STOCKLAND DIRECT OFFICE TRUST NO. 3 and STOCKLAND HOLDING TRUST NO.2 ("SDOT3" or "the Trust")
ASIC REGULATORY GUIDE 46: IMPROVING DISCLOSURES
Updated March 2010

Introduction

The following document has been prepared for SDOT3 for the purposes of ASIC Regulatory Guide 46. All figures are as at 31 December 2009 unless stated otherwise. For further information please refer to the Interim Financial Statements on our website http://www.stockland.com.au/UnlistedPropertyFunds.

Disclosure Principle 1: Gearing Ratio

Gearing ratio:	62%

The gearing ratio indicates the extent to which a scheme's assets are funded by interest bearing liabilities. It gives an indication of the potential risks the scheme faces in terms of its level of borrowings due to, for example, an increase in interest rates or a reduction in property values.

Disclosure Principle 2: Interest Cover

Interest Cover Ratio:	1.6 times

Interest cover measures the ability of the scheme to service interest expense on debt from earnings. It is therefore a critical indication of a scheme's financial health and key to analysing the sustainability and risks associated with the scheme's level of borrowing. The lower the interest cover, the higher the risk that the scheme will not be able to meet its interest payments. An Interest Cover Ratio ("ICR") of 1.6 indicates that SDOT3 is able to meet its interest payments based on the 31 December 2009 Interim Financial Statements.

Please note the ICR above varies from the ratio provided to the financier. The variation is due to different calculations required by ASIC and the financier.

Disclosure Principle 3: Scheme Borrowing

On 30 September 2009 Stockland Capital Partners Limited ("SCPL"), as the Responsible Entity of SDOT3 successfully finalised the refinancing of SDOT3's debt facility to 27 June 2012. The margin and line fees have increased significantly in line with market pricing. The table below is a summary of the revised borrowing arrangements for SDOT3.

	Limit ($m)	Undrawn Amount ($m)	Facility Expiry	Interest Rate	Hedge Expiry
Term Loan	58.1	3.0	Jun 12	8.25%*	Jun 14
CapEx	2.7	2.7	Jun 12	BBSY +2.5%*	N/A
Total Facility	**60.8**	**5.7**	**Jun 12**	**N/A**	**N/A**

* Includes the margin and line fees

Loan Covenants

A breach of a loan covenant may result in the lender being able to require immediate repayment of the loan or impose a freeze on further draw-downs on the credit facility.

Investors should note that they rank behind the creditors of the Trust. This means if the lender enforces its security over the Trust then the lender will be reimbursed prior to investors receiving their interest.

Following investors approval on 30 June 2009 to sell all or any of SDOT3's properties, SDOT3 sold its 50 per cent share of the Belconnen Property to Stockland Trust on 30 November 2009 for $28.25 million, being the independent valuation as at 30 June 2009. Proceeds from the sale were used to reduce SDOT3's loan facility. SDOT3 was in compliance with its debt covenant obligations including the loan-to-valuation ratio covenant as at 31 December 2009.

Disclosure Principle 4: Portfolio Diversification

Investment Strategy

SDOT3 aims to provide regular distributions and the opportunity for capital growth. To achieve this, SDOT3 is invested in three commercial properties and a carpark.

At a Meeting of investors held on 30 June 2009, investors approved the Special Resolution to provide Stockland Capital Partners Limited ("SCPL") as Responsible Entity of SDOT3, with authority to sell all or any of the Trust properties if considered necessary to meet the finance facility covenants or otherwise protect the financial position of the Trust. Stockland Trust exercised its first right of refusal to acquire SDOT3's 50 per cent interest in the Belconnen property for $28.25 million. Settlement of the property occurred on 30 November 2009.

The offer was considered and formally approved by the SCPL Board. Proceeds from the sale were used to repay debt in order to meet finance facility covenants as outlined above.

