained relatively flat, and the spread between the remained at post GFC highs.

Perth Industrial Market

Business confidence in Perth is fragile after the tapering off mining investment and decisions to not to proceed with projects like the Browse and Gorgon expansion projects. However, the recent cost cutting focus from major resources operators is likely to ensure that future activity in the sector will be more sustainable.

CBRE reports there is an ongoing lack of large industrial warehouse stock in traditional industrial locations such as Welshpool, Kewdale and Canning Vale. Despite this, warehouse rents remained relatively stable over 2013 due to a tapering off in demand.

In total there was 200,000 sqm of new supply completed in 2013 with the majority of new supply pre-committed driven and few speculative developments. There is only 40,000 sqm of industrial supply in the

pipeline for 2014. Industrial land shortages remain an issue for the market, particularly for larger lots in traditional industrial locations.

Industrial sales for 2013 in Perth totalled $255 m with a marginal tightening in yields which are reported as being between 6.75% and 8.75%. The largest sale was 2-26 Bannister Road, Canning Vale for $70.5 m to the Charter Hall Core Plus Industrial Fund in October 2013 which showed a yield of 10.7% for relatively short 3 year lease tail.

Recent Investment Sales

A schedule of recent investment sales which are comparable to the Trust properties is provided overleaf.

Recent Investment Sales of Industrial Properties

Address	Sale Date	Sale Price	GLA (sqm)	Rate Per Sqm	Site Area (sqm)	Site Coverage	Initial Yield	WALE	Major Tenant
NSW									
10-38 Forrester St, St Mary	Aug-13	$21.15 m	18,363	$1,152	62,050	30%	7.8%	10 years	One Steel
81-85 Roberts Rd, Greenacre	Mar-13	$37.40 m	15,871	$2,356	46,370	34%	7.5%	12 years	Aus Air Express
15 Huntingwood Dr, Huntingwood	Jun-13	$16.20 m	11,737	$1,380	36,700	32%	7.6%	10 years	HTH Stores
184 Milperra Rd, Revesby	Dec-13	$13.98 m	24,086	$580	49,890	48%	7.7%	4 years	Dorf Clark
13 Ferndell St, South Granville	Mar-13	$13.15 m	15,283	$860	26,740	57%	9.8%	7 years	One Steel
Pact – Condell Park	In DD	$9.75 m	10,794	$903	24,280	44%	8.2%	15 years	Pact Group
VIC									
3-7 Perma Way, Truganina	Oct-13	$6.90 m	4,634	$1,489	10,454	44%	8.3%	11 years	Lithocraft
9-11 Drake Bld, Altona	Aug-13	$24.13 m	25,728	$938	41,730	62%	8.3%	5 years	Rent Guarantee
45 Atlantic Dr, Keysborough	Jul-13	$17.35 m	12,800	$1,355	26,181	48%	7.5%	15 years	Symbion
1420 Ferntree Gully Rd, Scoresby	Dec-12	$39.63 m	36,213	$1,094	126,900	29%	8.2%	10 years	Amcor
Pact – Moorabbin	In DD	$19.00 m	17,512	$1,054	39,010	45%	9.1%	15 years	Pact Group
WA									
4 Koojan Av, South Guildford	Nov-13	$7.81 m	3,444	$2,268	18,261	19%	8.3%	5 years	Emeco
2 Bannister Rd, Canning Vale	Oct-13	$70.50 m	79,041	$892	161,865	49%	10.5%	3 years	K-Mart
1 Howson Way, Bibra Lake	Sep-13	$22.59 m	15,702	$1,439	41,930	37%	8.5%	12 years	One Steel
51 Miguel Road, Bibra Lake	Feb-13	$8.80 m	8,576	$1,026	24,470	35%	9.2%	10 years	PMP Group
Pact – Canning Vale	In DD	$8.80 m	5,352	$1,639	15,497	35%	8.1%	15 years	Pact Group
Pact Portfolio	**In DD**	**$37.55 m**	**33,658**	**$1,116**	**78,787**	**43%**	**8.6%**	**15 years**	**Pact Group**

Sales Comparison Commentary

Based upon the Trust purchase price for the property portfolio of $37.55 m, the blended purchase yield for the portfolio is 8.6%, which is considered attractive compared to the sales outlined in the previous sales analysis table based upon:

- a fifteen year WALE across the portfolio;
- strength of the Pact lease covenant; and
- triple net lease structure with Pact, thereby protecting the landlord from any required capital expenditure.

The portfolio shows a blended rate per square metre of GLA of $1,116 and a blended rate per sqm of land of $476, both of which are considered to be suitable metrics for the portfolio having regard to the net present value of the future rental income stream from Pact.

Adopting a discount rate of 8.0%, the net present value (NPV) of the future rental income stream from the Pact leases is $33.9 m, which alone represents 90% of the purchase price for the portfolio, excluding any value ascribed to land value or existing improvements. This is a higher percentage than the majority of sales outlined due to the longer WALE.

The most comparable sale within the Sydney industrial market is considered to be 184 Milperra Road, Revesby, which comprises an older style industrial facility located approximately 1.5 km south of the Pact Condell Park asset. This property has a short WALE of 4 years, and despite this, sold on a tight yield of 7.7%. The rates per sqm of building ($580) and land ($280) were low, indicating the property was likely bought for underlying land value.

The most comparable sale within the Melbourne industrial market is considered to be 1420 Ferntree Gully Rd, Scoresby, being a similar type of facility (although larger) to the Pact Moorabbin asset. The property sold with a shorter 10 year lease in place to Amcor packaging reflecting an initial yield of 8.2%, which is below 9.1% initial yield for the Morrabbin asset, although we note that the Moorabbin asset is over-rented and the market yield is in line with the 8.2%. The Amcor lease was not a triple net lease and the fixed rental increases were 3.0% per annum (compared to the Pact fixed rental increases of 3.5% per annum).

The most comparable sale within the Perth industrial market is considered to be 1 Howson Way, Bilbra Lakes which comprises a reasonably modern steel framed warehouse and hardstand facility. The property sold with a twelve year lease in place to One Steel (similar covenant) and reflected a yield of 8.5% which is in line with the blended portfolio yield and marginally above the yield reflected by the price applied to the Perth asset (8.1%). The rate per sqm is $1,439 per sqm, in line with the rate per sqm reflected by the Pact asset of $1,639.

6. Investment Strategy

The investment strategy revolves around acquiring the portfolio at an attractive pricing point, maximising the Trust's earning per unit (**EPU**) with the benefit of a bank term loan facility and continuously monitoring the potential disposal of individual properties in order to maximise the Trust's total return.

Completion of Due Diligence and Acquisition

CorVal appointed an extensive team of consultants to review and fully understand any potential risks. The consultants reports have now been received and CorVal is satisfied that, as at the date of this Information Memorandum, there are no material risks which would warrant not proceeding with the acquisition of any property in the portfolio.

Funds and Debt Management Strategy

The Trust will utilise an initial gearing level of 55% ($20.65 m) in order to enhance the EPU of the Trust. The loan to value ratio (LVR) covenant under the bank loan facility is expected to be 65%. To breach this covenant, the value of the property portfolio would need to fall by $5.8 m from the agreed purchase price of $37.55 m (a decrease of 15.4%).

Based upon the length of Pact leases at fifteen years, the strength of the Pact lease covenant, the triple net leases that will be in place with Pact (and therefore no capital expenditure exposure) and improving yields for industrial property assets, CorVal considers this level of gearing to be appropriate in this particular instance.

The forecast year 1 EPU for the Trust is 9.5%, with the forecast average EPU over five year Trust term being 10.5%.

It is CorVal's intention to conservatively manage the Trust cashflows, and in so doing, the intention is to maintain a distribution per unit (DPU) to Trust investors of 9.0% in the first two years, increasing to 9.50% in the third year of the Trust term. This is forecast to be below the Earning Per Unit (EPU) of the Trust which is expected to be 9.50% year 1 increasing to 10.5% in year 3.

The balance of Trust earnings will be retained by the Trust to either pay down debt, assist with the funding of any potential expansion works that Pact may require at select Trust properties, or failing that, be paid to Trust investors in future years.

This strategy remains subject to the performance of the Trust.

Expansion Works

Expansion clauses are included in the respective leases for each of the portfolio assets, which if invoked by Pact, will require the landlord to fund and manage the expansion of any required buildings. In return for this, Pact will be required to pay by way of additional rent based on a pre-agreed yield multiplied by the Total Development Cost of any such works of between.

The pre-agreed yields at each property are;

- 8.1% at Canning Vale;
- 8.5% at Condell Park, and;
- 9.0% at Moorabbin

CorVal believes that should expansion works take place at any of the Trust property(s), it will be beneficial as:

- the overall quality of the improvements at the respective property will improve;
- the blended rental rate across the GLA of the premises at the respective property(s) will decrease, as no land cost will be required to be factored into the total development cost; and
- depending upon when any such works are completed, it will re-set the Pact lease term at the respective property(s) to the greater of the then unexpired lease term or ten years.

The potential financial benefits of such works taking place are further outlined in Section 12 - Expansion Scenario.

Canning Vale Expansion

Pact has indicated that of the three Trust properties, Canning Vale is most likely to be expanded in the short term, with this likely to occur within the first one to two years of the lease term.

The expansion Pact is anticipated to request is the addition of a new detached rear warehouse of circa 2,250 sqm. The building is to be constructed out of pre-cast concrete panels, with a zincalume roof and reinforced concrete slab. The minimum clearance within the warehouse is to be 7 m. Pact has provided plans for these works.

The indicative quotes provided from local builders indicate that the build cost of the expansion will be $1.85 - $2.1 m. In addition, there will be approximately $0.15 m in consultant's fees and a one off leasing fee payable to the Vendor of $0.25 m (this fee applies to the Canning Vale expansion only). All of these costs will be part of the Total Development Cost and therefore attract a yield on cost.

To prevent over capitailsing on the property or Pact asking for future expansion works on the property, the expansion works are capped at $3 m in aggregate over the initial term of the lease.

