



LEX Property Management Limited

ABN 53 111 779 689

ATF

LEX Retail Property Trust (ARSN 115 789 243)

LEX Property Fund (ARSN 123 437 838)

Unit Pricing Policy

30 May 2007

Unit pricing policy

1.0 Background

LEX Property Management Limited (LEX) ABN 53 111 779 689 holds Australian Financial Services (AFS) licence number 282675, which allows it to act as the responsible entity for two named managed investment schemes which hold direct real property and financial assets. At the date of this policy, LEX is the responsible entity for two managed investment schemes (Funds). These Funds provide investors with the opportunity to invest in quality property opportunities with secure long term leases.

This policy sets out the processes by which LEX exercises its discretion in respect of certain aspects of the operation of the Funds. The policy is effective from the date it is dated and signed.

The purpose of this policy is to set out how LEX will exercise its discretion in the calculation of issue prices and withdrawal prices (when applicable) of units in the Funds and to ensure the formula or method used is reviewed at appropriate periods.

This policy must not involve the creation of another discretion, and be the only policy applicable to the exercise of a discretion at any one time.

2.0 Discretion framework

2.1 Exercise of discretion

- (a) The exercise of discretion under this policy can only be authorised by LEX or a person nominated by LEX.
- (b) LEX (or its nominee) must act reasonably in exercising any discretion.
- (c) LEX has based this policy on ordinary commercial practice and therefore considers that it is reasonable to exercise the discretions documented in this policy in accordance with this policy.

2.2 Discretion outside this policy

When LEX exercises discretion:

- (a) which is not outlined in this documented policy at the time of exercise; or
- (b) in a way that involves a departure from this documented policy relating to the discretion that is current at the time of exercise, LEX requires a document be prepared (refer to Schedule 2) which sets out:
 - i. the date on which the discretion is exercised;
 - ii. who is exercising the discretion;
 - iii. how the discretion is exercised;
 - iv. an explanation of why it was reasonable to exercise the discretion the way it was exercised;
 - v. without limiting paragraph (iv), if the discretion is not exercised in a way which is consistent with scheme property being valued, or the market price of interests being worked out, in accordance with ordinary commercial practice, an explanation why it is impracticable to do so.

2.3 Keeping Records

LEX must ensure that the records which it keeps are kept in such a way as will enable the identification of:

- (a) any documented policy that was applied in the exercise of the discretion; and
- (b) any exercise of a discretion outside of this policy, that relates to any act of discretion.

LEX must:

- (a) retain all discretion policy documents for 7 years after they cease to be current; and
- (b) inform all members that they may obtain copies of the discretion policy documents from LEX at no charge; and
- (c) give a copy of discretion policy documents to the following persons on request at no charge:
 - i. a member of the Funds;
 - ii. a person who has been or should have been given, or who has obtained, the product disclosure statement for an interest in the Funds.

2.4 Review

The Managing Director must review this policy on an ongoing basis and suggest any modifications to this policy considered necessary.

3.0 Processes subject to discretion Policy

3.1 Unit Pricing

The constitutions for the Funds provide that the initial issue price of units will be \$1.00 per unit. The initial issue price of \$1.00 per unit will apply until the second valuation date from the date on which minimum subscription is achieved.

At all other times, the issue price for units in each Fund will be calculated as follows, subject to LEX determining another unit price in accordance with paragraph 3.3, 3.4, 3.5, 3.6 or 3.7 of this policy or as otherwise permitted under the Act:

1. Where the Fund has been admitted to the Official List and the units are Officially Quoted, the issue price of a unit is as determined by the responsible entity provided that the issue price of that unit is equal to the market price for units on the business day prior to the day on which the offer or issue is made.
2. While the units are not Officially Quoted for any of the Funds, the issue price of a unit will be calculated in accordance with the following formula:

$$\text{Issue price} = \frac{\text{net asset value} + \text{transaction costs}}{\text{number of units in issue}}$$

For each Fund, where the Fund has been admitted to the Official List and the units are Officially Quoted there is no ability to withdraw from the Fund.

There is no right to withdraw from a Fund when the particular Fund is not liquid unless LEX has made a withdrawal offer, and LEX is not at any time obliged to make such an offer.