Property Valuations	
Property	181 Great Eastern Highway, Belmont
Valuation	$15.50m
Date of Valuation	31 December 2009
Valuer	Colliers
Cap rate	9.25%
Occupancy	100%

Property	222 Russell St, Melbourne
Valuation	$13.00m
Date of Valuation	31 December 2009
Valuer	CBRE
Cap rate	8.50%
Occupancy	N/A as carpark

Property	75 George St, Parramatta
Valuation	$31.50m
Date of Valuation	31 December 2009
Valuer	Savills
Cap rate	9.00%
Occupancy	100%

Property	541 St Kilda Rd, Melbourne
Valuation	$25.20m
Date of Valuation	31 December 2009
Valuer	Jones Lang LaSalle
Cap rate	9.50%
Occupancy	100%

Top 5 Tenants

Tenant	Property	% of Income	% of NLA
St George Bank	75 George Street	26%	29%
Seek Limited	541 St Kilda Road	23%	28%
Ezipark	222 Russell Street	16%	-
Telstra	181 Great Eastern Hwy	15%	19%
Hanson	75 George Street	8%	8%
Thiess	541 St Kilda Road	-	6%

Diversification

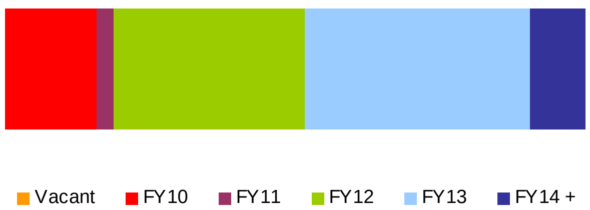
Diversification	Geographic Spread By Value	Geographic Spread By Number
VIC	45%	100%
NSW	37%	25%
WA	18%	25%

	Sector Spread By Value	Sector Spread By Number
Commercial*	85%	75%
Carpark	15%	25%

SDOT3 Occupancy and Weighted Average Lease Expiry

At 31 December 2009, SDOT3 occupancy was 100 per cent and the Weighted Average Lease Expiry was 2.42 years.

Lease Expiry Profile by Area as at 31 December 09



Disclosure Principle 5: Valuation Policy

SDOT3's policy is for all properties to be independently valued at least every three years by a Certified Practicing Valuer registered with the Australian Property Institute. A directors' valuation is undertaken at every other reporting date when an external valuation does not occur (i.e. 30 June and 31 December). Where the internal valuation results in a variance outside the range -5 per cent to 5 per cent of a property's built up book value, an external valuation is required. In addition, where the variance in the built up book value is outside the range -5 per cent to 5 per cent of the most recent independent valuation, a new external valuation is required.

A further requirement in addition to the policy above occurred for 30 June 2008, 31 December 2008, 30 June 2009 and 31 December 2009. Where the internal valuation produces a variance in the range of -2 per cent to -5 per cent of a property's built up book value, the property may be subject to an external valuation at the directors' discretion.

Disclosure Principle 6: Related Party Transactions

Related party transactions carry a risk that they could be assessed and monitored less rigorously than arm's length third party transactions. Investors should therefore be able to assess whether responsible entities take an appropriate approach to related party transactions. A significant number and value of such transactions may mean that investors should consider the financial position of the related group as a whole and the risk of potential conflicts of interest.

Related party transactions

- Stockland Trust Management Limited ("STML") as the Responsible Entity of Stockland Trust, a related party of SCPL, held 10,244,000 units in SDOT3 at 31 December 2009.
- Three SCPL Directors held units in SDOT3 at 31 December 2009. Mr David Kent held 85,000 units, Mr Matthew Quinn held 10,000 units and Mr Peter Scott held 20,000 units.
- SCPL is the Responsible Entity of SDOT3. SCPL does not hold any units in SDOT3.
- STML has provided an interest rate swap on SDOT3's property loan facility at 6.35 per cent per annum subject to the margin and line fee remaining at 0.60 per cent. Due to market conditions, the margin and line fee secured upon refinancing the loan in September 2009 increased from 0.60 per cent to 2.50 per cent. This 1.90 per cent increase is not covered by the swap.
- Stockland Trust has exercised its first right of refusal to acquire the property at 40 Cameron Avenue, Belconnen ACT and provided a written offer to acquire SDOT3's 50 percent interest in the Belconnen property for $28.25 million. The offer was considered and formally approved by the SCPL Board and the appropriate related party protocols were undertaken.

Fees to related parties

Type	Amount	When Paid?
Responsible Entity Fee	$0.26m for the half year ended 31 December 2009, representing 0.45% p.a. of SDOT3's gross assets.	Payable to SCPL from SDOT3's assets at the end of each quarter.
Performance Fee	Nil provided for at 31 December 2009 as calculated by 20.5% of SDOT3's return above the 10 year bond yield plus 3%, provided that investors receive at least the return of their application monies. For further information please refer to Section 7 of the Product Disclosure Statement dated 2 April 2007 ("PDS").	Payable to SCPL on expiry or wind up of SDOT3 or sale of SDOT3's properties.
Property Management Fee	$0.24m for the half year ended 31 December 2009, for property management and leasing.	Payable to Stockland Property Management Limited throughout the year as incurred.