Condell Park Expansion and Upgrade

The expansion and upgrade works that Pact has indicated they may require for Condell Park over the medium term comprise:

- the construction of a detached rear warehouse of circa 7,500 sqm on the vacant parcel of land at the property;
- demolition of small office component at the front of the property to create more on-grade parking, and;
- the potential replacement of the sections of the roof and walls that currently contain asbestos.

It should be noted there are no detailed plans for these works and Pact has no immediate plans to request that these works commence. However, Pact has indicated the warehouse is currently utilized to its capacity and they are being forced to warehouse goods produced at this property at a separate Pact property in Minto.

To protect against Pact asking for minor upgrades works which would ordinarily be their responsibility under the triple net provisions in the lease agreement, a minimum spend of $250 k at any one time has been incorporated into the lease. The lease also contains an $8 m cap on any expansion or upgrade works over the initial term of the lease.

Moorabbin Expansion and Upgrade Works

The Moorabbin lease contains provisions for Pact to request expansion or upgrade works, with a minimum spend amount of $250 k at any one time, a cap of $750 k on any upgrade works over the initial lease term and a total cap of $8 m cap for both expansion or upgrade works over the initial term of the lease.

Based on the preliminary discussion with Pact, we consider there to be a low to moderate chance that Pact will request major expansion works at Moorabbin over the 5 year investment term of the Trust. Pact has not provide any specific details on planned expansion works, although there is a 3,000 sqm (approx.) vacant parcel of land on which any future expansion works are likely to be undertaken on.

Pact has however indicated it may request some upgrade works which would include minor site improvements such as access roads.

Financing and Managing any Expansion Works Requested

CorVal will be responsible for sourcing the funds required to complete any such expansionary works, with the funding to be raised through any or all of:

- increased debt, on the back of future property valuations and an increase in the property value post completion of the expansion works;
- raising additional investor equity; and/or
- retained Trust cash earnings.

If additional equity is required to be raised, existing Trust investors will be offered the first right (but not the obligation) to subscribe further equity on a pro-rata basis. Any additional equity will be issued at the greater of $1 per unit or the then prevailing Net Tangible Asset (NTA) per Trust unit, thereby ensuring any existing Trust investors that don't elect to participate in any future equity raising are not diluted in a value sense.

For any Trust investors that either elect to not participate in any future equity raising and/or elect to not fully take up their equity entitlement on a pro-rata basis, any shortfall in required equity will be sourced from either other Trust investors or new investors.

On behalf of the Trust, and reporting to CorVal, Logos will be responsible for over-seeing expansion works required at any of the Trust properties (see section 9 for further details).

Disposal

The Trust's target investment term is five years with the Base Case financial projections assuming a portfolio exit at the end of year five, although individual properties may be disposed of within five years if market conditions favour a sale and any such sale maximised investor returns.

Market conditions at the time and availability of a willing buyer at a price we consider reasonable in that market will be key drivers as to the precise timing of the sale.

Recently there has been heightened demand from high net worth privates for assets which are subject to long lease terms and with a pricing point of up to $10 m.

Prior to disposing of any asset it is CorVal's intention to first approach the tenant to see if a lease extension can be negotiated.

7. SWOT Analysis

Strengths and Opportunities

- Attractive blended portfolio purchase yield of 8.6% having regard to comparable sales of industrial assets, combined with a fifteen year lease term guaranteed by the ASX listed Pact and fixed rent reviews of 3.5% per annum;
- Attractive forecast Base Case equity IRR of 13.2%, the bulk of which is from an average forecast Trust EPU of 10.5% over the forecast Trust term of five years;
- Triple net lease structure with the tenant responsible for all outgoings, repairs and maintenance and capital expenditure;
- No leasing risk as the properties are 100% leased to Pact for a fifteen year term;
- Pact provides a strong tenant covenant with FY14E gross turnover of $1.197 b, EBITDA of $202 m and an ASX market capitalisation of an estimated $1.0 b as at the date of this Information Memorandum;
- The investment presents the opportunity to buy at a portfolio level and sell down the assets individually on firmer yields as smaller lot sizes for private investors;
- Portfolio of three properties which provides diversification across three industrial markets and three state economies, as well creating the flexibility to sell down the properties individually to enhance returns and progressively return capital to investors;
- No interest rate risk as the intention is to fix 100% of the Trust's interest expense exposure for a minimum three year term. This, combined with 100% portfolio occupancy during the intended Trust term, provides Trust Investors with greater certainty around EPU, and therefore, income distributions;
- Opportunity to work with Pact on expanding the properties, with any development costs that are incurred by the Fund when undertaking expansions to generate additional income / value over time along with re-setting the lease term at such properties to new ten year leases (should the works be completed post commencement of year five of the respective Pact property lease);
- The covenant strength and length of the leases provides greater certainty around meeting bank loan covenants and interest servicing, thereby enhancing the Trust EPU and providing greater leverage to delivering future investor equity IRR upside.

Weaknesses and Threats

- Condell Park is known to have asbestos sheeting in the walls and roof which poses an environmental risk. This risk has been mitigated by including a specific clause in the lease for this property which requires the tenant to manage this risk, including maintaining contamination registers and contamination management plans for the premises and the land. Further, Pact have indicated that replacement of this asbestos sheeting is likely to form part of any expansion and upgrade works that they may request at the property. The Trust would therefore receive a yield on the cost of removing this asbestos as well as benefiting from improving the property;
- The JLL valuation indicates the Moorabbin commencement rent is above market levels, however, this was factored into the original pricing of the asset and is primary reason why the property is being acquired at a comparatively high initial yield of 9%. The JLL valuation report for this property supports

the acquisition price and has adopted a cap rate of 8.25% to reflect the gap in the current market and passing rent;

- The improvements generally comprise manufacturing or medium clearance warehouse facilities, and because of this, may have reduced tenant demand beyond Pact. For Trust investors, we will be mitigating this risk by seeking to sell each of the Trust properties during the intended five year term of the Trust, thereby presenting the properties to the market for disposal with unexpired lease terms of no less than ten years;
- Exit risk – it is intended the Trust assets will be realised during the intended Trust term of five years. If this didn't eventuate and the remaining lease terms were relatively short, it may become difficult to sell the assets.
- If the macroeconomic environment improves and the broader commercial market improves considerably from current levels, future returns from the Trust properties in comparison to other property asset classes may underperform. This is on account of passive property assets with fixed per annum rent reviews may trade relative to bond yields and interest rates which would be expected to increase in a stronger economic environment.

8. CorVal

CorVal is a specialist property fund manager and investor, with over $1 billion of property funds and assets under management or mandate, whose executives and shareholders have a long and deep history in the Australian property industry. The senior executive management team of Rob Rayner, Ian O'Toole and Kerr Bray have collective industry experience in excess of 65 years over a number of different property cycles.

Our objective is to provide investors with access to Australian real estate opportunities that deliver strong risk-adjusted returns, by investing in simple investment vehicles that offer complete transparency, an absolute focus on performance and a strong alignment of interests.

Our aim is to deliver real estate investment solutions for institutional, wholesale and retail investors through the establishment of tailored unlisted property investment vehicles including joint ventures, clubs and funds.

We are licensed by ASIC, with a focused business model designed to:

- develop uncomplicated unlisted property funds, housing quality property assets;
- deliver attractive risk-adjusted returns to our investors;
- ensure an absolute focus on performance;
- place the interests of our investors first; and
- maintain material alignment of interests by co-investing alongside our investors where possible.

The business is owned:

- 50% by the senior executive management team; and
- 50% by our major shareholder, Andrew Roberts, who is the eldest of three siblings within the Roberts family, who held a beneficial interest in the ASX-listed Multiplex Group, prior to its takeover by the North-American based Brookfield Asset Management. As part of this takeover, the Roberts family interest was sold for approximately $1.1 billion.

The CorVal business has a number of key competitive advantages, including:

- access to attractive investment opportunities by leveraging off the historic experience and market position of our stakeholders;
- the ability to move quickly to acquire property assets, through access to the financial strength of our major shareholder;
- no conflicts of interest when sourcing opportunities as CorVal does not operate funds with competing investment strategies;
- a disciplined business model that is focused upon performance, rather than growing or maintaining funds under management;
- an emphasis on recycling investor capital, by aiming to sell property assets when considered most appropriate to do so; and
- the capacity to create unlisted investment vehicles that respond to the property investment preferences of our investors.

Rob Rayner will be the Fund Manager for the Trust and have direct responsibility for the delivery of the investor returns.

Our investment approach

CorVal develops investment vehicles in partnership with investors that are designed to meet their specific requirements.

The over-riding objective is to provide investors with vehicles that pursue a strategy aimed at meeting investors' risk-return profile within a simple structure that offers transparency and a strong alignment of interest.

As both investment manager and co-investor, we employ a disciplined approach to real estate investing that is focused on understanding and evaluating investment risk. A detailed knowledge of the markets, and an understanding of the property fundamentals that drive long term value, enable risks to be quantified.

Based on this assessment, we are well positioned to make investments that deliver an appropriate risk-adjusted return. Each investment is assessed from a macro perspective with a focus on economic fundamentals including interest rates, inflation and capital flows as well as the micro factors including local market supply and demand and the property specifications.

In assessing each investment opportunity and determining the appropriate strategy, CorVal addresses the following key areas:

- entry price and timing;
- strategy, including opportunities to add value through active management;
- growth potential, driven by real estate fundamentals;
- risks and mitigating factors;
- hold period/exit strategy;
- funding; and
- sustainability and responsible investing.

Our Directors

Kevin Neville – Non-Executive Chairman
Kevin is the previous Managing Partner of Moore Stephens, Accountants and Advisors, in Melbourne and former Chairman of Moore Stephens Australasia. Kevin has over 30 years of professional accountancy experience and has been an audit partner with Moore Stephens since 1985.

Rob Rayner – Executive Director
Rob is a Director of CorVal and has over 20 years' experience in the Australian financial services and property industry.

