



**Australian Securities Exchange - Company Announcements Platform**

**CENTURIA PROPERTY FUNDS No.2 LIMITED**  
**CENTURIA URBAN REIT**

**Merger Proposal from Centuria Metropolitan REIT**

**Friday, 3 March 2017**

Centuria Property Funds No. 2 Limited (**Company**) in its capacity as responsible entity of Centuria Urban REIT (**CUA**) has received a proposal from Centuria Property Funds Limited (**CPFL**) in its capacity as responsible entity of Centuria Metropolitan REIT (**CMA**) in relation to the potential merger of CMA and CUA (**Merger Proposal**).

An Independent Board Committee (**IBC**) of the Company, consisting of the independent directors, Mr Michael Figg and Mr Robert Lloyd, has been established to consider and respond to the Merger Proposal.

The key terms of the Merger Proposal are:

- CMA will acquire all of the CUA units pursuant to a "trust scheme" which requires the approval by special resolution of CUA unitholders (with CMA and its associates not voting).
- CUA unitholders will be offered 0.88 CMA units and \$0.23 cash for each of their CUA units.
- The merger ratio has been calculated on an "NTA for NTA" basis - meaning that the value of the CMA units and the CUA units has been determined based on the underlying net tangible asset values of CMA and CUA.
- A CUA unitholder meeting is expected to be held in April/May 2017.

The IBC, on behalf of the Company has entered into the attached Scheme Implementation Agreement (**SIA**). The SIA provides a framework for the preparation of documentation necessary to put the Merger Proposal before the CUA unitholders for their consideration and includes usual no-talk, no shop restrictions on the Company.

The IBC believes that the Merger Proposal has merit, offers a number of potential benefits to CUA unitholders and it is in the best interests of CUA's unitholders that the

Merger Proposal be put forward for their consideration.

The SIA is subject to a number of condition precedents (**CPs**) including satisfactory due diligence and an independent expert finding the Merger Proposal is fair and reasonable and in the best interests of CUA's unitholders. Subject to the satisfaction of the CPs regarding satisfactory due diligence and an independent expert finding the Merger Proposal is in the best interests of CUA's unitholders, the IBC intends to recommend that CUA's unitholders vote in favour of the Merger Proposal in the absence of a superior proposal.

The SIA is also conditional on:

- There being no "prescribed occurrences" (as defined in the SIA) in respect of CMA or CUA.
- No material adverse changes occurring in respect of CMA or CUA.

To provide CUA unitholders with material information to assist them in considering the Merger Proposal, the IBC intends to appoint Lonergan Edwards & Associates Limited to provide an independent expert's report. That report will state whether, in the independent expert's opinion, the Merger Proposal is fair and reasonable to (and/or in the best interests of) the unitholders of CUA (other than CMA and its associates).

The IBC will be carrying out due diligence enquiries in relation to the Merger Proposal and has appointed BG Capital Corporation as its corporate adviser and HWL Ebsworth as its legal adviser to assist it in assessing the Merger Proposal. Appropriate procedures and policies will be adopted to ensure that the Merger Proposal is carefully considered and promotes the best interests of the CUA unitholders.

**The IBC advise you to take no action in relation to the Merger Proposal at this point in time.**

The IBC will continue to provide you with further updates, as appropriate.

- Ends

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## **About Centuria Urban REIT**

The ASX-listed Centuria Urban REIT, is a registered managed investment scheme, (ARSN 106 453 196) investing in urban office assets within Australia. The REIT's portfolio comprises three office assets located in Brisbane (2) and Melbourne (1). These assets have been valued at \$210.4 million as at 31/12/2016.

Centuria Property Funds No. 2 Limited (CPF2L), a wholly-owned subsidiary of Centuria Capital Group (CNI), is the Responsible Entity for the ASX listed Centuria Urban REIT (CUA).

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No.2 Limited**

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## Scheme Implementation Agreement

**Centuria Property Funds Limited (ACN 086 553 639)**  
**in its capacity as responsible entity of**  
**Centuria Metropolitan REIT No. 1 (ARSN 124 364 718) and**  
**Centuria Metropolitan REIT No. 2 (ARSN 124 364 656)**  
**and**

**Centuria Property Funds No. 2 Limited (ACN 133 363 185)**  
**in its capacity as responsible entity of**  
**Centuria Urban REIT (ARSN 106 453 196)**

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## Table of contents

<b>1.</b>	<b>Definitions and Interpretation</b>	<b>1</b>
1.1	Definitions	1
1.2	Interpretation	12
<b>2.</b>	<b>Conditions Precedent</b>	<b>13</b>
2.1	Operation of Conditions Precedent	13
2.2	Benefit of certain Conditions Precedent	13
2.3	Waiver of Conditions Precedent	13
2.4	Reasonable endeavours	14
2.5	Regulatory matters	14
2.6	Provision of undertakings	15
2.7	Notifications	15
2.8	Conditions Precedent not met	15
<b>3.</b>	<b>Proposal of Scheme</b>	<b>16</b>
3.1	Target RE to propose the Scheme	16
3.2	Bidder RE to assist	16
3.3	Simplification Proposal	16
3.4	Fractional entitlements	16
3.5	Ineligible Overseas Target Unitholders	16
3.6	Ranking of Bidder Units	17
<b>4.</b>	<b>Co-operation and timing</b>	<b>17</b>
<b>5.</b>	<b>Outline of Scheme</b>	<b>17</b>
5.1	The Scheme	17
5.2	Provision of Scheme Consideration	18
<b>6.</b>	<b>Access to information</b>	<b>18</b>
6.1	Access	18
6.2	Exceptions	18
6.3	Acknowledgement	18
<b>7.</b>	<b>Implementation obligations of the parties</b>	<b>19</b>

7.1	Target RE's obligations	19
7.2	Bidder RE's obligations	19
<b>8.</b>	<b>Explanatory Memorandum</b>	<b>19</b>
8.1	Preparation	19
8.2	Content of Explanatory Memorandum	20
8.3	Bidder Information	20
8.4	Responsibility statement	20
8.5	Misleading or deceptive information	21
8.6	Disagreement on content	21
8.7	Verification	22
<b>9.</b>	<b>Conduct of business</b>	<b>22</b>
9.1	Conduct	22
9.2	Prohibited actions	22
9.3	Permitted acts	22
9.4	Target Permitted Distribution	23
9.5	Bidder Permitted Distribution	23
9.6	D&O insurance	23
<b>10.</b>	<b>Exclusivity</b>	<b>23</b>
10.1	No existing discussions	23
10.2	No-talk restriction	23
10.3	Exception	24
10.4	No shop restriction	24
10.5	Matching right	24
10.6	Revised Competing Proposal	25
<b>11.</b>	<b>Reimbursement of Costs</b>	<b>25</b>
11.1	Payment by Bidder RE to Target RE	25
11.2	Payment by Target RE to Bidder RE	26
<b>12.</b>	<b>Warranties</b>	<b>26</b>
12.1	General	26
12.2	Target RE warranties	27
12.3	Indemnity by Target RE	27

12.4	Qualification	28
12.5	Bidder RE warranties	28
12.6	Indemnity by Bidder RE	28
12.7	Qualification	29
12.8	Notifications	29
12.9	Status of representations and warranties	29
12.10	Status and enforcement of indemnities	29
<b>13.</b>	<b>Termination</b>	<b>29</b>
13.1	Termination rights	29
13.2	Manner of termination	30
13.3	Effect of termination	30
<b>14.</b>	<b>Limitation of liability – Bidder RE</b>	<b>30</b>
<b>15.</b>	<b>Limitation of liability – Target RE</b>	<b>31</b>
<b>16.</b>	<b>GST</b>	<b>32</b>
16.1	Interpretation	32
16.2	GST gross up	32
16.3	Reimbursements and indemnifications	32
16.4	Tax invoice	32
<b>17.</b>	<b>Notices</b>	<b>32</b>
17.1	Method of giving notices	32
17.2	Time of receipt	33
17.3	Address of parties	33
<b>18.</b>	<b>General</b>	<b>33</b>
18.1	Costs and expenses	33
18.2	Stamp duty	34
18.3	Amendment	34
18.4	Waiver	34
18.5	Entire Agreement	34
18.6	Severance	34
18.7	Further assurance	34
18.8	Assignment	34

18.9	Counterparts	35
18.10	Governing law and jurisdiction	35
18.11	Prohibition and enforceability	35
<b>Schedule 1</b>	<b>Conditions Precedent</b>	<b>36</b>
<b>Schedule 2</b>	<b>Target Prescribed Occurrence</b>	<b>38</b>
<b>Schedule 3</b>	<b>Bidder Prescribed Occurrence</b>	<b>41</b>
<b>Schedule 4</b>	<b>Indicative Timetable</b>	<b>44</b>
<b>Schedule 5</b>	<b>Target RE's Obligations</b>	<b>45</b>
<b>Schedule 6</b>	<b>Bidder RE's obligations</b>	<b>47</b>



# Scheme Implementation Agreement

Date

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Parties                      **Centuria Property Funds Limited ACN 086 553 639 in its capacity as responsible entity of Centuria Metropolitan REIT No. 1 ARSN 124 364 718 and Centuria Metropolitan REIT No. 2 ARSN 124 364 656**

(Bidder RE)

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**Centuria Property Funds No. 2 Limited ACN 133 363 185 in its capacity as responsible entity of Centuria Urban REIT ARSN 106 453 196**

(Target RE)

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Recitals                    A.        Bidder RE wishes Target RE to propose the Scheme pursuant to which Bidder RE would acquire all of the Target Units in return for the Scheme Consideration.

B.        Bidder RE and Target RE have agreed to undertake certain steps to enable the Scheme to be proposed, approved and implemented subject to, and in accordance with, this agreement.

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The parties agree, in consideration of, among other things, the mutual promises contained in this agreement as follows:

## 1. Definitions and Interpretation

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### 1.1 Definitions

The meanings of the terms used in this agreement are set out below.

**ASIC**                                      means the Australian Securities and Investments Commission.

**Associate**                                has the meaning given in section 12 of the Corporations Act, where the Target is the 'designated body'.

**ASX**                                         means ASX Limited ACN 008 624 691 or, as the context requires, the

financial market operated by it.

<b>Bidder</b>	means Centuria Metropolitan REIT No. 1 ARSN 124 364 718 and Centuria Metropolitan REIT No. 2 ARSN 124 364 656.
<b>Bidder Constitution</b>	means the constitution of the Bidder as amended from time to time.
<b>Bidder Costs</b>	means all reasonable, actual costs or out of pocket expenses payable by Bidder RE in connection with the Scheme.
<b>Bidder Permitted Distribution</b>	means a distribution by Bidder to Bidder unitholders of not more than 4.375 cents per Bidder Unit to be paid in respect of the quarter ending 31 March 2017.
<b>Bidder Indemnified Parties</b>	means Bidder RE and the directors, officers, employees and advisers of Bidder RE.
<b>Bidder Information</b>	means the information provided by Bidder RE to Target RE for inclusion in the Explanatory Memorandum, and includes information in relation to the Bidder as a consequence of the issue of the Bidder Units under the terms of the Scheme. Bidder Information does not include any information about the Target (except to the extent it relates to any statement of intention relating to the Target following the Effective Date).
<b>Bidder Material Adverse Change</b>	means a Material Adverse Change in relation to the Bidder.
<b>Bidder Prescribed Occurrence</b>	means the occurrence of any of the events listed in Schedule 3 but excludes: <ul style="list-style-type: none"> <li>(a) a matter required to be done or procured by Bidder RE pursuant to, or which is otherwise contemplated by, this agreement, the Scheme, the Deed Poll, the Supplemental Deed or the Simplification Proposal; or</li> <li>(b) a matter the undertaking of which has been approved by Target RE in writing.</li> </ul>
<b>Bidder Scrip Consideration</b>	means the scrip component of the Scheme Consideration being the Bidder Units to be issued as part of the Scheme Consideration consisting of 0.88 of a Bidder Unit per Target Unit.
<b>Bidder Unit</b>	means a fully paid unit in the Bidder.