If the Fund is liquid, a Unitholder may make a request for the withdrawal of some or all of their units and the Responsible Entity may give effect to that request in its sole discretion.

Where a withdrawal is made the withdrawal price of a unit will be calculated in accordance with the following formula:

$$\text{Withdrawal price} = \frac{\text{net asset value} - \text{transaction costs}}{\text{number of units in issue}}$$

The **net assets of each Fund** are calculated by subtracting from the assets of the Fund (which includes all cash, property, rights and income of the Trust from time to time) all liabilities of the Fund (which includes all charges, expenses, contingent liabilities, provisions for the cost of acquiring assets and unpaid distributions, but excludes any amounts subscribed by investors for units which might be considered liabilities under relevant accounting standards).

Both the issue price and the withdrawal price will be adjusted by a factor representing **transaction costs** to acquire or sell investments.

3.2 Unit pricing- Timing

The Funds are not currently open for ongoing applications. LEX must produce a new product disclosure statement to issue further units in each of the Funds. Under each Fund's constitution, LEX may raise further application funds and units are taken to be created and issued when the later of the following events occurs:

- (a) the time when LEX accepts the application for units; or
- (b) the time when the application money against which the units are to be created and issued is received by LEX; or
- (c) the time when the title to the property against which the units are to be created and issued is transferred to (or at the direction of) LEX.

Discretion

LEX therefore has little discretion as to the timing of when units are issued other than the discretion to raise further application funds for purposes outlined in subsequent product disclosure document.

3.3 Unit pricing- rights issue

- (d) Under each Fund's constitution, LEX may set the price for units at a price other than a price determined under the constitution where all of the following apply:
 - (i) Offers are made to unitholders who are on the register on a date not more than 20 business days before the date of the offer, and the number of units offered to each unitholder is in proportion to the value of each unitholder's interest in the Fund. However, units offered to, but not acquired by unitholders, may be issued to other persons.
 - (ii) Offers are made to all unitholders except foreign unitholders LEX excludes.
 - (iii) All the units offered are in the same class.
 - (iv) The price of all the units offered is the same.
 - (v) If options over units are the subject of the offer, then both—
 - A. the exercise price of all options is the same, and

- B. the means of working out the exercise price is set out in the terms of issue of the option.
- (vi) The amount by which the price of a unit (other than an option for the issue of a unit) and the exercise price of an option is less than the amount that would otherwise apply does not exceed 10 percent.
- (vii) LEX offers the units or options to unitholders at substantially the same time.
- (viii) LEX only issues units or options to its associates as unitholders in the Trust.
- (e) However, LEX may elect not to make an offer to a foreign unitholder under this clause if LEX —
 - (i) (in circumstances where the Fund is included in the Official List of the financial market operated by the ASX) complies with the requirements of listing rule 7.7 of the ASX as at 1 January 2005 concerning the treatment of unitholders with a registered address outside Australia and New Zealand that are applicable to the relevant offer and issue of units
 - (ii) (where the Fund is not included in the Official List of the financial market of the ASX and the offer is renounceable) appoints a nominee to sell the rights to acquire the units that would otherwise have been offered to the foreign unitholders and distribute to each foreign unitholder their proportion of the proceeds of the sale net of expenses, or
 - (iii) (in any other case) determines that it would be unreasonable to make the offer to the foreign unitholder having regard to the following:
 - A. The number of unitholders in the place (the relevant place) where the registered address of the unitholder is situated.
 - B. The number and value of the units that may issued to unitholders in the relevant place.
 - C. The cost of complying with legal requirements and the requirements of any regulatory authority applicable to making the offer in the relevant place.

3.4 Unit pricing- distribution reinvestment

- (a) Subject to the Act and any conditions imposed by the Act, LEX may set the issue price for units at a price other than a price determined under the constitution where all of the following apply:
 - (i) The whole or part of any money payable to a unitholder under constitution by way of a distribution of capital or income is applied in payment for the issue of units.
 - (ii) Each unitholder (except foreign unitholders LEX excludes) may from time to time elect to participate in that arrangement as to the whole, or some proportion, of the distributions which are, or should otherwise be, payable to that unitholder.
 - (iii) All the units issued under the arrangement are of the same class.
 - (iv) The price of each unit issued pursuant to that arrangement in relation to any particular distribution is the same.
 - (v) All units issued under the arrangement in relation to any particular distribution are issued at substantially the same time.
 - (vi) The amount by which the price is less than the amount that would otherwise apply does not exceed 10 percent.