Rob has a wide-ranging background in the property funds management industry, and has been involved with the re-structuring, establishment and on-going management of over $3 billion in funds, through senior positions held with Armstrong Jones (prior to being acquired by ING Real Estate) and Brookfield Multiplex.

Rob was also responsible for the successful establishment of the Acumen Capital funds management business in 2000 prior to its acquisition by the Multiplex Group in 2003 to form that group's funds management platform.

Within the CorVal business, Rob is responsible for the creation and marketing of new funds, together with the ongoing management and investor communications for these funds.

Ian O'Toole – Executive Director

Ian is a Director of CorVal and has over 25 years' experience in the Australian property industry. He has extensive experience in the acquisition, due diligence, asset management and development of property portfolios of up to $7 billion in value, through various senior positions held within ING Real Estate, Brookfield Multiplex and other Australian property groups.

Since leaving Brookfield Multiplex in 2007, Ian has been working with Andrew Roberts on the procurement of property assets, including Industry House (10 Binara Street, Canberra) and the new Australian Red Cross Blood Service NSW/ACT headquarters (17 O'Riordan Street, Alexandria), together with the establishment of CorVal in conjunction with Rob Rayner and Andrew Roberts.

Within the CorVal business, Ian is responsible for the acquisition and overall performance of property assets held within property funds.

9. Logos Property

Logos is a specialist development and asset manager with a sole focus on logistics real estate. Established in 2010, the platform now expands through the Asia Pacific region, with a leading position in large format logistics development.

Projects undertaken by Logos have been invested in by one overseas sovereign wealth funds, private equity groups and family offices.

Together with CorVal, Logos played a central role in securing the portfolio of Trust properties from Pact. Moving forward, CorVal has appointed Logos as the development manager for the Trust properties to co-ordinate any expansion works that Pact may require.

For any required expansion works, Logos will receive a development manager fee equal to 5% of the total development cost (excluding land) agreed with Pact, which is payable as the costs are incurred. The role of Logos in any expansionary works includes:

- obtaining necessary consents and development approvals;
- designing and planning of expansion works;
- overseeing site coordinating and supervising development; and
- building construction management.

Aside from any expansion works that Pact may require at any of the Trust properties, no speculative development works will take place at any of the Trust properties:

- without the approval of CorVal (acting in the best interests of Trust investors);
- a lease pre-commitment is in place for 100% of any additional net lettable area that is to be developed with a reputable tenant;
- full approvals for such works are in place; and
- required funding (debt and equity) is in place to cover the cost of any development works.

If any such development works to proceed, Logos would similarly be appointed as the development manager for such works on the same development fee entitlement.

CorVal has agreed to share with Logos half of the property acquisition fee and any performance fee that may arise upon the eventual realisation of all the Trust properties and wind-up of the Trust (see section 14).

Further details on Logos can be found at www.logosproperty.com

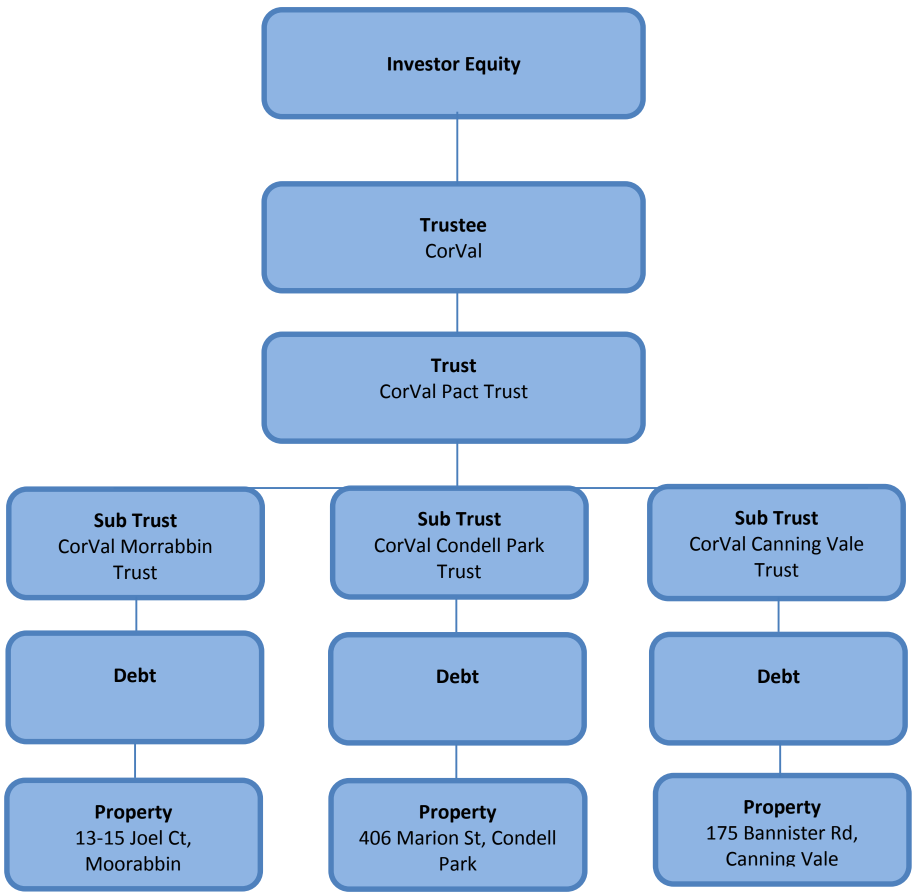
10. Investment Structure

Each Property will be acquired by a separate sub-trust, with each of the three sub-trusts to be wholly owned by the CorVal Pact Trust. The Trust will be an unlisted unregistered wholesale managed investment scheme and investors will be issued units in the Trust.

CorVal will be the trustee of the CorVal Pact Trust and a separate wholly-owned CorVal entity will be the trustee for each of the separate sub-trusts.

As trustee, CorVal will:

- hold the assets of both the CorVal Pact Trust and each of the sub-trusts;
- borrow funds on behalf of each sub-trust;
- provide asset management services to each Property; and
- provide funds management and administration services to both the CorVal Pact Trust and each of the sub-trusts.



Additional properties

Over the course of the negotiations to secure the portfolio of Trust properties, CorVal has built a relationship with Pact. During these negotiations, Pact has raised with CorVal the possibility of acquiring additional properties that are similar to the three Trust property assets. CorVal, as trustee of the Trust, will consider this from time to time, and if such acquisition opportunities arose that CorVal considered would be in the best interests of Trust investors to acquire, CorVal will communicate with investors at that time, including our recommendation and a full financial/funding analysis. Importantly, no such acquisitions would take place unless a meeting of investors was held, and at that meeting, an ordinary resolution was passed in favour of such an acquisition(s).

Term of the Trust

An investment in the Trust should be viewed as a medium term investment of no less than five years, although some or all of the individual properties maybe disposed of within five years if market conditions favour a sale. Conversely, the term of the Trust could potentially be longer than five years depending on market conditions.

In any event, we must sell the Property as soon as we consider it to be in the best interests of investors to do so after the fifth anniversary of the close of this offer.

Market conditions at the time and the availability of a willing buyer at a price we consider reasonable in that market will be key drivers as to the precise timing of the sale.

We may sell the units in the Trust or the wholly-owned sub-trusts of the Trust, or we may sell each of the respective properties individually or collectively and terminate the Trust so that the sale happens as part of the winding up of the Trust with the return of the net proceeds to investors.

Could the term of the Trust be less than five years?

Yes it could, either we could sell the assets earlier than five years, or alternatively, investors may requisition a meeting to consider and vote on an early realisation of the respective Trust properties inside the initial five year term.

Although the intention is to hold the Trust properties for no less than five years, we would consider selling the Trust properties individually, or collectively, if we considered that any such sales would maximise investor returns having regard to market conditions (both at that time and anticipated market conditions moving forward) and the position of the respective property in comparison to the market-place. Again, market conditions are key, as well as the availability of a willing buyer at a price we consider reasonable.

If any Trust properties remain unsold at the expiry of the fifth year of ownership, an investor meeting will be convened and a vote will be taken as to whether to sell the remaining Trust properties at that time or to extend the Trust for a further term. The decision to sell, or extend the term of the Trust, will be by a resolution that has the support of 50% or greater of those investors that vote.

In addition, investors may requisition a meeting at any time during the initial five year Trust term to vote on an early sale of the Trust properties. To achieve an early sale will require a resolution that has the support of 50% or greater of those investors that vote.

11. Forecast Financial Information

The forecast financial information has been presented in an abbreviated form, so this section does not include all the disclosures as required by the Australian equivalents to International Financial Reporting Standards (AIFRS).

The forecasts have been prepared on the basis of the best estimate assumptions and key accounting policies set out in this section.

Many factors which affect the forecasts are outside of CorVal's control, so CorVal therefore does not give any assurance the forecasts will be achieved or the Trust will be able to make distributions during or after the forecast period at the distribution levels forecast. Actual results may differ materially.

Source and application of funds

	note	
Source of Funds:		
Equity		$21.10 m
Debt	a	$20.65 m
		$41.75 m
Application of Funds:		
Property purchase price		$37.55 m
Stamp duty		$2.02 m
Pact Incentive	b	$1.00 m
Property acquisition and due diligence costs		$0.19 m
Finance fees	c	$0.09 m
NSW Mortgage Duty		$0.02 m
CorVal acquisition fee	d	$0.75 m
Working capital/retained equity		$0.13 m
		$41.75 m

Notes:

a Acquisition facility based on an initial gearing level of 55%
b A $1 m incentive will be paid to Pact in lieu of extending the leases from twelve years to fifteen years
c Includes 0.45% loan establishment fee
d 2.0% of the Trust property portfolio purchase price of $37.55 m

Trust outgoings and capital expenditure

The financial forecasts do not contain any property level outgoings or capital expenditure. Under the triple net lease structure the tenant is responsible for these expenses.