<b>Business Day</b>	means a business day as defined in the ASX Listing Rules.
<b>Cash Consideration</b>	means the cash component of the Scheme Consideration, being \$0.23 cash per Target Unit.
<b>Claim</b>	means any allegation, cause of action, claim, proceeding, suit or demand of any nature howsoever arising and whether present or future, fixed or unascertained, actual or contingent, whether at law, in equity, for restitution, under statute or otherwise.
<b>CMR1</b>	means Centuria Metropolitan REIT No. 1 ARSN 124 364 718.
<b>CMR2</b>	means Centuria Metropolitan REIT No. 2 ARSN 124 364 656.
<b>Competing Proposal</b>	<p>means any expression of interest, proposal, offer, transaction or arrangement (other than any transaction that may be made and implemented in accordance with this agreement) by or with any person pursuant to which, if the expression of interest, proposal, offer, transaction or arrangement is entered into or completed substantially in accordance with its terms:</p> <p>(a) a person or persons will:</p> <ul style="list-style-type: none"> <li>(i) acquire an interest in, or a Relevant Interest in, or become the holder of, 20% or more of the Target Units;</li> <li>(ii) directly or indirectly acquire, obtain a right to acquire, or otherwise obtain an economic interest in, all or a substantial part of the assets or business of the Target;</li> <li>(iii) otherwise acquire Control of the Target; or</li> <li>(iv) otherwise directly or indirectly acquire, merge or amalgamate with, or acquire a significant unitholding or economic interest in, the Target or in all or a substantial part of its assets or business,</li> </ul> <p>whether by way of takeover offer, scheme of arrangement, member approved acquisition, capital reduction, security buy-back or repurchase, sale or purchase of assets, joint venture, reverse takeover, recapitalisation, establishment of a new holding company or other synthetic merger or any other transaction or arrangement; or</p> <p>(b) the Target RE would be required to abandon or otherwise fail to proceed with the Scheme, by whatever means.</p>

<b>Condition Precedent</b>	means a condition precedent set out in Schedule 1.
<b>Confidentiality Deed</b>	means the confidentiality deed made between the parties on or about the date of this agreement.
<b>Control</b>	has the meaning given in section 50AA of the Corporations Act.
<b>Corporations Act</b>	means the <i>Corporations Act 2001</i> (Cth).
<b>Deed Poll</b>	means a deed poll to be executed by Bidder RE in favour of Target Unitholders, to be in a form agreed between the parties.
<b>Effective</b>	means in relation to the Scheme, when the Supplemental Deed takes effect in accordance with section 601GC(2) of the Corporations Act.
<b>Effective Date</b>	means the date on which the Scheme becomes Effective.
<b>End Date</b>	means 30 June 2017 or such later date as the parties agree in writing.
<b>Excluded Property Contract</b>	means any leases or licences affecting the Properties.
<b>Exclusivity Period</b>	means the period from and including the date of this agreement to the earliest of: <ul style="list-style-type: none"> <li>(c) the termination of this agreement in accordance with its terms;</li> <li>(d) the End Date; and</li> <li>(e) the Effective Date.</li> </ul>
<b>Explanatory Memorandum</b>	means the explanatory memorandum to be despatched to Target Unitholders, which will accompany the notice of meeting convening the Meeting and a proxy form for the Scheme Resolutions.
<b>Government Agency</b>	means any government or governmental, semi-governmental, administrative, monetary, fiscal or judicial body, department, commission, authority, tribunal, agency or entity and includes any minister (including for the avoidance of doubt, the Commonwealth Treasurer), ASIC, the ACCC, the ATO, ASX and any regulatory

organisation established under statute or any stock exchange.

<b>GST</b>	has the meaning given in the GST Act.
<b>GST Act</b>	means <i>A New Tax System (Goods and Services Tax) Act 1999</i> (Cth).
<b>Guidance Note 15</b>	means Guidance Note 15: Listed Trusts and Managed Investment Proposal Mergers issued by the Takeovers Panel.
<b>Implementation Date</b>	means the fifth Business Day following the Record Date or such other date as the parties agree in writing.
<b>Independent Expert</b>	means the independent expert, being Lonergan Edwards & Associates Limited, as appointed by Target RE to provide an opinion on whether the Scheme is fair and reasonable and in the best interests of non-associated Target Unitholders.
<b>Insolvent</b>	means in relation to a party: <ul style="list-style-type: none"> <li>(a) the party is or becomes unable to pay its debts as and when they fall due or is otherwise presumed to be insolvent under the insolvency laws applying to that party;</li> <li>(b) the party suspends or threatens to suspend payment of its debts generally;</li> <li>(c) the calling of a meeting to consider a resolution to wind up the party (other than where the resolution is frivolous or cannot reasonably be considered to be likely to lead to the actual winding up of the party) or the making of an application or the making of any order, or the passing of any resolution, for the winding up or liquidation of the party other than where the application or order (as the case may be) is set aside within 7 days;</li> <li>(d) the appointment of a provisional liquidator, liquidator, receiver or a receiver and manager or other insolvency official to the party or to the whole or a substantial part of the property or assets of the party;</li> <li>(e) the appointment of an administrator to the party;</li> <li>(f) the entry by a party into any compromise or arrangement with creditors;</li> <li>(g) as a result of the operation of section 459F(1) of the Corporations Act, the party is taken to have failed to comply with a statutory demand;</li> </ul>

- (h) anything analogous to anything referred to in paragraphs (a) to (g) (inclusive) of this definition or which has a substantially similar effect, occurs with respect to a person under any law of any jurisdiction; or
- (i) in the case of a trust, the trustee's right of indemnity out of the assets of the trust is not sufficient to meet the liabilities of the trust when they fall due.

**Ineligible Overseas Target Unitholder**

means a Target Unitholder whose address as shown in the Register on the Record Date is a place outside Australia and its external territories and New Zealand unless Bidder RE determines that it is lawful and not unduly onerous or impracticable to issue that Target Unitholder with Bidder Units in accordance with this agreement when the Scheme is implemented.

**Listing Rules**

means the listing rules of ASX.

**Material Adverse Change**

means any matter, event or circumstance that occurs on or after the date of this agreement, or is likely to occur on or after the date of this agreement, which individually, or when aggregated with any other matters, events or circumstances of a like kind, has resulted in or could reasonably be expected to result in:

- (a) diminution or reduction of:
  - (i) the distributable income of the Bidder or Target (as applicable) by 10% or more compared to what it could reasonably have been but for such matter, event or circumstance; or
  - (ii) the net assets (the excess of total assets over total liabilities on a consolidated basis) of the Bidder or Target by 10% or more compared to what it would reasonably have been expected to have been but for such matter, event or circumstance;
- (b) the Bidder or Target (as applicable) being unable to carry on its business in substantially the same manner as carried out before the date of this agreement;
- (c) the Bidder's or Target's (as applicable) primary financiers fail to provide any waiver or consent required to ensure that implementation of the Scheme does not cause the Bidder or Target (as applicable) to breach any covenant under the financing agreements with that financier,

other than any matter, event or circumstance that arises from any change occurring (directly or indirectly) as a result of any matter, event or circumstance required or permitted by this agreement, the Scheme, the Supplemental Deed, the Deed Poll or the transactions

contemplated by them, including any cost or expense associated with them.

- Material Contract** means a contract or commitment (or any series of related contracts or commitments):
- (a) under which the Target might reasonably be expected to make total payments in excess of \$100,000 or, excluding the Excluded Property Contracts, receive total payments in excess of \$100,000; or
  - (b) excluding the Excluded Property Contracts, under which the Target does not have an unconditional right to terminate within 12 months of entry into the contact or commitment without penalty; or
  - (c) under which a material restraint is imposed on the conduct of the business of the Target; or
  - (d) which is entered into other than in the ordinary course of business and which may otherwise reasonably be expected to be material to the operations of the Target; or
  - (e) excluding the Excluded Property Contracts and this agreement, which grants an exclusive right to a third party and which is not capable of termination by Target RE on 90 days' notice or less,
- but excludes this agreement.
- Meeting** means the meeting of the Target Unitholders to consider and if thought fit to pass the Scheme Resolutions, and includes any adjournment of that meeting.
- Meeting Date** means the date on which the Meeting is held (including any date to which the Meeting is adjourned).
- Nominee** means a nominee appointed by Target RE.
- Properties** means any real property owned by Target RE or Bidder RE (as applicable) or in which Target RE or Bidder RE (as applicable) has an interest (directly or indirectly).
- Record Date** means 7.00 pm on the fifth Business Day following the Effective Date or such other date as the parties agree in writing.
- Register** means the unit register of the Target and **Registry** has a

corresponding meaning.

**Regulatory Approval** means any approval of a Government Agency to the Scheme or any aspect of it which is necessary or desirable to implement the Scheme.

**Regulatory Guide 74** means ASIC's Regulatory Guide 74 (Acquisitions agreed to by shareholders).

**Regulatory Modifications** means:

- (a) ASIC has granted to Target RE a modification of item 7 of section 611 of the Corporations Act, allowing each Target Unitholder (other than Bidder RE and those excluded from voting because they are Associates of Bidder RE) to vote in favour of the Scheme Resolutions for the purpose of item 7 of section 611;
- (b) ASIC has granted an exemption in favour of Target RE under Division 2 of Part 7.7 of the Corporations Act from the requirement to provide a financial services guide in connection with the Explanatory Memorandum;
- (c) ASIC has granted Bidder RE a modification of or exemption from Division 5A of Part 7.9 of the Corporations Act in relation to the proposed offer to purchase Target Units under the Scheme;
- (d) ASIC has granted Target RE a modification of or exemption from section 601FC(1)(d) of the Corporations Act to permit Target RE to treat Ineligible Overseas Target Unitholders differently when implementing the Scheme;
- (e) ASIC has granted Target RE a modification of or exemption from Chapter 5C and Parts 7.6 and 7.9 of the Corporations Act in relation to the scheme registration, equal treatment, licensing and product disclosure provisions in relation to the operation of the Sale Facility;
- (f) ASIC has granted Bidder RE a modification of or exemption from section 1013B(1) of the Corporations Act so that the Product Disclosure Statement of Bidder RE does not need to be entitled 'Product Disclosure Statement';
- (g) ASIC has granted Bidder RE a modification of or exemption from section 1016A of the Corporations Act so that an application form does not have to be included in or accompany the Product Disclosure Statement of Bidder RE;
- (h) ASIC has granted Bidder RE a modification of or exemption from section 1015C of the Corporations Act so that the Product Disclosure Statement of Bidder RE may be sent to Target Unitholders at the address shown the Target's unit



register;

- (i) ASX has confirmed to Target RE that it does not object to the proposed amendments to the Constitution, or the draft Explanatory Memorandum under Listing Rule 15.1;
- (j) ASX has confirmed to Target RE that the proposed amendments to the Constitution are appropriate and equitable under Listing Rule 6.12.3;
- (k) ASX has confirmed to Target RE that the timetable for the implementation of the Scheme is acceptable to ASX under Listing Rule 7.40;
- (l) ASX has granted Bidder RE a waiver of Listing Rules 7.1 and 10.11 allowing for the issue of Bidder Units under the Scheme without obtaining the approval of Bidder's members; and
- (m) ASX has confirmed to Bidder RE that Bidder RE does not require the approval of Bidder's members for the purposes of Listing Rule 11.1.