Policy and Ongoing Monitoring

A corporate governance framework has been established by SCPL to protect the interests of investors. This framework includes the following components:

- Documented and executed agreements between Stockland and SDOT3 with independent legal advice obtained by SCPL on behalf of SDOT3;
- The Board of SCPL including two independent directors.
- Compliance monitoring by the Compliance Committee;
- A six monthly review and full year audit by the scheme auditor and full year audit by the compliance plan auditor;
- A requirement for the approval of all related party transactions by the SCPL Board to be by unanimous vote, including the independent directors;
- Undertaking of actions in accordance with Stockland's conflicts of interest policy, which is made available to all staff. The policy is reviewed on an ongoing basis to ensure that Stockland maintains adequate conflicts management arrangements.

Disclosure Principle 7: Distribution Practices

Some unlisted property schemes make distributions to investors from capital and/or unrealised gains where cash is available from either within the Trust or from borrowings.

Source of Distributions

Distributions for the half year ended 31 December 2009 were funded 100 per cent from realised income. Going forward it is anticipated that distributions will continue to be funded entirely from realised income however SCPL may review and adjust accordingly.

Disclosure Principle 8: Withdrawal Arrangements

Once an application for units has been received, investors are unable to redeem their units until SDOT3 terminates. Investors may however be able to sell their units by participating in the Limited Liquidity Facility ("LLF") offered by ANZ, or through an off-market transfer.

Limited Liquidity Facility

The LLF is a facility which ANZ has agreed to provide to investors of SDOT3. The LLF is available on a quarterly basis and provides investors with an opportunity to sell their units prior to SDOT3 terminating, subject to certain conditions.

ANZ has agreed to acquire up to 1,000,000 units in SDOT3 per quarter from investors seeking to realise their units. Units are acquired at a 2.5 per cent discount to Net Tangible Assets ("NTA") per unit less transaction costs. STML has placed a standing order with ANZ to acquire a maximum of 1,000,000 units per quarter. This standing order can be terminated at any time.

Investors who wish to apply to participate in the LLF should request a LLF form from SCPL, or download it from the website. Applications under the LLF will be considered an irrevocable offer by investors and cannot be withdrawn. An application must be for an investor's entire holding.

For applications under the LLF to be considered, investors should send completed application forms to the address detailed on the forms no later than 15 business days before quarter end. Investors who have made an application to participate in the LLF will be entitled to the distribution for the quarter in which the application was received.

Completed LLF forms will be accepted by ANZ in order of receipt. Any LLF form not accepted due to the LLF being oversubscribed in any single Quarter, may be included in the applications for the following Quarter's LLF. SCPL, on behalf of ANZ, will notify investors in writing whether their application has been successful within 15 business days after the end of the quarter in which the application form was received.

For the purposes of the LLF, the NTA per unit will be calculated twice a year based on the financial statements of the Trust prepared as at 30 June and 31 December.

Limitations

ANZ or STML can terminate the LLF without notice to Investors for any reason, including if SDOT3 does not have sufficient spread of investors required by the different rules governing stamp duty in Australia's states and territories. In summary, the standing order may terminate if SDOT3 has less than 300 investors, if any investor and its related entities hold more than 20 per cent of the units or if the top 20 investors hold at least 75 per cent of the units.

It is important to note that Stockland Trust's holding in the Trust as at March 2010 is 18.15 per cent.

SCPL will notify investors if the LLF is terminated in the quarterly distribution statement next following the date of termination.

Please refer to the Terms and Conditions of the LLF in the PDS.

Risks on Termination

The performance of the Trust will be influenced by a range of factors during the term of the Trust and at termination including:

- Changes in the economy and market conditions may affect demand and therefore property values;
- Investors will be indirectly exposed to property market risk;
- The value of the properties may fluctuate depending on market conditions and there may be a delay in achieving a sale of the properties;
- The Trust may be required to refinance the debt facilities;
- If the facilities cannot be entirely refinanced on its termination or expiry, then returns to investors may be adversely affected.

Please refer to Section 8 of the SDOT3 PDS and Section 5 of the SHT2 Product Disclosure Statement dated 12 August 2008 for further information regarding risks.

Further Information

For further information in relation to the above please refer to the website at http:///www.stockland.com.au/UnlistedPropertyFunds or contact our Client Relations Manager, Michael Radziowsky on (02) 9035 3208 or email michael.radziowsky@stockland.com.au.

Future updates on these Disclosure Principles will be made available on our website.