Insurance for Loss of Rent

An allowance of $12 k per annum has been made for loss of rent insurance (2 years) that will be sought so that the Trust will continue to receive income in the unlikely event any of the Trust properties is damaged or destroyed.

Trust Financial Projection

Financial Year Ending	IRR	- **30-Jun-2014**	1 **Jun-2015**	2 **Jun-2016**	3 **Jun-2017**	4 **Jun-2018**	5 **Jun-2019**	6 **Jun-2020**
Rental Income		-	3,235,553	3,348,797	3,466,005	3,587,315	3,712,871	320,235
Recoveries		-	-	-	-	-	-	-
Gross Income		-	3,235,553	3,348,797	3,466,005	3,587,315	3,712,871	320,235
Environmental Insurance		-	(12,360)	(12,731)	(13,113)	(13,506)	(13,911)	(1,194)
Net Outgoings		-	(12,360)	(12,731)	(13,113)	(13,506)	(13,911)	(1,194)
NET OPERATING INCOME		**-**	**3,223,193**	**3,336,067**	**3,452,893**	**3,573,809**	**3,698,960**	**319,041**
Capital Upgrades		-	-	-	-	-	-	-
Tenant Incentives		-	(1,000,000)	-	-	-	-	-
Leasing Commissions		-	-	-	-	-	-	-
Non Recoverable Capital Expenditure		-	-	-	-	-	-	-
TOTAL CAPEX		**-**	**(1,000,000)**	**-**	**-**	**-**	**-**	**-**
Purchase Price		(37,550,000)	-	-	-	-	-	-
Acquisition Costs		(2,950,295)	-	-	-	-	-	-
Disposal Price		-	-	-	-	-	-	45,189,776
Disposal Costs		-	-	-	-	-	-	(903,796)
INVESTMENT CASH FLOWS		**(40,500,295)**	**-**	**-**	**-**	**-**	**-**	**44,285,981**
NET PROPERTY CASH FLOWS	**9.9%**	**(40,500,295)**	**2,223,193**	**3,336,067**	**3,452,893**	**3,573,809**	**3,698,960**	**44,605,022**
Acquisition Debt - drawdown		20,650,000	-	-	-	-	-	-
Acquisition Debt - establishment costs		(114,377)	-	-	-	-	-	-
Acquisition Debt - repayment		-	-	-	-	-	-	(20,650,000)
Acquisition Debt - interest expense		-	(980,875)	(980,875)	(980,875)	(980,875)	(980,875)	(81,740)
Capex Debt - drawdown		-	-	-	-	-	-	-
Capex Debt - establishment costs		-	-	-	-	-	-	-
Capex Debt - repayment		-	-	-	-	-	-	-
Capex Debt - interest expense		-	-	-	-	-	-	-
Capex Debt - commitment fee		-	-	-	-	-	-	-
Working Capital and Incentive Funding		(1,135,328)	1,000,000	-	-	-	-	135,328
NET FINANCING CASH FLOWS		**19,400,295**	**19,125**	**(980,875)**	**(980,875)**	**(980,875)**	**(980,875)**	**(20,596,412)**
NET GEARED PROPERTY CASH FLOWS		**(21,100,000)**	**2,242,318**	**2,355,192**	**2,472,018**	**2,592,934**	**2,718,085**	**24,008,610**
Interest Income		-	20,000	20,000	20,000	20,000	20,000	1,667
Asset Management Fee		-	(225,300)	(227,397)	(234,077)	(241,099)	(248,332)	(21,028)
Fund Operating Costs		-	(40,000)	(41,200)	(42,436)	(43,709)	(45,020)	(3,864)
NET CASH FLOWS (before performance fee)	**13.2%**	**(21,100,000)**	**1,997,018**	**2,106,594**	**2,215,505**	**2,328,126**	**2,444,733**	**23,985,385**
Performance fee		-	-	-	-	-	-	(507,077)
NET CASH FLOWS (after performance fee)	**12.8%**	**(21,100,000)**	**1,997,018**	**2,106,594**	**2,215,505**	**2,328,126**	**2,444,733**	**23,478,308**
EPU Yield	**10.5%**	(average)	**9.5%**	**10.0%**	**10.5%**	**11.0%**	**11.6%**	**1.0%**

Key property assumptions

The forecast investor returns are subject to the following key property assumptions:

Portfolio disposal date	Jul '19
Blended disposal yield across the portfolio (passing)*	8.50%
Portfolio disposal price	$45.19 m
Disposal price per sqm of GLA	$1,338

* on projected passing income

Key financial assumptions:

(a) Net operating income
Based on the negotiated leases, commencement rents and fixed increases.

(b) Acquisition costs
Includes stamp duty, CorVal acquisition fee (see section 15), legal fees, valuation fee, physical due diligence costs and an allowance for other due diligence related acquisition costs.

(c) Disposal price
See property disposal assumptions in the previous table.

(d) Disposal costs
2% of projected sale price.

(e) Acquisition debt
It is intended for the Trust to utilise a $20.65 m bank term loan facility to acquire the property. A total interest rate of 4.75%, comprising a three year fixed base interest rate of 3.40% and a 1.35% interest margin, has been assumed in preparing the financial forecasts.

See section 13 for further details on the Trust gearing.

(f) Interest income
Assumed to be $20,000 per annum.

(g) Asset management fee
Calculated at 0.6% per annum on the projected Trust total assets, paid quarterly in arrears.

(h) Fund operating costs
Estimate of $40,000 per annum for annual Trust expenses, including audit fees, tax fees, valuation fees and legal fees.

12. Sensitivity and Scenario Analysis

Base Case Scenario

The key assumptions in the Base Case financial projections are the exit yield applied to the passing rents and the time of the disposal. **The Base Case Scenario** Trust equity IRR is 13.2%.

A sensitivity analysis on these two key variables is shown in the table below, with the stated returns net of base management fee and Trust expenses but before any performance fee.

Portfolio exit date versus exit sales yield

	Investment Term		
Exit Sale Yield	4 years	5 years	6 years
7.50%	17.5%	17.2%	16.9%
8.00%	14.8%	15.2%	15.3%
8.50%	12.2%	13.2%	13.8%
9.00%	9.7%	11.3%	12.4%
9.50%	7.3%	9.6%	11.0%

Individual Exit Scenario

The **Base Case Scenario** assumes the Trust property portfolio is exited off a blended passing yield of 8.50% ($45.2 m). The ability exists to sell the properties down individually, which may result in a premium to a portfolio exit being achieved, thereby further enhancing investor returns.

On an individual basis, two of the assets are priced in the $10 m to $12 m range upon disposal, which combined with the strength of the Pact tenant covenant and long term lease triple net lease terms, is considered to make them attractive to private investors seeking a passive long term income stream. From Section 5, it was noted that private investors represented the highest percentage of purchasers of industrial property assets in 2013, at 29.1% of all industrial sales by number of sales.

The individual sell down also allows for the timing of the disposals to be varied and equity to be progressively returned to investors. Whilst it is the intention of CorVal to hold the assets for five years, sales of individual properties may be considered earlier than this if market conditions favoured a sale and the potential exists to achieve premiums to the entry prices and valuations, thereby maximising investor returns.

The scenario below considers the sale of the properties individually at varying exit yields and disposal dates:

	Condell Park	**Moorabbin**	**Canning Vale**
Assumed disposal date	1-Jul-17	1-Jul-18	1-Jul-16
Assumed exit yield	7.50%	8.50%	7.50%
Implied exit value	$11.83 m	$23.24 m	$10.14 m
Exit value / sqm	1,096	1,330	1,895
Forecast Equity IRR (pre performance fee)			**14.5%**

The full financial projections for the **Individual Exit Scenario** are contained within Appendix 2.

Expansion Scenario

The respective leases contain expansion clauses which, if exercised by Pact, requires the Trust to fund the total development cost of expansion or upgrade works at these respective properties to create additional gross lettable area. In return, Pact will pay additional rent based on a yield on total development cost.

If these expansion clauses were exercised by Pact, the Trust will benefit as follows:

- the blended rental rate across the entire premises at the respective property will reduce on account of the Trust already owning the land, and therefore, no land cost being included in the total development cost of the expansionary works;

- as the blended rental rate per sqm for the respective property will reduce, this may see the rental rate per sqm post completion of the expansion works below market, which will assist in placing downward pressure on the disposal yield (increase the property disposal price) when the respective property is ultimately realised;

- the overall quality of the property and facilities at the respective property will improve; and

- if the unexpired lease term is less than ten years upon completion of the works, the lease will be re-set to a new ten year term.

To illustrate the potential benefits of this, assuming expansionary works are undertaken at both the Condell Park and Canning Vale properties:

	Condell Park	**Canning Vale**
Assumed cost of expansion works	$6.0 m	$2.25 m
Assumed new GLA	7,500 sqm	2,246 sqm
Practical completion of expansion works	1-Jul-17	1-Jul-15
Yield on total development cost	8.50%	8.1%
Additional net rent	$510,000	$182,250
Additional net rent/sqm	$68	$81
Property net rent **pre**-expansion works	$857,568	$734,850
Property net rent **pre**-expansion works/sqm	$79	$136
Property net rent **post**-expansion works	$1,303,818	$917,100
Property net rent **post**-expansion works	$71	$120
Reduction in rent/sqm	**$8**	**$16**

Due to this reduction in the blended rent per sqm and the improvement in the quality of the facilities, we have assumed 7.75% disposal yields for the sale of these properties post the completion of the extension works (a 0.25% tightening in disposal yield from the **Base Case Scenario**).

The potential effect of this on the disposal price and forecast equity IRR for the Trust is shown below:

	Condell Park	**Canning Vale**
Disposal date	1-Jun-19	1-Jun-19
Exit yield	7.75%	7.75%
Exit value	$19.6 m	$13.6 m
Exit value/sqm of GLA	1,069	1,786
Total exit value (for the whole portfolio)		$55.9 m
Blended Exit Yield (passing)		8.27%
Forecast Equity IRR (pre performance fee)		**14.0%**

The full financial projections under this scenario are contained within Appendix 3.