<b>Regulatory Review Period</b>	means the period from the date on which the draft Explanatory Memorandum is submitted to ASIC to the date that is 14 days after that date unless ASIC objects to the Explanatory Memorandum in that period.
<b>Related Body Corporate</b>	has the same meaning as given by section 9 of the Corporations Act.
<b>Relevant Interest</b>	has the same meaning as given by sections 608 and 609 of the Corporations Act.
<b>Sale Facility</b>	means the facility established for the sale of Bidder Units on behalf of Ineligible Overseas Target Unitholders.
<b>Scheme</b>	means the trust scheme pursuant to which Bidder RE will acquire all of the Target Units from the Target Unitholders in accordance with Guidance Note 15, facilitated by amendments to the Target Constitution and a resolution pursuant to section 611 item 7 of the Corporations Act.
<b>Scheme Consideration</b>	means: <ul style="list-style-type: none"> <li>(a) the Cash Consideration; and</li> <li>(b) Bidder Scrip Consideration.</li> </ul>

<b>Scheme Resolutions</b>	means the following resolutions:  <ul style="list-style-type: none"> <li>(a) an ordinary resolution to approve the Scheme for the purposes of Item 7 of section 611 of the Corporations Act including the acquisition of Target Units by Bidder RE; and</li> <li>(b) a special resolution for the purposes of section 601GC(1) of the Corporations Act to approve amendments to the Target Constitution for the purposes of, and to facilitate, the implementation of the Scheme.</li> </ul>
<b>Simplification Proposal</b>	has the meaning given to it in clause 3.3(a).
<b>Superior Proposal</b>	means a bona fide Competing Proposal (and not resulting from a breach by Target RE of its obligations under clause 10, it being understood that any actions by the representatives of Target RE in breach of clause 10 shall be deemed to be a breach by the Target RE for the purposes hereof) that the Target Independent Directors, acting in good faith, and after receiving written legal advice from its legal adviser (who must be a reputable legal adviser experienced in transactions in the nature of the transactions contemplated by this agreement) and written advice from its financial advisor in order to satisfy what the Target Independent Directors consider to be their fiduciary or statutory duties, determine:  <ul style="list-style-type: none"> <li>(a) is capable of being valued and completed, taking into account all aspects of the Competing Proposal, including its conditions precedent; and</li> <li>(b) would, if completed substantially in accordance with its terms, be more favourable to Target Unitholders (as a whole) than the Scheme, taking into account all the terms and conditions of the Competing Proposal and all aspects of the Scheme.</li> </ul>
<b>Supplemental Deed</b>	means a deed poll under which Target RE will amend the Target Constitution in a form to be agreed between the parties.
<b>Takeovers Panel</b>	means the panel established by Part 10 of the <i>Australian Securities and Investment Commission Act 2001</i> (Cth) and having the functions specified in Part 6.10, Division 2 of the Corporations Act.
<b>Target</b>	means Centuria Urban REIT ARSN 106 453 196.
<b>Target Costs</b>	means all reasonable, actual costs or out of pocket expenses payable by Target RE in connection with the Scheme.

<b>Target Constitution</b>	means the constitution of the Target, as amended from time to time.
<b>Target Permitted Distribution</b>	means a distribution by Target to Target Unitholders of an amount of no more than 4.25 cents per Target Unit to be paid in respect of the quarter ending 31 March 2017.
<b>Target Indemnified Parties</b>	means Target RE and the directors, officers, employees and advisers of Target RE.
<b>Target Independent Director</b>	means an independent director of Target RE.
<b>Target Information</b>	means all information in the Explanatory Memorandum other than the Bidder Information, the Tax Opinion and the Independent Expert's report.
<b>Target Material Adverse Change</b>	means a Material Adverse Change in relation to the Target.
<b>Target Prescribed Occurrence</b>	means the occurrence of any of the events listed in Schedule 2 but excludes: <ul style="list-style-type: none"> <li>(a) a matter required to be done or procured by Target RE pursuant to, or which is otherwise contemplated by, this agreement, the Scheme, the Deed Poll or the Supplemental Deed; or</li> <li>(b) a matter the undertaking of which has been approved by Bidder RE in writing.</li> </ul>
<b>Target Unit</b>	means a unit in the Target, including all units on issue as at the Effective Date other than a unit in which Bidder RE holds a Relevant Interest at the Record Date.
<b>Target Unitholder</b>	means a registered holder of one or more Target Units.
<b>Tax Opinion</b>	means a letter setting out tax implications of the Scheme in the Explanatory Memorandum.
<b>Tax Opinion Provider</b>	means Ernst & Young.

**Timetable** means the indicative timetable in relation to the Scheme, as set out in Schedule 4, or such other indicative timetable as the parties agree in writing.

## 1.2 Interpretation

Headings are for convenience only and do not affect interpretation. The following rules apply unless the context requires otherwise.

- (a) The singular includes the plural and conversely.
- (b) A gender includes all genders.
- (c) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.
- (d) A reference to a person, corporation, trust, partnership, unincorporated body or other entity includes any of them.
- (e) A reference to a clause, schedule or annexure is a reference to a clause of, or schedule or annexure to, this agreement.
- (f) A reference to an agreement or document (including a reference to this agreement) is to the agreement or document as amended, varied, supplemented, novated or replaced, except to the extent prohibited by this agreement or that other agreement or document.
- (g) A reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns.
- (h) A reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.
- (i) A reference to \$ is to the lawful currency of Australia.
- (j) Words and phrases not specifically defined in this agreement have the same meanings (if any) given to them in the Corporations Act.
- (k) A reference to time is a reference to time in Sydney, Australia.
- (l) If the day on which any act, matter or thing is to be done is a day other than a Business Day, such act, matter or thing must be done on the immediately succeeding Business Day.
- (m) The meaning of general words is not limited by specific examples introduced by including, or for example, or similar expressions.
- (n) A reference to a party using its best endeavours or reasonable endeavours does not include a reference to that party paying money or providing other valuable consideration to or for the benefit of any person (and an obligation on a party to use

its best or reasonable endeavours does not oblige that party to pay money or provide other valuable consideration to or for the benefit of any person) or agreeing to commercially onerous or unreasonable conditions.

- (o) A reference to a fact, matter, circumstance or thing being fairly disclosed to a person means disclosed in writing to any of that person or any of that person's advisers in good faith and in sufficient detail so as to reasonably apprise a person (or one of its advisers) as to the nature and scope of the relevant fact, matter, circumstance or thing.

## 2. Conditions Precedent

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### 2.1 Operation of Conditions Precedent

The Scheme will not become Effective and the obligations of the parties under the Scheme will not be binding unless each of the Conditions Precedent has been satisfied or waived in accordance with this clause 2.

### 2.2 Benefit of certain Conditions Precedent

- (a) A Condition Precedent may only be waived in writing by the party entitled to the benefit of that Condition Precedent as noted in this clause 2.2 and will be effective only to the extent specifically set out in that waiver. If both parties are entitled to the benefit of a Condition Precedent then both parties must sign the waiver.
- (b) The Conditions Precedent in paragraphs 4, 9, 12, 13, 16 and 17 of Schedule 1 are for the benefit of each party.
- (c) The Conditions Precedent in paragraphs 1, 6, 8, 10 and 14 of Schedule 1 are for the sole benefit of Bidder RE.
- (d) The Conditions Precedent in paragraphs 2, 5, 7, 11 and 15 of Schedule 1 are for the sole benefit of Target RE.
- (e) The Conditions Precedent in paragraph 3 of Schedule 1 cannot be waived.
- (f) A party entitled to waive the breach or non-fulfilment of a Condition Precedent under this clause 2.2 may do so in its absolute discretion.

### 2.3 Waiver of Conditions Precedent

If either Target RE or Bidder RE (or both if necessary) waives the breach or non-fulfilment of a Condition Precedent in accordance with this clause 2.3, then:

- (a) subject to clause 2.3(b), that waiver precludes any party from suing any other for any breach of this agreement arising as a result of the breach or non-fulfilment of that Condition Precedent or arising from the same event which gave rise to the breach or non-fulfilment of that Condition Precedent; but
- (b) if the waiver of the Condition Precedent is itself conditional and the other party:

- (i) accepts the condition, the terms of that condition apply notwithstanding any inconsistency with clause 2.3(a); or
- (ii) does not accept the condition, the Condition Precedent has not been waived.

## 2.4 Reasonable endeavours

- (a) Target RE must use all reasonable endeavours to procure that:
  - (i) each of the Conditions Precedent in paragraphs 1, 3, 6, 8, 10, 13 and 14 of Schedule 1:
    - (A) is satisfied as soon as practicable after the date of this agreement; and
    - (B) continues to be satisfied at all times until the last time it is to be satisfied (as the case may require); and
  - (ii) there is no occurrence that would prevent those Conditions Precedent being satisfied.
- (b) Bidder RE must use all reasonable endeavours to procure that:
  - (i) each of Conditions Precedent in paragraphs 2, 5, 7, 11, 15 and 17 of Schedule 1:
    - (A) is satisfied as soon as practicable after the date of this agreement; and
    - (B) continues to be satisfied at all times until the last time it is to be satisfied (as the case may require); and
  - (ii) there is no occurrence that would prevent those Conditions Precedent being satisfied.
- (c) Each party must, to the extent that it is within its power to do so, use all reasonable endeavours to procure that:
  - (i) the Condition Precedent in paragraph 9 of Schedule 1:
    - (A) is satisfied as soon as practicable after the date of this agreement; and
    - (B) continues to be satisfied at all times until the last time it is to be satisfied (as the case may require); and
  - (ii) there is no occurrence that would prevent that Conditions Precedent being satisfied.

## 2.5 Regulatory matters

Without limiting clause 2.4 but subject to clause 2.6, each of Target RE and Bidder RE must promptly apply for all relevant Regulatory Approvals and take all steps it is responsible for as

part of the approval process, including responding to requests for information at the earliest practicable time.

## 2.6 Provision of undertakings

Notwithstanding any other provision of this agreement, for the purposes of this satisfying any Regulatory Modification, no party is required to agree to any adverse conditions or to provide or to agree to provide any adverse written undertakings to a Government Agency which are not acceptable to that party.

## 2.7 Notifications

Each party must:

- (a) keep the other party promptly and reasonably informed of the steps it has taken and of its progress towards satisfaction of the Conditions Precedent;
- (b) promptly notify the other party in writing after it becomes aware that any Condition Precedent has been satisfied, in which case the notifying party must also provide reasonable evidence that the Condition Precedent has been satisfied; and
- (c) promptly notify the other party in writing of a failure to satisfy a Condition Precedent or of any fact or circumstance that results in that Condition Precedent becoming incapable of being satisfied or that may result in that Condition Precedent not being satisfied in accordance with its terms.