- (b) However, LEX may elect not to make an offer of the kind referred to in this clause to each foreign unitholder at its registered address if it determines that it is unreasonable to make the offer to those unitholders having regard to each of the following:
 - (i) The number of unitholders in the place.
 - (ii) The number and value of the units that may be issued under the arrangement to unitholders in the place.
 - (iii) The cost of complying with legal requirements and the requirements of any relevant regulatory authority applicable to offering the arrangements in the place.

3.5 Unit Pricing - issue of units at an individually negotiated price

Subject to the Act and any conditions imposed by the Act, LEX may set the issue price for units at a price other than a price determined under the constitution where all of the following apply:

- (a) LEX and a person who is a wholesale client within the meaning of the Act agree on an issue price that is equal to a price at which units or options over units would be issued under the constitution, in the absence of such a clause less a reduction (a fee reduction) in the fees that are payable to LEX for the issue of units or options.
- (b) LEX has given all unitholders a statement that fees may be individually negotiated with wholesale clients on or before the first date when LEX sends communication to all unitholders after a fee reduction is first offered.
- (c) LEX ensures that if fees may be individually negotiated with wholesale clients, then a statement of that fact is disclosed in any disclosure document used for an offer of units.
- (d) The fee reduction does not adversely affect the fees that are paid or to be paid by any other unitholder who does not have the benefit of the fee reduction.

3.6 Unit pricing- Placement

Subject to the Act and any conditions imposed by the Act, LEX may set the issue price for units at a price other than a price determined under the constitution where all of the following apply:

- (a) The Fund has been admitted to the Official List and the units are Officially Quoted and have not been suspended from Official Quotation (other than temporarily).
- (b) The issue is not to LEX or an associate of LEX.
- (c) Either of the following applies:
 - (i) Both of the following apply:
 - A. The amount by which the issue price of those units is less than the market price for units in the same class does not exceed 10 percent.
 - B. The issue is of units that would not immediately after the issue (when aggregated with any other issue of units pursuant to the placement clause up to one year previously) comprise more than 15 percent (or such greater percentage as may be permitted from time to time by both the Corporations Act and the ASX Listing Rules of either all of the units in the Fund or the

units on issue in the Fund in the same class as the units comprised in the issue.

- (ii) All of the following apply:
 - A. unitholders who hold units in the same class approve the issue by a placement resolution.
 - B. Unless LEX reasonably considers that the issue will not adversely affect the interests of unitholders in another class (if any) –unitholders in that other class approve the issue by a placement resolution.
 - C. Any notice convening a meeting to vote on the issue contains particulars of the use to be made of the money raised by the issue

3.7 Unit pricing- Interest purchase plan

Subject to the Act and any conditions imposed by the Act, LEX may set the issue price for units at a price other than a price determined under the constitution where all of the following apply:

- (i) The Fund has been admitted to the Official List and the units are in a class which are Officially Quoted and trading in that class is not suspended.
- (ii) Offers are made to all unitholders except foreign unitholders LEX excludes.
- (iii) LEX makes each offer on the same terms and conditions and on a non-renounceable basis.
- (iv) The Issue Price is less than the Market Price for the units during a specified period in the 30 days before either the date of the offer or the date of the issue.
- (v) No unitholder is issued with units with an application price totalling more than \$5,000 in any 12-month period.

However, LEX may elect not to make an offer of the kind referred to in this clause to each Foreign unitholder at the registered address if it determines that it is unreasonable to make the offer to those unitholders having regard to each of the following:

- (i) The number of unitholders in the place.
- (ii) The number and value of the units that may be issued under the arrangement to unitholders in the place.
- (iii) The cost of complying with legal requirements and the requirements of any relevant regulatory authority applicable to offering the arrangements in the place.

3.8 Transaction costs

There are no transaction costs included in the initial issue price of units. However, the Funds will incur transaction costs if the Funds acquire or sell assets.

Accordingly, following the initial issue of units, the issue and withdrawal price of units may include a transaction cost component.