13. Gearing

Loan facility

On behalf of the Trust, CorVal has received indicative non-credit-approved term sheet from a major Australian bank to provide the Trust with term loan facilities to partially assist with the funding to acquire each of the Trust properties by their respective sub-trust.

The key terms of this loan facility are summarised in the table below:

	Note	
Facility limit		$24.4 m
LVR at settlement		55%
LVR covenant	a	65%
Term		3 years
Interest margin (over BBSY)		1.35%
Establishment fee		0.40%
Minimum ICR	b	2.0 x
Repayment		Interest only

Notes:

a The value of the Property would need to fall to $5.8 m, or by 15.4% from the purchase price for the Trust property portfolio to breach the LVR covenant.

b Based upon the forecast net operating income for the Trust (see section 11) and base interest rate assumptions on Trust borrowings (see note (e) in “Key financial assumptions” in section 11), the forecast ICR coverage for the Trust is:

	30.6.15	30.6.16	30.6.17	30.6.18	30.6.19
Covenant	2.00 x	2.00 x	2.00 x	2.00 x	2.00 x
Projection	3.29 x	3.40 x	3.52 x	3.64 x	3.77 x

Security

Security for the Loan is intended to be:

- first registered real property mortgage given by the trustee as trustee of each sub-trust of the Trust over the respective property of that sub-trust;
- general securities agreement over the assets and undertakings of the Trust and each sub-trust; and
- the bank’s interest in the relevant insurances to be noted.

Interest rate hedging

It is the intention for the Trust to enter into a three year interest rate swap with the bank with respect to the term loan facility. The assumed interest rate in the Trust financial forecasts for the three year interest rate swap is 3.40%. We have assumed this same base rate for the forecast period for the Trust through until the eventual disposal of the Trust properties. In addition, we have not assumed any reduction in the bank total interest margin of 1.35% over this same period of time.

14. Risk Factors

Like any investment, there are risks associated with investing in the Trust. By their very nature, the risks involved with property investments cannot be exhaustively categorised. There are a number of risk factors that could affect the performance of the Trust, the level of income distributions and the repayment of your capital. Many risk factors fall outside our control and cannot be completely mitigated.

The following is a non-exhaustive list of the main risks associated with investment in the Trust. You should consider and weigh them up carefully and make your own assessment as to whether you are comfortable with them.

Distributions are not guaranteed and neither is the return of your capital.

Property market and other property related risks

An investment in the Trust comes with risks associated with investing in property. These include, but are not limited to:

- a downturn in the value of any of the Trust property assets, and in the property market in general, which can be caused or exacerbated by many factors, including for example restrictions on the availability of credit both locally and even globally;
- increased competition for any of the Trust property assets, from new or existing industrial properties in the property markets in which the Trust assets are located, which could attempt to attract the existing tenant;
- a downturn in the economy (at either a local or global level, or both, such as for example the recent events commonly referred to as the "global financial crisis"); and
- amendments to laws having a detrimental effect on the Trust or the property assets of the Trust.

The value of the Trust's property assets could go down, depending on factors such as market conditions. When the Trust's property assets are sold, there is always a risk they cannot be sold for prices which deliver a capital gain to investors.

There is also the risk that independent valuations obtained for the Trust's property assets may not be accurate or may not end-up representing the amount they can be sold for at a particular point in time.

Environmental Risk

The Trust properties are located within established industrial areas. This, combined with the properties ongoing use for manufacturing purposes by Pact (and by previous occupiers for a variety of industrial uses), creates a risk that any (or all) of the properties may contain contamination. CorVal has undertaken two key measures to mitigate this risk to the extent possible by:

- appointing Douglas Partners to undertake environmental investigations to understand if there are any major environmental issues (either past or present), and
- appointing KWM to ensure any environmental risk / liability from a legal perspective which the Trust may become exposed to is acceptable. This has been addressed through specifically drafting the various transaction documents to address environmental issues and understanding the overriding statutory provisions. In support of this, KWM has provided the Trust with a clean sign off on environmental risk.

These measures are explored further below.

Douglas Partners

CorVal has appointed Douglas Partners, a third party environmental specialist, to undertake phase 1 environmental investigation at all of the properties. These investigations included a review of available site history and past uses, search of available environmental information and a site inspection, with the ultimate objective of identifying potential environmental issues. This is the recommended industry approach for industrial properties.

Following these investigations, in the opinion Douglas Partners, the likelihood of broad scale or material contamination on the sites is generally low. In some areas of the site where Pact's or previous occupiers operations includes the storage of oils / chemical, the risk moves up to moderate, however, this is somewhat expected given the nature of the operations and is limited to the sections of the properties where these contaminants are found (and therefore is not widespread). No environmental searches revealed any contamination or threat of contamination above acceptable levels.

Douglas Partners were further instructed to undertake phase 2 investigations at Condell Park and Moorabbin through drilling and core hole sampling at the sections of the sites determined to be at the highest risk of contamination. These samples were then lab tested and analysed by environmental scientists. The analytical results for the soil samples shows that the concentrations of potential contaminants in soils was low and typical of background concentrations.

The Douglas Partners results do not reveal any onerous or material environmental issues. Whilst CorVal is satisfied with the scope of investigations, it should be noted that investigations are limited, and in the case of Canning Vale, restricted to phase 1 investigations only, while the Condell Park and Moorabbin investigations included both a phase 1, and phase 2 with approximately 4 to 5 core hole samples taken at each property.

Douglas Partners has not provided their specific consent for their reports to be made available to Trust investors. The comments above are therefore a summary of their reports only.

Environmental Risk – Legal Perspective

The respective contracts of sale and leases have regard to environmental issues and have been reviewed and drafted on behalf of the Trust by KWM in order, where possible given they needed to be negotiated with the legal firm representing the vendor, to mitigate any environmental risks the Trust may be exposed to from a legal perspective.

The respective contracts of sale contain vendor warranties to the effect that to the best of the vendors knowledge, the vendor is not aware of any environmental matter, environmental claim, contamination or contamination claim or anything that has occurred or is occurring at that respective property that may cause such a claim, expect for anything disclosed in the due diligence materials (with nothing material disclosed at this stage).

Under the respective lease agreements with each of the Pact controlled entities, the tenant is prohibited from doing anything which may result in contamination of the premises. The Douglas Partners reports will be attached to the lease and form a "baseline" from an environmental standpoint (which as noted above is a relatively clean baseline report). Upon expiry of each respective lease, the tenant is required to clean up

and remediate any contamination to this baseline condition. An indemnity from the tenant is provided for any contamination liability that may arise under this circumstance.

Further, under each respective lease, the tenant is also required to comply with environmental laws, including reporting and disclosure obligations.

Outside of the sale and lease documents, legislation provides that the person / company that caused any contamination retains primary responsibility to make good that contamination. That is for contamination that was caused prior to the Trust assuming ownership of the respective property, the polluter will remain liable. If this party was insolvent, the statutory liability may then rest with the Trust.

As a result of the warranties in the contract, the results of the Douglas Partners investigations and the statutory law process outlined above, the Trust as the purchaser of the respective properties has provided the vendor with a clean exit in the contracts of sale by assuming liability for any environmental risks from the date of completion. This was a requirement of the vendor as a condition of the sale.

KWM has provided a clean sign off which indicates there is no material risk the Trust could be liable for remediation costs or for harm to human health from contamination during the currency of the new leases, with a recommendation the acquisitions are in order to proceed without material concern for these risks.

Expansion Works

As disclosed in Sections 4 and 6, at any time Pact may give notice to the Trust that it wishes to expand/upgrade their premises. In this situation, the Trust is required to fund the costs of any such works up to an agreed dollar value. In return, the Trust will receive additional rent based upon a pre-agreed yield multiplied by the Total Development Cost of such works (excluding any land value). The pre-agreed yield for each property is 8.1% (Canning Vale), 8.5% (Condell Park) and 9% (Moorabbin). Because these yields are fixed, there is a risk these works may be value decretive if the capitalisation rate that an independent valuer may apply to any respective property when valuing that same property was higher than the respective pre-agreed rental yield that would apply to the Total Development Cost of such works. CorVal believes the risks of this to be remote during the intended term of the Trust, combined with the other benefits as outlined in this Information Memorandum surrounding such works being completed by the Trust.

Hazardous Materials

An SGA Asbestos register and management plan prepared for Pact in April 2010 and the Risk Management Report prepared for CorVal / the Trust, indicates that asbestos containing materials are located within the Condell Park building's roof, walls, fire doors and walls. The asbestos identified and inspected by both SGA and Risk Management was described as being in bonded form and in reasonable condition.

Prior to the SGA inspection, recent make safe works had been undertaken by Pact, including removal of any asbestos containing fibre cement sheeting debris, asbestos containing cooling tower louvers, the encapsulation of penetrated fire doors and any known occurrence of broken or friable asbestos containing fibre cement sheeting.

In accordance with the regulatory requirements, the tenant will be required to maintain the asbestos and management plans, as well as continue the make safe works, at the tenants cost. A specific clause to this effect has been included within the Condell Park lease.

It may be the case that if the expansion works are undertaken at Pact's request at the Condell Park property, an asbestos removal program would be incorporated into the overall program and cost of these works, the Trust would then receive a yield on the cost of these works. At the end of the tenants occupation of the premises, it is likely the asbestos will need to be removed (if not already done so). Risk Management has

forecast this cost to be an estimated $300 k, although it is CorVal's intention to have disposed of the asset prior to this time.

Risks associated with the Trust Financial Projections

Section 11 contains information about the Trust financial projections. As explained earlier in this Information Memorandum, achievement of the projections and forecasts in this Information Memorandum are not promised nor guaranteed, by CorVal or by anyone else. The projections and forecasts are based on a number of assumptions, and those assumptions may not turn out to be correct, or they might be impacted by many factors outside of our control. Whilst we consider that as at the date of this Information Memorandum, the assumptions on which the projections and forecasts are based are reasonable, circumstances can change and it is not possible to accurately predict future events or unforeseen circumstances. This section explains just some of the factors which could adversely impact the achievement of the projections and forecasts (such as for example unforeseen capital expenditure requirements, or breaches of the leases with the tenants in the Property).