## 2.8 Conditions Precedent not met

- (a) If any of the Conditions Precedent are not satisfied or waived by the date specified in this agreement for its satisfaction (or an event occurs that would prevent a Conditions Precedent being satisfied by that date) or the Scheme has not become Effective by the End Date, then the parties must consult in good faith with a view to determining whether:
  - (i) the Scheme, or a transaction that results in Bidder RE acquiring all of the Target Units, may proceed by way of alternative means;
  - (ii) to extend the relevant time for satisfaction of the Condition Precedent; or
  - (iii) to extend the End Date.
- (b) If the parties are unable to reach agreement under clause 2.8(a) within five Business Days, then unless the relevant Condition Precedent is waived in accordance with this clause 2, either party may terminate this agreement without any liability to the other party by reason of that termination alone, but without limiting either party's rights in respect of a breach of this agreement before its termination.
- (c) A party will not be entitled to terminate this agreement pursuant to this clause 2.8 if the relevant Condition Precedent has not been satisfied or agreement cannot be reached as a result of:
  - (i) in the case of Target RE, a breach of this agreement by Target RE or a deliberate act or omission of Target RE; or

- (ii) in the case of Bidder RE, a breach of this agreement by the Bidder RE or a deliberate act or omission of Bidder RE.

### 3. Proposal of Scheme

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#### 3.1 Target RE to propose the Scheme

Target RE agrees to propose and implement the Scheme on and subject to the terms and conditions of this agreement.

#### 3.2 Bidder RE to assist

Bidder RE agrees to assist Target RE in proposing and implementing the Scheme on and subject to the terms and conditions of this agreement.

#### 3.3 Simplification Proposal

- (a) The parties acknowledge and agree that:
  - (i) the units in CMR1 are stapled to the units in CMR2;
  - (ii) pursuant to the simplification proposal described in the notice of extraordinary general meeting and accompanying explanatory memorandum issued by Bidder RE on 15 February 2017, it is proposed that the units in CMR1 will be unstapled from units in CMR2, and CPFL as responsible entity of CMR1 will acquire all of the units in CMR2 from CMR2 unitholders in exchange for the issue of units by CPFL as responsible entity of CMR1 to those unitholders on a pro rata basis (**Simplification Proposal**);
  - (iii) the Scheme is conditional upon the Simplification Proposal being approved by the securityholders of CMR1 and CMR2; and
  - (iv) on and with effect from the implementation of the Simplification Proposal (**Simplification Implementation Date**), and notwithstanding any other provision of this agreement, the parties agree that each reference in this agreement to the 'Bidder RE' is to be read as a reference to the Bidder RE in its capacity as responsible entity of CMR1.

#### 3.4 Fractional entitlements

If the number of Target Units held by a Target Unitholder is such that the aggregate entitlement of the Target Unitholder to Scheme Consideration comprising Bidder Scrip Consideration is such that a fractional entitlement to a Bidder Scrip Consideration arises, then the entitlement of that Target Unitholder must be rounded down to the nearest whole number of Bidder Units.

#### 3.5 Ineligible Overseas Target Unitholders

- (a) Target RE will, on or before the Implementation Date, appoint a Nominee.



- (b) The Nominee will participate in the Scheme in the same way as Target Unitholders who are not Ineligible Overseas Target Unitholders.
- (c) Bidder RE will be under no obligation under the Scheme to issue, and will not issue, any Bidder Units to any Ineligible Overseas Target Unitholder, and instead will issue the Bidder Units to which that Ineligible Overseas Target Unitholder would otherwise have been entitled to the Nominee.
- (d) Target RE will procure that, as soon as reasonably practicable and in any event no more than:
  - (i) 15 Business Days after the Implementation Date, the Nominee sells all of the Bidder Units issued to the Nominee pursuant to clause 3.5(c) in such manner, at such price and on such terms as the Nominee determines in good faith; and
  - (ii) 25 Business Days after the Implementation Date, the Nominee remits to the relevant Ineligible Overseas Target Unitholders the proportion of the net proceeds of sale (rounded to the nearest cent, after deducting any applicable brokerage, stamp duty and other selling costs, taxes and charges) to which that Ineligible Overseas Target Unitholder is entitled.

### 3.6 Ranking of Bidder Units

The Bidder Units issued as Bidder Scrip Consideration must, on their issue, rank equally in all respects with all other Bidder Units then on issue.

## 4. Co-operation and timing

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Target RE and Bidder RE will use all reasonable endeavours and commit necessary resources (including management and corporate relations resources and the resources of external advisers) to finalise the Explanatory Memorandum and implement the Scheme as soon as reasonably practicable and in accordance with the Timetable, subject to compliance with their respective obligations, powers and duties under this agreement and all applicable laws and the Listing Rules and the proper performance by the directors of each of Bidder RE and Target RE of their duties.

## 5. Outline of Scheme

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### 5.1 The Scheme

Subject to clause 2.1, on the Implementation Date:

- (a) all of the Target Units will be acquired by Bidder RE in accordance with the terms of the Scheme and the Supplemental Deed; and
- (b) each Target Unitholder will be entitled to receive the Scheme Consideration in accordance with the terms of the Scheme and the Supplemental Deed.

## 5.2 Provision of Scheme Consideration

- (a) Bidder RE undertakes to Target RE that, subject to the terms of this agreement, if the Scheme becomes Effective, and in consideration for the transfer to Bidder RE of each Target Unit held by a Target Unitholder:
  - (i) Bidder RE will accept the transfer of Target Units; and
  - (ii) it will provide to each Target Unitholder (including, where appropriate, the Nominee) the Scheme Consideration in accordance with this agreement and the Deed Poll.
- (b) The Cash Consideration may be paid by Bidder RE to the Target Unitholders (including, where appropriate, the Nominee) or to Target RE or the Nominee, as agent and attorney, where applicable on trust for them.

## 6. Access to information

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### 6.1 Access

From the date of this agreement, each party must afford to the other party and its officers, employees and advisers, reasonable access to such documents, records and other information (subject to any existing confidentiality obligations owed to third parties), premises, personnel and advisers of the party and such reasonable co-operation as the other party reasonably requires for the purpose of conducting due diligence investigations referred to in Schedule 1.

### 6.2 Exceptions

Clause 6.1 does not require a party to:

- (a) do anything that would cause undue disruptions to the operation of its business in the ordinary course;
- (b) provide information concerning the party's consideration of the Scheme; or
- (c) breach an obligation of confidentiality to any person.

### 6.3 Acknowledgement

The parties acknowledge that all information that is provided pursuant to this clause 6 will be provided subject to the terms of the Confidentiality Deed.

## 7. Implementation obligations of the parties

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### 7.1 Target RE's obligations

Target RE must take all reasonable steps to implement the Scheme as soon as is reasonably practicable and in any event prior to the End Date. In particular Target RE must comply with the obligations set out in Schedule 5.

### 7.2 Bidder RE's obligations

Bidder RE must take all reasonable steps to assist Target RE to implement the Scheme as soon as reasonably practicable and in any event before the End Date. In particular Bidder RE must comply with the obligations set out in Schedule 6.

## 8. Explanatory Memorandum

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### 8.1 Preparation

Without limiting clauses 7.1 or 7.2:

- (a) Target RE is generally responsible for the preparation of the Explanatory Memorandum but will provide drafts to and consult with Bidder RE in accordance with clause 8.2;
- (b) Target RE must take all necessary steps to ensure that the Target Information:
  - (i) complies with the requirements of:
    - (A) the Corporations Act;
    - (B) Regulatory Guide 74;
    - (C) Guidance Note 15;
    - (D) the Listing Rules; and
    - (E) any other applicable law; and
  - (ii) is not, having regard to applicable disclosure requirements, misleading or deceptive in any material respect (including because of any material omission).
- (c) Bidder RE must take all necessary steps to ensure that Bidder Information:
  - (i) complies with the requirements of:
    - (A) the Corporations Act;
    - (B) Regulatory Guide 74;
    - (C) Guidance Note 15;

- (D) the Listing Rules; and
  - (E) any other applicable law; and
- (ii) is not, having regard to applicable disclosure requirements, misleading or deceptive in any material respect (including because of any material omission).

## 8.2 Content of Explanatory Memorandum

Target RE must:

- (a) provide drafts of the Explanatory Memorandum to Bidder RE for the purpose of enabling Bidder RE to review and comment on that draft document and must take the comments made by Bidder RE into account in good faith when producing a revised draft of the Explanatory Memorandum;
- (b) implement any reasonably requested changes to those parts of the Explanatory Memorandum relating to Bidder RE, which are provided in accordance with 8.3(a) by Bidder RE;
- (c) during the Regulatory Review Period, keep Bidder RE informed of any matters raised by ASIC in relation to the Explanatory Memorandum and use all reasonable endeavours, in co-operation with Bidder RE, to resolve those matters; and
- (d) obtain approval from Bidder RE for the form and context in which Bidder Information appears in the Explanatory Memorandum, which approval must not be unreasonably delayed or withheld.

## 8.3 Bidder Information

Bidder RE:

- (a) must consult with Target RE as to the content of Bidder Information;
- (b) must not unreasonably delay or withhold their consent to the inclusion of the Bidder Information in the form, content and context provided by Bidder RE in the Explanatory Memorandum; and
- (c) acknowledges that it is responsible for ensuring that Bidder Information is not misleading or deceptive in any material respect (whether by omission or otherwise) and that Target RE will not verify or edit that information in the Explanatory Memorandum.

## 8.4 Responsibility statement

- (a) Without limiting this clause 8, the Explanatory Memorandum must include a responsibility statement, in a form to be agreed by the parties, which will contain words to the effect that:
  - (i) Target RE has provided, and is responsible for the Target Information in the Explanatory Memorandum, and that Bidder RE and Bidder Indemnified

Parties do not accept any responsibility for the accuracy or completeness of the Target Information;

- (ii) Bidder RE has provided, and is responsible for, Bidder Information in the Explanatory Memorandum, and that Target RE and the Target Indemnified Parties do not accept any responsibility for the accuracy or completeness of Bidder Information;
- (iii) the Independent Expert has provided and is responsible for the Independent Expert's report and that:
  - (A) Target RE and the Target Indemnified Parties do not assume any responsibility for the accuracy or completeness of the Independent Expert's report; and
  - (B) Bidder RE and Bidder Indemnified Parties do not assume any responsibility for the accuracy or completeness of the Independent Expert's report; and
- (iv) Tax Opinion Provider has provided and is responsible for the Tax Opinion and that:
  - (A) Target RE and the Target Indemnified Parties do not assume any responsibility for the accuracy or completeness of the Tax Opinion; and
  - (B) Bidder RE and Bidder Indemnified Parties do not assume any responsibility for the accuracy or completeness of the Tax Opinion.

## 8.5 Misleading or deceptive information

Until the Implementation Date, each party must promptly inform the other if it becomes aware that any information in the Explanatory Memorandum, in the form and context in which it appears in the Explanatory Memorandum, is or has become misleading or deceptive in any material respect (whether by omission or otherwise) having regard to applicable disclosure requirements and provide to the other party any further or new information that is required to ensure that the information in the Explanatory Memorandum is no longer misleading or deceptive that the Explanatory Memorandum or the information contained in it is updated accordingly.

## 8.6 Disagreement on content

If Bidder RE and Target RE disagree on the form or content of the Explanatory Memorandum, they must consult in good faith to try to settle an agreed form of the Explanatory Memorandum. If complete agreement is not reached after reasonable consultation, then:

- (a) if the disagreement relates to the form or content of Bidder Information contained in the Explanatory Memorandum, Target RE will make the amendments that Bidder RE reasonably requires; and
- (b) if the disagreement relates to the form or content of any other part of the Explanatory Memorandum, Target Independent Directors will, acting in good faith, decide the final form or content of the disputed part of the Explanatory Memorandum.