The transaction costs component represents an estimate (which is independently verifiable) or if appropriate, the actual costs a Fund incurs to acquire or dispose of additional Fund assets. Such costs may include stamp duty, agents' fees and other acquisition or disposal costs.

Discretion

Transaction costs for the Funds are not fixed. LEX expects that each of these Fund's transaction costs will represent an estimate (which is independently verifiable) or if appropriate, the actual costs a Fund incurs to acquire or dispose of additional Fund assets.

3.9 Rounding

If any calculation performed under the constitution (such as unit pricing) or the terms of a withdrawal offer results in the issue or redemption of a fraction of one unit, then that fraction may be rounded down or up to four decimal places.

Dollar amounts used to determine net assets of a Fund, or the value of any asset or liability of a Fund will be rounded to two decimal places.

If there is any excess application or other money or property which results from rounding, then it becomes an asset of the Fund.

3.10 Valuation methods and policies

Pursuant to each Fund's constitution, LEX may determine any of the Fund assets to be valued at any time (not limited to once a day) and LEX may calculate the net asset value of the Fund Assets as at any time (not limited to once a day), in each case, in its absolute discretion.

LEX may determine valuation methods and policies for each category of Fund Assets and change them from time to time. Unless LEX determines otherwise, the value of a Fund Asset for the purpose of calculating the Net Asset Value of the Fund Assets will be its historical cost.

If LEX values a Fund Asset at other than its historical cost, then LEX may for the purposes of any valuation, determine the market value by reference to valuation information provided by an appropriate independent expert.

In any event, LEX may appoint an independent expert where necessary to determine the fair market value of any Fund asset.

Discretion

LEX will initially hold and report property investments at cost. Subsequent to initial recognition investment properties will be determined at fair value. The fair value will be reported by reference to the market value determined by valuation information provided by an appropriate independent expert.

LEX has an obligation to report property at fair value at least annually at 30 June (and 31 December where the Fund is a disclosing entity). However, LEX has discretion as to whether to appoint an independent expert to determine the fair value for a particular reporting period. LEX will as a minimum appoint an independent expert to determine the fair value every 3 years from acquisition, practical completion or the last independent valuation.

LEX has an obligation to have a sound basis for the determination fair value for a particular reporting period.

3.11 Distributions

LEX, in accordance with each Fund's constitution, will endeavour to ensure that the total income distributions for a financial year at least equal the taxable income for that financial year.

Each of the Funds may distribute income, if any, on a quarterly basis in respect of the quarterly distribution periods ending each 31 March, 30 June, 30 September and 31 December.

Income distributions for each Fund are based on the distributable amount per unit determined by LEX at the end of the distribution period multiplied by the number of units held on the last day of the distribution period.

Discretion

Other than LEX endeavouring to ensure that the total income distributions for a financial year at least equal the taxable income for that financial year, LEX has discretion on the distributable amount. LEX will on an ongoing basis forecast the net income and the distributable amount for each Fund and will consider this along with other factors before deciding the distributable amount for each quarterly distribution period.

Dated this _____ day of _____, 2007.

Schedule 1

Dictionary

Act	Means the Corporations Act 2001 (Commonwealth) for the time being in force, together with the regulations made under that Act.
ASX	Means Australian Stock Exchange Limited ABN 98 008 624 691
Fund(s)	Means all or any of the following: LEX Retail Property Trust LEX Property Fund
Official List	Means the official list of the ASX.
Official Quotation or Officially Quoted	Means official quotation by ASX of units in a Fund.

Schedule 2

Departure Report

DEPARTURE REPORT

Date: #[insert date of report]
Fund: #[fund name]
Person responsible: Name: #
Position: #
Company: #

Date discretion exercised	How was the discretion exercised?	Why was it reasonable to exercise the discretion the way it was exercised?	If the discretion was not exercised in a way which is consistent with scheme property being valued in accordance with ordinary commercial practice, why was it impracticable to do so?

This form must be completed and handed to the Managing Director as soon as practicable following the date the discretion was exercised.

Checked by Managing Director Signed: _____ Date: ___/___/___

Managing Director comments

Confirmed by Managing Director Signed: _____ Date: ___/___/___

tmdocs1-#99979-v7-