Capital expenditure

No capital expenditure has been included within the Trust's financial projections on account of the triple net lease structure that is in place with Pact for each of the Trust's property assets. There are no obligations in the lease for the landlord to maintain or repair the premises rather these obligations rest with the Tenant. These obligations are subject "fair wear and tear" and therefore there is a risk that the tenant could stop maintaining and repairing the premise to a high standard under this carve out. Although this would be at the detriment to the tenants operations at the property.

Tenancy risks

If the tenant for each of the Trust's property assets failed to honour their lease obligations, then this is likely to have a detrimental impact on the Trust. It is likely this could result in a reduction to the distributions available to be paid, or in extreme circumstances, a failure by the Trust to meet its interest obligations on bank borrowings.

The projections and forecasts set out in section 11 assume, amongst other things, Pact honour their leases and pay all rent and any other amounts, as and when due. Any failure by Pact to do so is likely to mean the projections and forecasts are not met.

Borrowing risks

The Trust will borrow money to partially fund the purchase of the Trust's properties. Gearing comes with risk, and gearing a property investment can increase the potential for capital losses, as well as gains. In the event the Trust is unable to service its respective borrowings, through for example tenant defaults, then distributions may be reduced or suspended and the lender may enforce its security over the Property. This may include the lender exercising its power to sell any or all of the Trust's property assets, which may lead to any or all of the Trust's property assets being sold for a lower price than would have been obtained had the respective property been sold voluntarily by the Trust in the ordinary course of business.

Refinancing

The Trust loan facility will be fixed for a three-year term from the date of settlement and there can be no guarantee the loan facility will be either renewed, or if renewed, done so on terms at least as favourable as the current loan terms. The loan facility will contain various lending covenants and review requirements. If the facility is not renewed, or additional conditions are imposed, this may impact on the return to investors.

Breach of banking covenants

The Trust will procure debt funding to complete the acquisition of the Trust's property assets (see section 13). The bank will impose lending covenants that include, amongst other things, LVR and ICR ratios. In the event of a breach of any bank covenant, that is not remedied, the bank will have the right to take certain measures which may include, but not be limited to, withholding income from any or all of the Trust's property assets, or in the most serious instances, the forced sale of any or all of the Trust's property assets.

Interest rates

Interest rates may rise or fall over the duration of the Trust. The forecast base interest rates adopted in the Trust financial projections are outlined in section 11. There is no guarantee these interest rates will be achieved. The three-year swap rate as at the date of this Information Memorandum as advised is 3.40%.

Tax

Changes to tax law and policy (including for example any changes in relation to how income of the Trust is taxed or in relation to the deductibility of expenses, or changes to stamp duty law) might adversely impact the Trust and investors' returns. You should obtain independent tax advice in respect of an investment in the Trust however it is not possible to predict future changes to tax law or policy.

Regulatory changes

The introduction of new, or amendment of existing, legislation may have a detrimental effect on the Trust's property assets and the returns from the Trust.

Trust property assets are destroyed

While the Trust owns the respective properties, we will put in place the normal commercial insurance policies to cover damage or destruction due to fire, theft, loss of rent, vandalism and other commercially viable insurable events. However in the event of damage or destruction, there may be consequential loss of income and expenses incurred.

Insurance risks

Various factors might influence the cost of maintaining insurance over the Trust's property assets, or the extent of cover available. Increased insurance costs, or limits on cover, can have a negative impact on the performance of the Trust. There are also some potential losses that cannot be insured.

No liquidity

This is intended to be a fixed-term investment. You will not be able to withdraw from the Trust during its life. There will also not be a secondary market for Units. The Trust will not be listed on the ASX.

General

An investment in this Trust is subject to investment risk, including the loss of income and capital. CorVal does not guarantee the performance of the Trust or return of capital.

15. Fees

The Trustee is entitled to receive certain fees in consideration for services provided to the Trust.

Property acquisition fee

Property acquisition fee of 2% (plus GST) of the gross purchase price for the Trust's property assets payable as consideration for the work performed in acquiring the properties, carrying out necessary due diligence and completing the acquisition of the properties. This fee will be paid upon allotment of units to new investors.

This fee would also apply to the total development cost for any expansion works that may take place at any of the Trust properties for the work to be performed to co-ordinate the required approvals, documentation, debt funding and equity funding to allow for these works to be completed.

Asset and fund management fee

Ongoing asset and fund management fee of 0.6% per annum (plus GST) of the gross value of the Trust assets from time to time. This fee will accrue monthly and be paid to CorVal quarterly in arrears.

Property disposal fee

Property disposal fee of 2% (plus GST) payable as consideration for the work performed in disposing of the Trust's property assets, carrying out necessary due diligence and completing the disposal of the respective property(s). This fee is inclusive of any external real estate agents fee for professional services rendered in the disposal of the Property. This fee will be paid at settlement of the disposal of the respective property(s).

Performance fee

We will be entitled to a performance fee upon the eventual wind-up of the Trust, provided the total IRR received by investors over the life of the Trust has exceeded 11% (based on all distributions they have received over the life of the Trust, including actual or expected distributions from the net proceeds from the realisation of Trust assets and before tax). Our performance fee will be 20% (plus GST) of the amount by which the IRR to investors exceeds 11%.

In the event the trustee of the Trust is removed, then the performance fee calculation will be performed at that point based on the value of the Trust's assets at that time, and any performance fee entitlement will be paid to the outgoing trustee.

Development management fee

For any expansion works required by Pact at any of the Trust properties, Logos will be paid a development management fee equal to 5% of the total development cost (excluding land) which is payable as the costs are incurred.

Beyond any required expansion works, Logos will be the appointed development manager for any further development activities that may take place at any of the Trust properties, subject to the conditions outlined in section 7.

GST

The fees outlined in this section are exclusive of GST.

16. Investors and Minimum Investment

The targeted minimum investment per investor is $250,000, subject to CorVal's discretion to accept lesser amounts.

The Trust will not be a registered managed investment scheme, and as a result, only wholesale clients (as defined in the Corporations Act) can invest.

It follows that an investor in the Trust generally needs to fall within one of the categories below. If you don't fall into one of these categories, we may still have some ability to accept you, so please contact us.

The main categories:

1. The investor has an accountant's certificate that shows that they have net assets of at least $2.5 million or gross income for each of the last two financial years of at least $250,000. The certificate must not be more than two years old.	In calculating the $2.5 million or $250,000, the investor can include the net assets or gross income (as relevant) of any company or trust it controls. See the next page for the meaning of "control". See Accountant's Certificate.
2. The investor is a company or trust controlled by someone who has an accountant's certificate as mentioned in number 1.	See the next page for the meaning of "control". See Accountant's Certificate.
3. The investor is a person considered by their adviser to have the requisite investing experience.	See the Adviser's Certificate.
4. The investor is a person considered by the Trustee to have the requisite investing experience.	Guidance can be taken from the Adviser's Certificate.
5. The investor invests at least $500,000 at one time (excluding superannuation monies).	
6. The investor invests at least $500,000 together with an "associate" at one time (excluding superannuation monies).	Reasons the investor and someone else can be associated include: - the other person is a trustee of a trust in relation to which the investor benefits or is capable of benefiting the other person is a person with whom the investor is acting in concert, or proposes to act concert, in respect of the investment; or - the other person is a person with whom the investor is, or is proposing to become, associated, whether formally or informally, in any other way in respect of the investment

7. The investor and a body corporate which the investor controls together invest at least $500,000 in aggregate.	See below for the meaning of "control".
8. The investor is a business which is not a small business.	A small business is one that employs less than 100 employees if the business is or includes the manufacture of goods, or otherwise is a business which employs less than 20 people.
9. The investor is a subsidiary or holding company of another body corporate which is a "wholesale client".	
10. The investor is a financial services licensee.	
11. The investor is the trustee of a superannuation fund with net assets of at least $10 million.	
12. The investor controls at least $10 million	Including any amount held by an associate or under a trust the investor manages.

What is "control"?

"Control" means you have the capacity to determine the outcome of decisions about the company or Trust's financial and operating policies.

The practical influence you can exert (rather than the rights you can enforce) is the issue to be considered and any practice or pattern of behaviour affecting the company or trust's financial or operating policies is to be taken into account (even if it involves a breach of an agreement or a breach of trust).

However you do not control a company or trust merely because you and a third entity jointly have the capacity to determine the outcome of decisions about the company or Trust's financial and operating policies.

If you have the capacity to influence decisions about the company or trust's financial and operating policies and are under a legal obligation to exercise that capacity for the benefit of someone other than your members, you are taken not to control the company or trust.

17. Additional Information

Reporting

We intend to report to you on at least a quarterly basis. Our reporting will comprise the following:

- an initial confirmation on receipt of your application;
- an investment confirmation upon issuing units;
- quarterly income distribution detailing your investment and distributions paid to you;
- periodic performance update reports; and
- an annual tax statement detailing information required for inclusion in your annual income tax return.

Annual and half-year financial reports will be available from CorVal. They will not be sent to you unless requested.

Trust Deed

The Trust Deed is the primary document that governs the way the Trust operates and sets out many of the rights, liabilities and responsibilities of both CorVal and investors.

Each Unit gives you an equal and undivided interest in the Trust. However, a Unit does not give you an interest in any particular part of the Trust.

Subject to the Trust Deed, as an investor you have the following rights:

- the right to share in any distributions;
- the right to attend and vote at meetings of investors; and
- the right to participate in the proceeds of winding up of the Trust.

The Trust Deed contains provisions about convening and conducting meetings of investors.

We can amend the Trust Deed without investors' approval provided we reasonably consider the change will not adversely affect investors' rights. In the absence of this, the Trust Deed can also be amended by a special resolution passed by investors.

A copy of the Trust Deed is available free of charge from us if you requested by an investor.