## 8.7 Verification

Each party must undertake appropriate verification processes for the information supplied by that party, which is included in the Explanatory Memorandum.

## 9. Conduct of business

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### 9.1 Conduct

Until the Implementation Date, each party must:

- (a) conduct its business in the usual and ordinary course consistent with past practice or as may be required in order to satisfy a specific requirement of a Government Agency;
- (b) use its reasonable endeavours to preserve and maintain the value of its business and assets and the relationships with suppliers, tenants and employees;
- (c) not acquire, agree to acquire, or create any option or right to acquire one or more companies, businesses or assets (or an interest in one or more companies, businesses or assets) for an amount in aggregate of greater than \$1,000,000;
- (d) not dispose, agree to dispose, or create any option or right to dispose of the whole or any part of its business or assets for an amount in aggregate greater than \$1,000,000; and
- (e) not incur any commitments involving capital expenditure of greater than the amount of the budgeted capital expenditure set out in the relevant party's FY17 budget and as fairly disclosed in writing by the relevant party before the execution of this agreement whether in one transaction or a series of related transactions.

### 9.2 Prohibited actions

- (a) Other than with the prior written approval of Bidder RE, Target RE must not, until the Implementation Date, take any action that would be reasonably expected to give rise to a Target Prescribed Occurrence or a Target Material Adverse Change.
- (b) Other than with the prior written approval of Target RE, Bidder RE must not, until the Implementation Date, take any action that could reasonably be expected to give rise to a Bidder Prescribed Occurrence or a Bidder Material Adverse Change.

### 9.3 Permitted acts

Nothing in clauses 9.1 or 9.2 restricts a party from doing any of the following permitted actions:

- (a) that is contemplated by this agreement;
- (b) to reasonably and prudently respond to an emergency or disaster or to address an occupational health and safety risk or issue that directly affects the party's business or

the Properties (including a situation giving rise to a risk of personal injury or damage to property);

- (c) that is necessary for the party to meet a material contractual obligation or comply with an express statutory provision; or
- (d) approved by the other party in writing, such approval not to be unreasonably withheld or delayed.

#### 9.4 **Target Permitted Distribution**

Target RE may pay the Target Permitted Distribution at any time before the Implementation Date in accordance with the Target Constitution.

#### 9.5 **Bidder Permitted Distribution**

Bidder RE may pay the Bidder Permitted Distribution at any time before the Implementation Date in accordance with the Bidder Constitution.

#### 9.6 **D&O insurance**

Target RE is entitled at any time before the Implementation Date to arrange and pay for directors and officers run-off insurance cover for the current directors and officers of Target RE for a period of 7 years from the Implementation Date.

## 10. **Exclusivity**

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### 10.1 **No existing discussions**

Target RE represents and warrants that:

- (a) the Target Independent Directors have ceased negotiations and/or discussions including any negotiations and/or discussion with any other person regarding a Competing Proposal; and
- (b) the Target Independent Directors are not currently in negotiations or discussions in respect of any Competing Proposal with any other person.

### 10.2 **No-talk restriction**

Subject to clause 10.3, during the Exclusivity Period, Target RE must not, and must ensure that each of its advisers do not, directly or indirectly:

- (a) participate in or continue any negotiations or discussions with respect to any inquiry, expression of interest, offer, proposal or discussion by any person to make, or which would reasonably be expected to encourage or lead to the making of, an actual, proposed or potential Competing Proposal or participate in or continue any negotiations or discussion with respect to any actual, proposed or potential Competing Proposal;

- (b) negotiate, accept or enter into, or offer or agree to negotiate, accept or enter into, any agreement, arrangement or understanding regarding an actual, proposed or potential Competing Proposal;
- (c) disclose or otherwise provide any material non-public information about the business or affairs of Target to a third party (other than a Government Agency) with a view to obtaining, or which would reasonably be expected to encourage or lead to receipt of, an actual, proposed or potential Competing Proposal (including providing such information for the purposes of the conduct of due diligence investigations in respect of Target); or
- (d) communicate to any person an intention to do anything referred to in the preceding paragraphs of this clause,

but nothing in this clause 10.2 prevents Target RE from making normal presentations to brokers, portfolio investors and analysts in the ordinary course of business, providing customary reporting to its bankers or promoting the merits of the Scheme.

### 10.3 Exception

Clause 10.2 does not apply if the Target Independent Directors, acting in good faith, after having obtained written advice from Target RE's external legal (who must be a reputable legal adviser experienced in transactions in the nature of the transactions contemplated by this agreement) and, if appropriate, financial advisers, determine that not undertaking the act prohibited by clause 10.2 would, or would be likely to, involve a breach of the fiduciary or statutory duties owed by a director of Target RE.

### 10.4 No shop restriction

- (a) During the Exclusivity Period the Target RE must not, and must ensure that none of its advisers directly or indirectly solicit, invite, initiate or encourage the submission of a Competing Proposal or, any enquiries, negotiations or discussions, which might reasonably be expected to encourage or lead to obtaining any expression of interest, offer or proposal from any person in relation to an actual, proposed or potential Competing Proposal or communicate to any person an intention to do any of these things.
- (b) Target RE must notify Bidder RE in writing of:
  - (i) any approach, inquiry or proposal made to, and any attempt to initiate negotiations or discussions with, Target RE or any of its advisers with respect to any actual, proposed or potential Competing Proposal; or
  - (ii) any request for information relating to any of Target RE or its business and assets, if Target RE has reasonable grounds to suspect that it may relate to an actual, proposed or potential Competing Proposal,

whether direct or indirect, whether solicited or unsolicited, and in writing or otherwise.

### 10.5 Matching right

Target RE must:



- (a) not enter into any agreement, arrangement or understanding (whether or not in writing) with a third party in relation to an actual, proposed or potential Competing Proposal; and
- (b) use its best endeavours to procure that none of the Target Independent Directors change their recommendation in favour of the Scheme to publicly recommend an actual, proposed or potential Competing Proposal (or recommend against the Scheme),

unless:

- (c) the Target Independent Directors have reasonably determined in good faith that the Competing Proposal is bona fide and would reasonably be expected to lead to a Superior Proposal;
- (d) Target RE has given Bidder RE notice of the Competing Proposal, including the name of the third party making the Competing Proposal and the material terms of the Competing Proposal;
- (e) Target RE has given Bidder RE not less than five Business Days after provision to Bidder RE of the information required under clause 10.5(d) to consider the Competing Proposal and make a new proposal or propose a revision of the Scheme which is on terms no less favourable than the terms of the Competing Proposal (**Counterproposal**); and
- (f) Bidder RE has not announced a Counterproposal by the expiry of the five Business Days referred to in clause 10.5(e).

## 10.6 Revised Competing Proposal

Any material modification to any Competing Proposal will be deemed to make that proposal a new Competing Proposal in respect of which Target RE must comply with its obligations under clause 10.5 again.

## 11. Reimbursement of Costs

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### 11.1 Payment by Bidder RE to Target RE

Bidder RE must pay Target RE an amount equal to the Target Costs (up to a maximum of \$500,000) within five Business Days of Target RE providing Bidder RE with notice in writing of the Target Costs if:

- (a) Bidder RE breaches a material provision of this agreement (including a breach of warranty) and, to the extent that the breach is capable of remedy, that breach is not remedied by Bidder RE within five Business Days of it receiving notice from Target RE of the details of the breach;
- (b) a Bidder Prescribed Occurrence occurs;
- (c) without limiting clause 11.1(d), the Condition Precedent in paragraph 17 of Schedule 1 is not satisfied; or

- (d) Bidder RE decides not to proceed with the Scheme other than by reason of the non-satisfaction of the Conditions Precedent in paragraphs 3, 9 or 13 of Schedule 1.

## 11.2 Payment by Target RE to Bidder RE

Target RE must pay to Bidder RE an amount equal to the Bidder Costs (up to a maximum of \$500,000) within five Business Days of Bidder RE providing notice in writing of the Bidder Costs if:

- (a) paragraphs 2 and (as at the date on which the Explanatory Memorandum is lodged with ASIC) 4 are satisfied or waived and any of the Target Independent Directors recommend a Competing Proposal, do not recommend or cease recommending the Scheme or take material steps to implement a Competing Proposal including entering into an implementation agreement or convening a meeting (unless, in the case of a failure, cessation or change in recommendation, the Independent Expert concludes in the Independent Expert's report that the Scheme is not in the best interests of Target Unitholders, other than as a result of a Competing Proposal having been announced or made public);
- (b) a Competing Proposal substantially completes within the period from the date of this agreement to the date that falls three months after the End Date;
- (c) Target RE breaches a material provision of this agreement (including a breach of warranty) and, to the extent that the breach is capable of remedy, that breach is not remedied by Target RE within five Business Days of it receiving notice from Bidder RE of the details of the breach; or
- (d) a Target Prescribed Occurrence occurs.

## 12. Warranties

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### 12.1 General

Each party represents and warrants to the other that, at the date of this agreement:

- (a) it is duly incorporated under the laws of the place of its incorporation;
- (b) it has the power and authority to sign this agreement and, subject to the Regulatory Modifications being made, perform and observe all its terms;
- (c) this agreement has been duly executed and, subject to the Regulatory Modifications being made, is a legal, valid and binding agreement, enforceable against it in accordance with its terms;
- (d) it is not bound by any contract which may restrict its right or ability to enter into or perform this agreement;
- (e) no resolutions have been passed and no other step has been taken or legal proceedings commenced or threatened against it for its winding up or deregistration

or for the appointment of a liquidator, receiver, administrator or similar officer over any or all of its assets; and

- (f) no regulatory action of any nature has been taken, which would prevent, inhibit or otherwise have a material adverse effect on its ability to fulfil its obligations under this agreement.

## 12.2 Target RE warranties

Target RE represents and warrants to Bidder RE that:

- (a) the Target's issued capital as at the date of this agreement is 73,279,751 Target Units;
- (b) at the date the Explanatory Memorandum is despatched to Target Unitholders, the Target Information in the Explanatory Memorandum will not be misleading or deceptive in any material respect (whether by omission or otherwise) having regard to all relevant requirements of the Corporations Act, the Listing Rules and all relevant regulatory guides and other guidelines and requirements of ASIC and the Takeovers Panel;
- (c) it is not under any actual or contingent obligation to issue and has not offered to issue any Target Units or securities convertible into Target Units to any person, including any option, convertible security or other right;
- (d) subject to the announcement of the Scheme in accordance with this agreement, Target RE is not in breach of its continuous disclosure obligations under the Listing Rules;
- (e) neither the Target RE nor the Target is Insolvent;
- (f) no regulatory action has been taken that would prevent, inhibit or otherwise have any adverse and material effect on Target RE's ability to fulfil its obligations under this agreement;
- (g) the Target has been duly established and has not been terminated and is a registered managed investment scheme under the Corporations Act;
- (h) Target RE is the only trustee and responsible entity of the Target;
- (i) as far as the Target RE is aware, no action has been taken to wind up the Target whether under Chapter 5C of the Corporations Act or otherwise; and
- (j) all information provided by or on behalf of Target RE to the Independent Expert to enable the Independent Expert to prepare its report has been prepared and provided in good faith and on the understanding that the Independent Expert has relied on the information in preparing its report.

## 12.3 Indemnity by Target RE

Subject to clause 12.4, Target RE indemnifies each Bidder Indemnified Party against all loss suffered or incurred by reason of any breach of any of the representations and warranties in clause 12.2.

#### 12.4 Qualification

Target RE is not liable in respect of any claim for breach of a representation or warranty given under clause 12.2 if the fact, matter or circumstance giving rise to the claim was fairly disclosed in writing by Target RE to Bidder RE or its advisors before the execution of this agreement.

#### 12.5 Bidder RE warranties

Bidder RE represents and warrants to Target RE that:

- (a) at the date the Explanatory Memorandum is despatched to Target Unitholders, the Bidder Information in the Explanatory Memorandum will not be misleading or deceptive in any material respect (whether by omission or otherwise) having regard to all relevant requirements of the Corporations Act, the Listing Rules and all relevant regulatory guides and other guidelines and requirements of ASIC and the Takeovers Panel;
- (b) subject to the announcement of the Scheme in accordance with this agreement, Bidder RE is not in breach of its continuous disclosure obligations under the Listing Rules;
- (c) neither the Bidder RE nor the Bidder is Insolvent;
- (d) no regulatory action has been taken that would prevent, inhibit or otherwise have any adverse and material effect on Bidder RE's ability to fulfil its obligations under this agreement;
- (e) the Bidder has been duly established and has not been terminated and is a registered managed investment scheme under the Corporations Act;
- (f) Bidder RE is the only trustee and responsible entity of the Bidder;
- (g) as far as the Bidder RE is aware, no action has been taken to wind up the Bidder whether under Chapter 5C of the Corporations Act or otherwise;
- (h) all information provided by or on behalf of Bidder RE to the Independent Expert to enable the Independent Expert to prepare its report has been prepared and provided in good faith and on the understanding that the Independent Expert has relied on the information in preparing its report; and
- (i) the Bidder will have sufficient cash reserves (whether from internal cash reserves or external debt and/or equity funding arrangements) available to it on an unconditional basis (accepting conditions under the control of the Bidder or conditions relating to, or which will cease to apply or be satisfied following, the Scheme Resolutions being approved at the Meeting) to meet its obligations to pay the Cash Consideration in accordance with its obligations under this agreement, the Scheme and the Deed Poll.

#### 12.6 Indemnity by Bidder RE

Subject to clause 12.7, Bidder RE indemnifies each Target Indemnified Party against all loss suffered or incurred by reason of any breach of any of the representations and warranties in clause 12.5.

## 12.7 Qualification

Bidder RE is not liable in respect of any claim for breach of a representation or warranty given under clause 12.5 if the fact, matter or circumstance giving rise to the claim was fairly disclosed in writing by Bidder RE to Target RE or its advisors before the execution of this agreement.

## 12.8 Notifications

Each party will promptly notify the other in writing if it becomes aware of any fact, matter or circumstance that constitutes or may constitute a breach of any of the representations or warranties given by it under this clause 12.

## 12.9 Status of representations and warranties

Each representation and warranty in this clause 12 is severable, will survive the termination of this agreement and is given with the intent that liability for breach of the representation or warranty will not be confined to breaches that are discovered before the date of termination of this agreement.

## 12.10 Status and enforcement of indemnities

- (a) Each indemnity in this clause 12:
  - (i) is a continuing obligation, separate and independent from the other obligations of the parties, and survives termination, completion or expiry of this agreement; and
  - (ii) is given to the party to which it is express to be given, and as trustee for each other indemnified party of that party, and a reference to a loss in an indemnity given to a party includes a loss suffered or incurred by the other indemnified party.
- (b) It is not necessary for a party to incur expense or to make any payment before enforcing a right of indemnity conferred by this clause 12.

# 13. Termination

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## 13.1 Termination rights

- (a) This agreement may be terminated at any time before the Meeting:
  - (i) by either party if Target RE receives a Superior Proposal after the date of this agreement and the Target Independent Directors publicly recommend, promote or otherwise endorses the Superior Proposal;
  - (ii) by either party if the other party is in material breach of this agreement (including a breach of warranty) and, to the extent that the breach is capable of remedy, that breach is not remedied by that other party within five Business Days of it receiving notice from the first party of the details of the breach and the first party's intention to terminate;

- (iii) by either party if a court or Government Agency has issued an order, decree or ruling, or taken other action, that permanently restrains or prohibits the Scheme, and the action is final and cannot be appealed or reviewed or the party, acting reasonably, believes that there is no realistic prospect of a successful appeal or review;
  - (iv) by Bidder RE if a Target Prescribed Occurrence occurs;
  - (v) by Bidder RE if a Target Material Adverse Change occurs;
  - (vi) by Target RE if a Bidder Prescribed Occurrence occurs;
  - (vii) by Target RE if a Bidder Material Adverse Change occurs; or
  - (viii) by either party in accordance with clause 2.7.
- (b) If the Scheme has not become Effective on or before the End Date this agreement automatically terminates on the End Date.

### 13.2 Manner of termination

Where a party has a right to terminate this agreement, that right will be validly exercised if the party delivers a notice in writing to the other party stating that it terminates the agreement and the basis on which it terminates this agreement.

### 13.3 Effect of termination

If this agreement is terminated under this clause 13:

- (a) each party will be released from its obligations under this agreement except its obligations under this clause 13 and clauses 1, 14, 15, 16, 17, and 18, which will survive termination;
- (b) each party will retain the rights it has or may have against the other party in respect of any past breach of this agreement; and
- (c) in all other respects, all future obligations of the parties under this agreement will immediately terminate and be of no further force or effect, including any further obligations in respect of the Scheme.

## 14. Limitation of liability – Bidder RE

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- (a) Bidder RE enters into this agreement only in its capacity as responsible entity of each Bidder and in no other capacity. A liability arising under or in connection with this agreement is limited to and can be enforced against Bidder RE in its capacity as responsible entity of the Bidder only to the extent to which it can be and is in fact satisfied out of property of the Bidder from which the Bidder RE is actually indemnified for the liability. This limitation of Bidder RE's liability applies despite any other provision of this deed and extends to all liabilities and obligations of the Bidder RE in any way connected with any representation, warranty, conduct, omission, agreement or transaction related to this agreement.

- (b) No party to this agreement may sue the Bidder RE in any capacity other than as the responsible entity of the Bidder, including seeking the appointment of a receiver (except in relation to property of the Bidder), a liquidator, an administrator or any similar person to the Bidder RE or proving in any liquidation, administration or arrangement of or affecting the Bidder RE (except in relation to property of the Bidder).
- (c) The provisions of this clause 14 will not apply to any obligation or liability of Bidder RE to the extent that it is not satisfied because, under the constitution of the applicable Bidder or by operation of law, there is a reduction in the extent of Bidder RE's indemnification out of the assets of the Bidder as a result of Bidder RE's failure to properly perform its duties as responsible entity of that fund.
- (d) Nothing in clause 14(a) will make the Bidder RE liable to any claim for an amount greater than the amount which the Recipient would have been able to claim and recover from the assets of a fund in relation to the relevant liability if the Bidder RE's right of indemnification out of the assets of that fund had not been prejudiced by failure to properly perform its duties.
- (e) The Bidder RE is not obliged to do or refrain from doing anything under this agreement (including incur any liability) unless its liability is limited in the same manner as set out in this clause 14.

## 15. Limitation of liability – Target RE

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- (a) Target RE enters into this agreement only in its capacity as responsible entity of the Target and in no other capacity. A liability arising under or in connection with this agreement is limited to and can be enforced against Target RE only to the extent to which it can be and is in fact satisfied out of property of the Target from which Target RE is actually indemnified for the liability. This limitation of Target RE's liability applies despite any other provision of this deed and extends to all liabilities and obligations of Target RE in any way connected with any representation, warranty, conduct, omission, agreement or transaction related to this agreement.
- (b) No party to this agreement may sue Target RE in any capacity other than as the responsible entity of the Target, including seeking the appointment of a receiver (except in relation to property of the Target), a liquidator, an administrator or any similar person to Target RE or proving in any liquidation, administration or arrangement of or affecting Target RE (except in relation to property of the Target).
- (c) The provisions of this clause 15 will not apply to any obligation or liability of Target RE to the extent that it is not satisfied because, under the constitution of the Target or by operation of law, there is a reduction in the extent of Target RE's indemnification out of the assets of the Target as a result of Target RE's failure to properly perform its duties as responsible entity of the Target.
- (d) Nothing in clause 15(a) will make Target RE liable to any claim for an amount greater than the amount which the Recipient would have been able to claim and recover from the assets of the Target in relation to the relevant liability if Target RE's right of indemnification out of the assets of the Target had not been prejudiced by failure to properly perform its duties.

- (e) Target RE is not obliged to do or refrain from doing anything under this agreement (including incur any liability) unless its liability is limited in the same manner as set out in this clause 15.

## 16. GST

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### 16.1 Interpretation

In this clause 16, a word or expression defined in the GST Act has the meaning given to it in that Act.

### 16.2 GST gross up

- (a) Subject to clause 16.2(b), if a party makes a supply under or in connection with this agreement in respect of which GST is payable, the consideration for the supply but for the application of this clause 16.2 (GST exclusive consideration) is increased by an amount equal to the GST exclusive consideration multiplied by the rate of GST prevailing at the time the supply is made.
- (b) Clause 16.2(a) does not apply to any consideration that is expressed in this agreement to be inclusive of GST.

### 16.3 Reimbursements and indemnifications

If a party must reimburse or indemnify another party for a loss, cost or expense, the amount to be reimbursed or indemnified is first reduced by any input tax credit the other party is entitled to for the loss, cost or expense, and then increased in accordance with clause 16.2.

### 16.4 Tax invoice

A party need not make a payment for a taxable supply made under or in connection with this agreement until it receives a tax invoice for the supply to which the payment relates.

## 17. Notices

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### 17.1 Method of giving notices

A notice required or permitted to be given by one party to another under this agreement must be in writing and is treated as being duly given if it is:

- (a) left at that other party's address;
- (b) sent by pre-paid mail to that other party's address; or
- (c) emailed to the party's current email address.



## 17.2 Time of receipt

A notice given to a party in accordance with clause 17.1 is treated as having been duly given and received:

- (a) when delivered (in the case of it being left at that party's address);
- (b) when posted, on the third business day after posting (in the case of it being sent by pre-paid mail); and
- (c) when sent via email:
  - (i) when the sender receives an automated message confirming delivery; or
  - (ii) 4 hours after the time sent (as recorded on the device from which the sender sent the email) unless the sender receives an automated message that the email has not been delivered,

whichever happens first.

## 17.3 Address of parties

- (a) The addresses are initially as set out below.

Party	Address	Attention	Email
Bidder RE	Level 39, 100 Miller Street, North Sydney, NSW, 2060	Nicholas Blake	nicholas.blake@centuria.com.au
Target RE	C/- HWL Ebsworth, Level 14, Australia Square, 264-278 George Street, Sydney NSW 2000	James Lonie	jlonie@hwle.com.au

- (b) A party may from time to time change its addresses for service by notice to the other party.

## 18. General

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### 18.1 Costs and expenses

Each party must pay its own legal costs and expenses in respect of the negotiation, preparation and completion of this agreement.

## 18.2 Stamp duty

Bidder RE must pay all stamp duties and related fines and penalties in respect of this agreement, the performance of this agreement and each transaction effected by or made under this agreement and must indemnify Target RE against any liability arising from any failure to do so.

## 18.3 Amendment

No variation or waiver of, or any consent to any departure by a party from, a provision of this agreement is of any force or effect unless it is confirmed in writing signed by the parties and then that variation, waiver or consent is effective only to the extent for which it is made or given.