Anti-Money Laundering law and our obligations

Australia has laws governing money laundering and the financing of terrorism.

We are required to identify new investors and report 'suspicious' matters (the law defines this) to the regulator. Those investors who have not invested with CorVal previously will need to complete the appropriate identification form. They are available on our website under "Investor Information" and then "Forms" to be downloaded, completed and then returned to us before the offer closes.

All investors must provide us with all information regarding you and your investment which the law requires, for example, regarding your identity or the source or use of invested moneys. If you choose not to provide us with this information, we can decline to continue to provide services.

We will not issue you with Units unless satisfactory identification documents are provided.

18. Conclusion and Transaction Timing

CorVal believes this investment provides investors with a direct property investment that is managed by an experienced and aligned investment manager. The investment is forecast to deliver an attractive risk-adjusted total return having a regard to the long term nature of the income derived from the leases, which reduces the risk profile of the investment and makes it a comparatively low risk commercial property investment. The portfolio is being acquired at an attractive pricing point having regard to the individual values of the properties, leaseback terms and strength of the tenant covenant. A considerable EPU is forecast over the investment term prior to the ultimate disposal of the properties.

Applications from investors will be accepted on a "first come first served basis", with a target date for the allotment of units to investors of 18 July 2014.

The information contained in this Information Memorandum is based on the terms which have been agreed and due diligence completed to date. The establishment of the Trust remains subject to the completion of due diligence to the satisfaction of CorVal.

For investors to secure a position within the Trust, a non-refundable deposit equivalent to 10% of their proposed investment will be required.

The key dates for the offer are as follows (each of which are indicative only and CorVal reserves the right to change without notice):

	By when
Indicative expressions of interest from investors to invest in the Trust (non-binding)	First come first served basis
Receipt of signed application form and 10% non-refundable deposit from investors	20 June 2014
Exercise Call Option and exchange unconditional Contract of Sale	27 June 2014
Receipt of 90% balance of investor application monies	4 July 2014
Settlement of the properties and allotment of units to investors	18 July 2014

Further information

If you require any further information please contact Rob Rayner on either (02) 8203 8408 or 0412 555 633 or rob.rayner@corval.com.au

CorVal

Level 13, 9 Hunter Street, Sydney NSW 2000
Phone +61 2 8203 8400

APPENDIX 1 – PROPERTY ASSUMPTIONS (BASE CASE SCENARIO)

		-	1	2	3	4	5	6
Financial Year Ending	**IRR**	**30-Jun-2014**	**Jun-2015**	**Jun-2016**	**Jun-2017**	**Jun-2018**	**Jun-2019**	**Jun-2020**
Rental Income		-	3,235,553	3,348,797	3,466,005	3,587,315	3,712,871	320,235
Recoveries		-	-	-	-	-	-	-
Gross Income		-	3,235,553	3,348,797	3,466,005	3,587,315	3,712,871	320,235
Environmental Insurance		-	(12,360)	(12,731)	(13,113)	(13,506)	(13,911)	(1,194)
Net Outgoings		-	(12,360)	(12,731)	(13,113)	(13,506)	(13,911)	(1,194)
NET OPERATING INCOME		**-**	**3,223,193**	**3,336,067**	**3,452,893**	**3,573,809**	**3,698,960**	**319,041**
Capital Upgrades		-	-	-	-	-	-	-
Tenant Incentives		-	(1,000,000)	-	-	-	-	-
Leasing Commissions		-	-	-	-	-	-	-
Non Recoverable Capital Expenditure		-	-	-	-	-	-	-
TOTAL CAPEX		**-**	**(1,000,000)**	**-**	**-**	**-**	**-**	**-**
Purchase Price		(37,550,000)	-	-	-	-	-	-
Acquisition Costs		(2,950,295)	-	-	-	-	-	-
Disposal Price		-	-	-	-	-	-	45,189,776
Disposal Costs		-	-	-	-	-	-	(903,796)
INVESTMENT CASH FLOWS		**(40,500,295)**	**-**	**-**	**-**	**-**	**-**	**44,285,981**
NET PROPERTY CASH FLOWS	**9.9%**	**(40,500,295)**	**2,223,193**	**3,336,067**	**3,452,893**	**3,573,809**	**3,698,960**	**44,605,022**
Acquisition Debt - drawdown		20,650,000	-	-	-	-	-	-
Acquisition Debt - establishment costs		(114,377)	-	-	-	-	-	-
Acquisition Debt - repayment		-	-	-	-	-	-	(20,650,000)
Acquisition Debt - interest expense		-	(980,875)	(980,875)	(980,875)	(980,875)	(980,875)	(81,740)
Capex Debt - drawdown		-	-	-	-	-	-	-
Capex Debt - establishment costs		-	-	-	-	-	-	-
Capex Debt - repayment		-	-	-	-	-	-	-
Capex Debt - interest expense		-	-	-	-	-	-	-
Capex Debt - commitment fee		-	-	-	-	-	-	-
Working Capital and Incentive Funding		(1,135,328)	1,000,000	-	-	-	-	135,328
NET FINANCING CASH FLOWS		**19,400,295**	**19,125**	**(980,875)**	**(980,875)**	**(980,875)**	**(980,875)**	**(20,596,412)**
NET GEARED PROPERTY CASH FLOWS		**(21,100,000)**	**2,242,318**	**2,355,192**	**2,472,018**	**2,592,934**	**2,718,085**	**24,008,610**
Interest Income		-	20,000	20,000	20,000	20,000	20,000	1,667
Asset Management Fee		-	(225,300)	(227,397)	(234,077)	(241,099)	(248,332)	(21,028)
Fund Operating Costs		-	(40,000)	(41,200)	(42,436)	(43,709)	(45,020)	(3,864)
NET CASH FLOWS (before performance fee)	**13.2%**	**(21,100,000)**	**1,997,018**	**2,106,594**	**2,215,505**	**2,328,126**	**2,444,733**	**23,985,385**
Performance fee		-	-	-	-	-	-	(577,077)
NET CASH FLOWS (after performance fee)	**12.8%**	**(21,100,000)**	**1,997,018**	**2,106,594**	**2,215,505**	**2,328,126**	**2,444,733**	**23,408,308**
EPU Yield	**10.5%**	(average)	**9.5%**	**10.0%**	**10.5%**	**11.0%**	**11.6%**	**1.0%**

APPENDIX 2 – PROPERTY ASSUMPTIONS (INDIVIDUAL SELL DOWN SCENARIO)

		-	1	2	3	4	5
Financial Year Ending	**IRR**	**30-Jun-2014**	**Jun-2014** *(1 mths)*	**Jun-2015**	**Jun-2016**	**Jun-2017**	**Jun-2018**
Rental Income		-	3,235,553	3,348,797	2,768,816	1,986,504	164,956
Recoveries		-	-	-	-	-	-
Gross Income		-	3,235,553	3,348,797	2,768,816	1,986,504	164,956
Loss of Rent Insurance		-	(12,360)	(12,731)	(13,113)	(1,126)	-
Net Outgoings		-	(12,360)	(12,731)	(13,113)	(1,126)	-
NET OPERATING INCOME		**-**	**3,223,193**	**3,336,067**	**2,755,704**	**1,985,378**	**164,956**
Capital Upgrades		-	-	-	-	-	-
Tenant Incentives		-	(1,000,000)	-	-	-	-
Leasing Commissions		-	-	-	-	-	-
Non Recoverable Capital Expenditure		-	-	-	-	-	-
TOTAL CAPEX		**-**	**(1,000,000)**	**-**	**-**	**-**	**-**
Purchase Price		(37,550,000)	-	-	-	-	-
Acquisition Costs		(2,950,295)	-	-	-	-	-
Disposal Price		-	-	-	10,140,930	11,834,499	23,287,967
Disposal Costs		-	-	-	(202,819)	(236,690)	(465,759)
INVESTMENT CASH FLOWS		**(40,500,295)**	**-**	**-**	**9,938,111**	**11,597,809**	**22,822,207**
NET PROPERTY CASH FLOWS	**10.7%**	**(40,500,295)**	**2,223,193**	**3,336,067**	**12,693,815**	**13,583,187**	**22,987,164**
Acquisition Debt - drawdown		20,650,000	-	-	-	-	-
Acquisition Debt - establishment costs		(114,377)	-	-	-	-	-
Acquisition Debt - repayment		-	-	-	(4,626,480)	(5,399,118)	(10,624,402)
Acquisition Debt - interest expense		-	(980,875)	(980,875)	(779,430)	(526,031)	(42,055)
Capex Debt - drawdown		-	-	-	-	-	-
Capex Debt - establishment costs		-	-	-	-	-	-
Capex Debt - repayment		-	-	-	-	-	-
Capex Debt - interest expense		-	-	-	-	-	-
Capex Debt - commitment fee		-	-	-	-	-	-
Working Capital and Incentive Funding		(1,137,768)	1,000,000	-	-	-	137,768
NET FINANCING CASH FLOWS		**19,397,855**	**19,125**	**(980,875)**	**(5,405,911)**	**(5,925,148)**	**(10,528,689)**
NET GEARED PROPERTY CASH FLOWS		**(21,102,440)**	**2,242,318**	**2,355,192**	**7,287,904**	**7,658,039**	**12,458,475**
Interest Income		-	20,000	20,000	20,000	20,000	1,667
Asset Management Fee		-	(225,300)	(227,397)	(185,535)	(141,528)	(11,642)
Fund Operating Costs		-	(40,000)	(41,200)	(42,436)	(43,709)	(3,752)
NET CASH FLOWS (before performance fee)	**14.5%**	**(21,102,440)**	**1,997,018**	**2,106,594**	**7,079,934**	**7,492,802**	**12,444,748**
Performance fee		-	-	-	-	-	(580,950)
NET CASH FLOWS (before performance fee)	**13.8%**	**(21,102,440)**	**1,997,018**	**2,106,594**	**7,079,934**	**7,492,802**	**11,863,798**

APPENDIX 3 – PROPERTY ASSUMPTIONS (EXPANSION SCENARIO)

		-	1	2	3	4	5	6
Financial Year Ending	**IRR**	**30-Jun-2014**	**Jun-2014**	**Jun-2015**	**Jun-2016**	**Jun-2017**	**Jun-2018**	**Jun-2019**
Rental Income		-	3,244,990	3,540,669	4,133,580	4,322,243	4,473,522	384,719
Recoveries		-	-	-	-	-	-	-
Gross Income		-	3,244,990	3,540,669	4,133,580	4,322,243	4,473,522	384,719
Environmental Insurance		-	(12,360)	(12,731)	(13,113)	(13,506)	(13,911)	(1,194)
Net Outgoings		-	(12,360)	(12,731)	(13,113)	(13,506)	(13,911)	(1,194)
NET OPERATING INCOME		**-**	**3,232,630**	**3,527,938**	**4,120,467**	**4,308,737**	**4,459,610**	**383,525**
Capital Upgrades		-	-	-	-	-	-	-
Tenant Incentives		-	(1,000,000)	-	-	-	-	-
Leasing Commissions		-	-	-	-	-	-	-
Non Recoverable Capital Expenditure		-	(2,250,000)	-	(6,000,000)	-	-	-
TOTAL CAPEX		**-**	**(3,250,000)**	**-**	**(6,000,000)**	**-**	**-**	**-**
Purchase Price		(37,550,000)	-	-	-	-	-	-
Acquisition Costs		(2,950,295)	-	-	-	-	-	-
Disposal Price		-	-	-	-	-	-	55,897,803
Disposal Costs		-	-	-	-	-	-	(1,117,956)
INVESTMENT CASH FLOWS		**(40,500,295)**	**-**	**-**	**-**	**-**	**-**	**54,779,847**
NET PROPERTY CASH FLOWS	**10.8%**	**(40,500,295)**	**(17,370)**	**3,527,938**	**(1,879,533)**	**4,308,737**	**4,459,610**	**55,163,372**
New Equity Raised to Fund Expansion		-	1,012,650	-	2,700,399	-	-	-
Acquisition Debt - drawdown		20,650,000	-	-	-	-	-	-
Acquisition Debt - establishment costs		(114,377)	-	-	-	-	-	-
Acquisition Debt - repayment		-	-	-	-	-	-	(20,650,000)
Acquisition Debt - interest expense		-	(980,875)	(980,875)	(980,875)	(980,875)	(980,875)	(81,740)
Capex Debt - drawdown		-	1,237,350	-	3,299,601	-	-	-
Capex Debt - establishment costs		-	-	-	-	-	-	-
Capex Debt - repayment		-	-	-	-	-	-	(4,536,951)
Capex Debt - interest expense		-	(12,245)	(58,774)	(130,609)	(215,505)	(215,505)	(17,959)
Capex Debt - commitment fee		-	-	-	-	-	-	-
Working Capital and Incentive Funding		(1,135,328)	1,000,000	-	-	-	-	135,328
NET FINANCING CASH FLOWS		**19,400,295**	**2,256,880**	**(1,039,649)**	**4,888,516**	**(1,196,380)**	**(1,196,380)**	**(25,151,321)**
NET GEARED PROPERTY CASH FLOWS		**(21,100,000)**	**2,239,510**	**2,488,289**	**3,008,983**	**3,112,357**	**3,263,230**	**30,012,051**
Interest Income		-	20,000	20,000	20,000	20,000	20,000	1,667
Asset Management Fee		-	(225,300)	(227,397)	(234,077)	(241,099)	(248,332)	(21,028)
Fund Operating Costs		-	(40,000)	(41,200)	(42,436)	(43,709)	(45,020)	(3,864)
NET CASH FLOWS (before performance fee)	**14.0%**	**(21,100,000)**	**1,994,210**	**2,239,692**	**2,752,471**	**2,847,549**	**2,989,878**	**29,988,826**
Performance fee		-	-	-	-	-	-	(907,831)
NET CASH FLOWS (before performance fee)	**13.4%**	**(21,100,000)**	**1,994,210**	**2,239,692**	**2,752,471**	**2,847,549**	**2,989,878**	**29,080,995**
EPU Yield (annualised)	**12.2%**	(average)	**9.5%**	**10.6%**	**13.0%**	**13.5%**	**14.2%**	

CorVal

APPLICATION FORM

CORVAL PACT TRUST

1. Details of Investor

Name of investor	
Mailing address	
Telephone	Home ( ) Work ( ) Facsimile ( ) Mobile
Email	
Date of birth	
TFN	
ACN/ABN	

2. Bank account details for payment of distributions

Name of account	
Bank	
Branch	
BSB	
Account number	

3. Adviser details (if applicable)

Name of adviser	
Dealer name	
Address	
Telephone	Work ( ) Facsimile ( ) Mobile
Email	

4. Application

I/we apply for Units in the Trust to the value of $

Please make your cheque payable to "**CorVal Pact Trust**".

By signing this application form, I/we agree to be bound by the terms and conditions of the trust deed establishing the **CorVal Pact Trust** and to observe and perform all the obligations imposed on me/us by that trust deed. I/we acknowledge that we have read the contents of this Information Memorandum dated 29 May 2014 and accept that there are risks associated with this investment. I/we acknowledge that this application once submitted is irrevocable.

I/we also declare that the details inserted in this application form are complete and accurate. If a sole signatory signing on behalf of a company, I confirm that I am signing as sole director and sole secretary of the company or as duly authorised representative or agent of the company. If investing as a trustee, on behalf of a superannuation fund or trust, I/we confirm that I am/we are acting in accordance with my/our designated powers and authority under the trust deed. In the case of a superannuation fund, I/we also confirm that it is a complying fund under the *Superannuation Industry (Supervision) Act 1993*. If this application is signed under Power of attorney, I/we submit a certified copy of the Power of Attorney with this application.

The first tranche of funds, being $ (10%) payable to **CorVal Pact Trust,** is attached.

I/we also understand and acknowledge that the remaining 90% is due, and paid in the same manner, no later than **Friday, 4 July 2014** and that my/our failure to pay this amount in full by the due date may result in my/our deposit and my/our Units being forfeited.

Signature

Signature 1 or Director 1 or Sole Director and Sole Secretary	Signature 2 or Director 2 Secretary
Print name and office held	Print name and office held
Date	Date

Please send completed application forms and application monies to:

CorVal Partners Limited
Level 13
9 Hunter Street
Sydney NSW 2000

Privacy
By completing the application form, you are providing personal information to CorVal. Your personal information will be used to process your application and, if your application is successful, to administer and report on your unit holding in the **CorVal Pact Trust**. Your personal information may also be provided to other persons to enable CorVal to provide these services to you or to persons that you authorise to act on your behalf in relation to your investment. We may also disclose your personal information to others as permitted under the law and we may send you information regarding other investment opportunities.

If you do not provide all or part of the information required by the application form, CorVal will not be able to accept your application and you will not be able to acquire units in the **CorVal Pact Trust**.

If any of your personal details change, please contact CorVal at the address stated in this application form. You can also contact CorVal to find out what personal information is held about you or if you have a complaint about the way in which your personal information has been handled.

The applicant acknowledges that CorVal does not guarantee the performance of the Trust or return of capital. The applicant further acknowledges that the subscription is subject to investment risk, including the loss of income and capital.

CorVal

ACCOUNTANT'S CERTIFICATE
CORVAL PACT TRUST

Accountants can use this form to certify an applicant is a wholesale client and so able to invest.

1. Accountant's details

Name of Accountant	
Mailing address	
Telephone	Home ( ) Work ( ) Facsimile ( ) Mobile
Email	
Firm name	
Investor name	

Explanations

In this certificate:

- required net assets means net assets of at least $2,500,000;
- required gross income means for each of the last two financial years at least $250,000 gross income a year; and
- control means the person has the capacity to determine the outcome of decisions about the corporate trustee's financial and operating policies.

The practical influence the person can exert (rather than the rights they can enforce) is the issue to be considered and any practice or pattern of behaviour affecting the financial or operating policies is to be taken into account (even if it involves a breach of an agreement or a breach of trust). However a person does not control a company or trust merely because they and a third entity jointly have the capacity to determine the outcome of decisions about the company or trust's financial and operating policies. If the person has the capacity to influence decisions about the company or trust's financial and operating policies and are under a legal obligation to exercise that capacity for the benefit of someone other than its members, they are taken not to control the company or trust.

Accountant's certification

I am an accountant qualified as the Corporations Act requires to give this certificate.

I certify that:

- the investor themselves has the required net assets or the required gross income; or
- together with any trusts or companies the applicant controls, the applicant has the required net assets or the required gross income; or
- the applicant is a trust or company controlled by a person who has the required net assets or the required gross income.

Accountant's signature	Date

CorVal

ADVISER'S CERTIFICATE
CORVAL PACT TRUST

Advisers can use this form to certify an applicant is a wholesale client and so able to invest.

1. Adviser's details

Name of Adviser	
Mailing address	
Telephone	Home ( ) Work ( ) Facsimile ( ) Mobile
Email	
Firm name	
Investor name	

Investor's signature	Date

By signing above, the investor acknowledges that before investing they:

- have not been given a product disclosure statement nor any other document that would be required to be given to the client under the relevant chapter of the Corporations Act if interests in the relevant trust were provided to the client as a retail client; and
- have no other obligation owed to them under the relevant chapter of the Corporations Act that we, or they would have, if the relevant trust was provided to the client as a retail client.

Adviser certification

As the holder of an AFSL, or on behalf of the licensee identified above, I certify that I am satisfied on reasonable grounds that the applicant has previous experience in using financial services and investing in financial products that allows the applicant to assess:

- the merits of the Trust;
- the value of the interests in the Trust;
- the risks associated with holding interests in the Trust;
- the applicant's own information needs; and
- the adequacy of the information given by us and (if different) the product issuer.

I confirm the applicant has been given a written statement of my reasons for being so satisfied.

Adviser's signature	Date