## 18.4 Waiver

The failure, delay, relaxation or indulgence on the part of any party in exercising any power or right conferred upon that party by this agreement does not operate as a waiver of that power or right, nor does any single exercise of any power or right preclude any other or further exercise of or the exercise of any other power or right under this agreement.

## 18.5 Entire Agreement

This agreement and the Confidentiality Deed constitutes the sole and entire agreement between the parties and a warranty, representation, guarantee or other term or condition of any nature not contained or recorded in this agreement is of no force or effect. If there is any consistency between the provisions of this agreement and the provisions of the Confidentiality Deed, the provisions of this agreement will prevail to the extent to the inconsistency and the provisions of the Confidentiality Deed will be construed accordingly.

## 18.6 Severance

If any provision of this agreement is invalid and not enforceable in accordance with its terms, all other provisions which are self-sustaining and capable of separate enforcement with regard to the invalid provision are and continue to be valid and enforceable in accordance with their terms.

## 18.7 Further assurance

Each party must do, sign, execute and deliver and must procure that each of its employees and agents does, sign, executes and delivers, all deeds, documents, instruments and acts reasonably required of it or them by notice from another party to effectively carry out and give full effect to this agreement and the rights and obligations of the parties under it.

## 18.8 Assignment

Except where expressly stated otherwise, neither party may assign or otherwise transfer any of its rights arising under this agreement without the prior written consent of the other party.

### 18.9 Counterparts

This agreement may be executed by any number of counterparts and all of those counterparts taken together constitute one and the same instrument.

### 18.10 Governing law and jurisdiction

This agreement is governed by, and is to be construed in accordance with, the law of the state of New South Wales and the parties submit to the non-exclusive jurisdiction of the Courts of the state of New South Wales and any court hearing appeals from those Courts.

### 18.11 Prohibition and enforceability

- (a) Any provision of, or the application of any provision of, this agreement or any power which is prohibited in any jurisdiction is, in that jurisdiction, ineffective only to the extent of that prohibition.
- (b) Any provision of, or the application of any provision of, this agreement which is void, illegal or unenforceable in any jurisdiction does not affect the validity, legality or enforceability of that provision in any other jurisdiction or of the remaining provisions in that or any other jurisdiction.
- (c) Where a clause is void, illegal or unenforceable, it may be severed without affecting the enforceability of the other provisions in this agreement.

## Schedule 1 Conditions Precedent

1. Completion of due diligence investigations of the Target to the satisfaction of Bidder RE by the earlier of 24 March 2017 and the date on which the Explanatory Memorandum is lodged with ASIC.
2. Completion of due diligence investigations of the Bidder to the satisfaction of Target RE by the earlier of 24 March 2017 and the date on which the Explanatory Memorandum is lodged with ASIC.
3. Target Unitholders approve the Scheme Resolutions at the Meeting by the requisite majorities under the Corporations Act on the Meeting Date (subject to any Regulatory Modifications).
4. The Independent Expert issues its report, which concludes that the Scheme is in the best interests of non-associated Target Unitholders before the date on which the Explanatory Memorandum is lodged with ASIC and the Independent Expert does not change its conclusion or withdraw its report prior to 8.00 am on the Meeting Date.
5. No Bidder Prescribed Occurrence occurs between the date of this agreement and 8.00 am on the Effective Date.
6. No Target Prescribed Occurrence occurs between the date of this agreement and 8.00 am on the Effective Date.
7. No Bidder Material Adverse Change occurs or becomes apparent between the date of this agreement and 8.00 am on the Effective Date.
8. No Target Material Adverse Change occurs or becomes apparent between the date of this agreement and 8.00 am on the Effective Date.
9. Before 8.00am on the Meeting Date, ASIC and ASX have granted the Regulatory Modifications, and such waivers are not withdrawn or modified on or before 8.00 am on the Effective Date.
10. As at 8.00 am on the Effective Date, there is no unremedied breach of a representation or warranty given by Target RE under this agreement and they remain true and correct in all material respects.
11. As at 8.00 am on the Effective Date there is no unremedied breach of a representation or warranty given by Bidder RE under this agreement and they remain true and correct in all material respects.
12. As at 8.00 am on the Effective Date, no temporary restraining order, preliminary or permanent injunction or other legal restraint or prohibition restraining or prohibiting the Scheme, which have been enacted, enforced or issued by a Government Agency, is in effect.
13. The Target Independent Directors unanimously recommend that Target Unitholders approve the Scheme Resolutions and do not change or withdraw that recommendation, or support a Superior Proposal, at or before the Meeting.
14. Before 8.00 am on the Effective Date, Target RE has not breached any material provision of this agreement that remains unremedied.

15. Before 8.00 am on the Effective Date, Bidder RE has not breached any material provision of this agreement that remains unremedied.
16. Before 8.00 am on the Effective Date, this agreement has not been terminated in accordance with clause 13.
17. Before 8.00 am on the Effective Date, the securityholders of CMR1 and CMR2 approve the Simplification Proposal and the 'Implementation Date' (as defined in the notice of extraordinary general meeting and accompanying explanatory memorandum issued by Centuria Property Funds Limited in its capacity as responsible entity for CMR1 and CMR2 on 15 February 2017), has passed.

## Schedule 2 Target Prescribed Occurrence

1. All or any of the Target Units are converted into a larger or smaller number of units, or a resolution is passed to do so.
2. Target RE redeems any Target Units, or resolves to do so.
3. The capital of the Target is reduced in any way (including by way of a capital distribution) or Target RE reclassifies, combines, splits, redeems, repurchases or cancels directly or indirectly any securities in the Target or resolves to do any of the preceding.
4. Target RE buys back or agrees to buy back any Target Units.
5. Any distribution (whether of capital or otherwise) other than any Target Permitted Distribution is paid, announced or agreed to be paid.
6. Other than as otherwise agreed, Target RE commits to or makes any capital expenditure between the date of this agreement and the Effective Date in excess of the amount (in aggregate) of the budgeted capital expenditure set out in the Target RE's FY17 budget as fairly disclosed in writing by the relevant party before the execution of this agreement.
7. Target RE issues or agrees to issue units in Target or options over Target Units or other securities or instruments convertible into Target Units.
8. Target Units are issued, or there is an agreement for Target RE to issue Target Units or other instruments convertible into Target Units or debt securities.
9. Target RE modifies or repeals or replaces the Target Constitution or a provision of it or calls a meeting to consider modifying, repealing or replacing the Target Constitution other than as provided for this agreement.
10. Other than as fairly disclosed to Bidder RE before the date of this agreement, the Target:
  - (a) acquires or disposes of, or agrees to acquire or dispose of;
  - (b) enters, or agrees to enter into a development commitment in relation to; or
  - (c) offers, proposes or announces a bid or proposal or tender for (in each case which is capable of unilateral acceptance by the party to whom the offer, proposal or bid was made to create binding obligations on the Target RE), in each case whether or not conditionally,  
  
any one or more business, asset, entity or undertaking the value of which exceeds \$1,000,000 (in aggregate).
11. Other than as otherwise agreed, Target RE:
  - (a) enters into or agrees to enter into a Material Contract;
  - (b) changes or seeks to change the terms of any Material Contract;
  - (c) pays, discharges or satisfies any liability under a Material Contract other than in accordance with its terms and consistently with past practice; or

- (d) waives any material Claim or rights under, or waives the benefit of, any provisions of any Material Contract.
12. Target RE creates, or agrees to create, any security interest over the whole or a substantial part of its business or assets.
13. Target RE or the Target becomes Insolvent.
14. The Target is deregistered as a registered managed investment scheme, or being otherwise dissolved.
15. A Claim is brought against Target RE (other than a frivolous or vexatious Claim), which will or is likely to have an adverse effect on the Target in excess of \$20,000 in relation to an individual item or \$100,000 in aggregate; or if the Target becomes the subject of regulatory investigation or prosecution which in the written opinion of Senior Counsel (appointed by Target RE's solicitors) will or is likely to have an adverse effect on the Target in excess of \$20,000 in relation to an individual item or \$100,000 in aggregate.
16. Any of the following occurs:
- (a) Target RE ceases to be the responsible entity of the Target;
- (b) the Target Unitholders resolve to remove or replace Target RE as responsible entity of the Target;
- (c) a meeting being convened to consider a resolution for the removal, retirement or replacement of Target RE as responsible entity of the Target; or
- (d) any application being made in any court for the appointment of a temporary responsible entity of the Target in accordance with the Corporations Act.
17. Target RE in its capacity as the responsible entity of Target making or agreeing to make, any loan or advance, or entering into any financing arrangement, agreement or instrument with a person other than a Related Body Corporate, or amending the terms of any existing financing arrangement, agreement or instrument with a person other than a Related Body Corporate.
18. Other than as fairly disclosed to Bidder RE before the date of this agreement, in respect of any financing arrangement, agreement or instrument Target RE in its capacity as the responsible entity of the Target has with a person other than a Related Body Corporate, Target RE:
- (a) breaches any covenant, which is not remedied in accordance with the relevant cure rights under the arrangement, agreement or instrument; or
- (b) relies on any waiver or amendment to avoid the potential breach of any covenant unless the waiver or amendment extends for a period of at least, the earlier of the term of the financing arrangement, agreement or instrument and the date which is two months after the Effective Date; or
- (c) allows an event of default, or potential event of default, to occur, which is not remedied in accordance with the relevant cure rights under the arrangement, agreement or instrument; or
- (d) allows an obligation to pay any amount to be accelerated other than to prevent an event referred to in (a) or (b) above from occurring; or

- (e) permanently reduces the amount of debt ahead of a maturity date.
19. Target RE, acting in its capacity as the responsible entity of the Target, entering into any agreement, arrangement or transaction with respect to derivative instruments (including swaps, futures contracts, forward commitments, commodity derivatives or options) or similar instruments, except foreign currency hedges or interest rate hedges made in the ordinary course of business consistent with past practice and in accordance with existing policy as at the date of this agreement.
  20. Target RE, in its capacity as the responsible entity of the Target, makes any material change to its accounting policy, other than to the extent required by law or applicable accounting standards.
  21. Target RE waives, forgives, settles or compromises Claims that it has against any other person between the date of this agreement and the Effective Date with an aggregate value in excess of \$100,000.
  22. Target RE or a Target Independent Director otherwise taking any action that would be reasonably expected to be prejudicial to the successful outcome of the Scheme or have the effect of preventing any of the Conditions Precedent from being fulfilled or any of the implementation steps being completed in accordance with the Timetable, including making any modification to existing property or investment management arrangements (including any modification to fees payable pursuant to existing management arrangements) or terminating or waiving any obligations under any existing property or investment management arrangements in relation to the Target or entering into any new property or investment management arrangements.
  23. Target RE approves or takes any action or makes any investment that could reasonably result in the Target commencing to carry on a trading business within the meaning of Division 6C of the *Income Tax Assessment Act 1936* (Cth) or controlling or having the ability to control, directly or indirectly the affairs or operations of another person in respect of the carrying on by that other person of a trading business (within the meaning of that Division).
  24. Target Units are delisted or are subject to suspension from quotation for 5 or more trading days, other than due to, or as a result of, an action taken by Bidder RE or a Related Body Corporate of Bidder RE.



## Schedule 3 Bidder Prescribed Occurrence

1. All or any of the Bidder Units are converted into a larger or smaller number of units, or a resolution is passed to do so.
2. Bidder RE redeems any Bidder Units, or resolves to do so.
3. The capital of the Bidder is reduced in any way (including by way of a capital distribution) or Bidder RE reclassifies, combines, splits, redeems, repurchases or cancels directly or indirectly any securities in the Bidder or resolves to do any of the preceding.
4. Bidder RE buys back or agrees to buy back any Bidder Units.
5. Any distribution (whether of capital or otherwise) other than any Bidder Permitted Distribution is paid, announced or agreed to be paid.
6. Other than as otherwise agreed, Bidder RE commits to or makes any capital expenditure between the date of this agreement and the Effective Date in excess of the amount (in aggregate) of the budgeted capital expenditure set out in the Bidder RE's FY17 budget as fairly disclosed in writing by the relevant party before the execution of this agreement.
7. Bidder RE issues or agrees to issue units in Bidder or options over Bidder Units or other securities or instruments convertible into Bidder Units.
8. Bidder Units are issued, or there is an agreement for Bidder RE to issue Bidder Units or other instruments convertible into Bidder Units or debt securities.
9. Bidder RE modifies or repeals or replaces the Bidder Constitution or a provision of it or calls a meeting to consider modifying, repealing or replacing the Bidder Constitution other than as provided for this agreement or contemplated by the Simplification Proposal.
10. Other than as fairly disclosed to Target RE before the date of this agreement, the Bidder:
  - (a) acquires or disposes of, or agrees to acquire or dispose of;
  - (b) enters, or agrees to enter into a development commitment in relation to; or
  - (c) offers, proposes or announces a bid or proposal or tender for (in each case which is capable of unilateral acceptance by the party to whom the offer, proposal or bid was made to create binding obligations on the Bidder RE), in each case whether or not conditionally,  
  
any one or more business, asset, entity or undertaking the value of which exceeds \$1,000,000 (in aggregate).
11. Other than as otherwise agreed, Bidder RE:
  - (a) enters into or agrees to enter into a Material Contract;
  - (b) changes or seeks to change the terms of any Material Contract;

- (c) pays, discharges or satisfies any liability under a Material Contract other than in accordance with its terms and consistently with past practice; or
  - (d) waives any material Claim or rights under, or waives the benefit of, any provisions of any Material Contract.
12. Bidder RE creates, or agrees to create, any security interest over the whole or a substantial part of its business or assets.
  13. Bidder RE or the Bidder becomes Insolvent.
  14. The Bidder is deregistered as a registered managed investment scheme, or being otherwise dissolved.
  15. A Claim is brought against Bidder RE (other than a frivolous or vexatious Claim), which will or is likely to have an adverse effect on the Bidder in excess of \$20,000 in relation to an individual item or \$100,000 in aggregate; or if the Bidder becomes the subject of regulatory investigation or prosecution which in the written opinion of Senior Counsel (appointed by Bidder RE's solicitors) will or is likely to have an adverse effect on the Bidder in excess of \$20,000 in relation to an individual item or \$100,000 in aggregate.
  16. Any of the following occurs:
    - (a) Bidder RE ceases to be the responsible entity of the Bidder;
    - (b) the Bidder Unitholders resolve to remove or replace Bidder RE as responsible entity of the Bidder;
    - (c) a meeting being convened to consider a resolution for the removal, retirement or replacement of Bidder RE as responsible entity of the Bidder; or
    - (d) any application being made in any court for the appointment of a temporary responsible entity of the Bidder in accordance with the Corporations Act.
  17. Bidder RE making or agreeing to make, any loan or advance, or entering into any financing arrangement, agreement or instrument with a person other than a Related Body Corporate, or amending the terms of any existing financing arrangement, agreement or instrument with a person other than a Related Body Corporate.
  18. Other than as fairly disclosed to Bidder RE before the date of this agreement, in respect of any financing arrangement, agreement or instrument Bidder RE in its capacity as the responsible entity of the Bidder has with a person other than a Related Body Corporate, Bidder RE:
    - (a) breaches any covenant, which is not remedied in accordance with the relevant cure rights under the arrangement, agreement or instrument; or
    - (b) relies on any waiver or amendment to avoid the potential breach of any covenant unless the waiver or amendment extends for a period of at least, the earlier of the term of the financing arrangement, agreement or instrument and the date which is two months after the Effective Date; or
    - (c) allows an event of default, or potential event of default, to occur, which is not remedied in accordance with the relevant cure rights under the arrangement, agreement or instrument; or

- (d) allows an obligation to pay any amount to be accelerated other than to prevent an event referred to in (a) or (b) above from occurring; or
  - (e) permanently reduces the amount of debt ahead of a maturity date.
19. Bidder RE entering into any agreement, arrangement or transaction with respect to derivative instruments (including swaps, futures contracts, forward commitments, commodity derivatives or options) or similar instruments, except foreign currency hedges or interest rate hedges made in the ordinary course of business consistent with past practice and in accordance with existing policy as at the date of this agreement.
  20. Bidder RE makes any material change to its accounting policy, other than to the extent required by law or applicable accounting standards.
  21. Bidder RE waives, forgives, settles or compromises Claims that it has against any other person between the date of this agreement and the Effective Date with an aggregate value in excess of \$100,000.
  22. Bidder RE or a director of Bidder RE otherwise taking any action that would be reasonably expected to be prejudicial to the successful outcome of the Scheme or have the effect of preventing any of the Conditions Precedent from being fulfilled or any of the implementation steps being completed in accordance with the Timetable.
  23. Bidder RE approves or takes any action or makes any investment that could reasonably result in the Bidder commencing to carry on a trading business within the meaning of Division 6C of the *Income Tax Assessment Act 1936* (Cth) or controlling or having the ability to control, directly or indirectly the affairs or operations of another person in respect of the carrying on by that other person of a trading business (within the meaning of that Division).
  24. Bidder Units are delisted or are subject to suspension from quotation for 5 or more trading days, other than due to, or as a result of, an action taken by Target RE or a Related Body Corporate of Target RE.

## Schedule 4 Indicative Timetable

Event	Indicative Date
Explanatory Memorandum dispatched to Target Unitholders	12 April 2017
Meeting	9 May 2017
Effective Date	10 May 2017
Record Date	17 May 2017
Implementation Date	24 May 2017

The parties agree that the Timetable is indicative only.

## Schedule 5 Target RE's Obligations

1. As soon as practicable after the date of this agreement, apply to ASIC and ASX for the Regulatory Modifications referred to in paragraphs (a), (b), (d), (e), (i), (j) and (k) of the definition of Regulatory Modifications.
2. As soon as practicable after the date of this agreement, apply to the ATO for a class ruling in relation to the applicability of capital gains tax relief pursuant to Division 124-M of the *Income Tax Assessment Act* (Cth).
3. Promptly appoint the Independent Expert and provide any assistance and information reasonably requested by the Independent Expert to enable it to prepare its report for the Explanatory Memorandum.
4. On receipt, provide Bidder RE with a copy of any draft or final report received from the Independent Expert.
5. Prepare and verify the Explanatory Memorandum in accordance with this agreement.
6. As soon as practicable after delivery, review drafts of Bidder Information and provide comments on those drafts acting reasonably and in good faith.
7. As soon as practicable after the preparation of the Explanatory Memorandum, provide a draft copy of the Explanatory Memorandum to ASIC for its review and approval and keep Bidder RE reasonably informed of any material matters raised by ASIC (and the resolution of those matters) and use reasonable endeavours to resolve those matters in cooperation with Bidder RE (which will include allowing Bidder RE to participate in any telephone calls and meetings with ASIC).
8. As soon as reasonably practicable after the conclusion of the ASIC review, procure that a meeting of Target Independent Directors is convened to consider approving the Explanatory Memorandum for despatch to the Target Unitholders.
9. Print and send the Explanatory Memorandum and a proxy form to Target Unitholders in accordance with the Target Constitution and the Listing Rules.
10. Subject to the terms of the Scheme:
  - (a) provide all necessary information about the Target Unitholders to Bidder RE, which it requires in order to assist it to solicit votes at the Scheme; and
  - (b) provide all necessary directions to the Registry to promptly provide any information that Bidder RE reasonably requests in relation to the Register, including any sub-register, and procure that the information to be provided to Bidder RE is in the electronic form that Bidder RE reasonably requests.
11. Engage a proxy solicitation firm to encourage Target Unitholders participation in the approval of the Scheme Resolutions at the Meeting.
12. Convene the Meeting and seek the approval of Target Unitholders for the Scheme Resolutions.

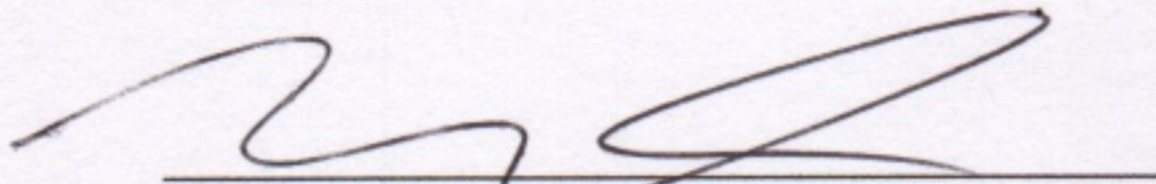
13. Conditional on the passing of the Scheme Resolutions, execute the Supplemental Deed and lodge the executed Supplemental Deed with ASIC.
14. Take all reasonable steps to maintain Target's listing on ASX, notwithstanding any suspension of the quotation of Target Units, up to and including the Implementation Date, including making appropriate applications to ASX and ASIC.
15. If the Scheme becomes Effective:
  - (a) procure that the Registry closes the Register as at the Record Date and determine entitlement to the Scheme Consideration in accordance with the Scheme; and
  - (b) procure that the Registry registers all transfers of Target Units to Bidder RE on the Implementation Date.
16. Do all other things contemplated by or necessary to lawfully give effect to the Scheme.

## Schedule 6 Bidder RE's obligations

1. As soon as practicable after the date of this agreement, apply to ASIC and ASX for the Regulatory Modifications referred to in paragraphs (c), (f), (g), (h), (l) and (m) of the definition of Regulatory Modifications.
2. Provide to Target RE for inclusion in the Explanatory Memorandum Bidder Information that Target RE reasonably requires to prepare and issue the Explanatory Memorandum (including any information required under the Corporations Act, Corporations Regulations, Guidance Note 15 or ASIC Regulatory Guide 74).
3. As soon as practicable after delivery, review drafts of the Explanatory Memorandum prepared by Target RE and provide comments on those drafts in good faith.
4. Provide any assistance or information reasonably requested by the Independent Expert in connection with the preparation of the Independent Expert's report to be included in the Explanatory Memorandum.
5. Provide reasonable assistance to Target RE to assist Target RE to resolve any matter raised by ASIC regarding the Explanatory Memorandum during its review of the Explanatory Memorandum.
6. As soon as practicable after the conclusion of the review by ASIC of the Explanatory Memorandum, procure that a meeting of the board of directors of Bidder RE is convened to consider approving those sections of the Explanatory Memorandum that relate to Bidder RE or the Bidder as being appropriate for dispatch to Target Unitholders.
7. Before the Explanatory Memorandum being sent to Target Unitholders, execute the Deed Poll.
8. If the Scheme becomes Effective, provide the Scheme Consideration in accordance with this agreement.
9. Do all other things contemplated by or necessary to lawfully give effect to the Scheme.

**Executed as an agreement**

**Executed by Centuria Property Funds Limited ACN 086 553 639 in its capacity as responsible entity of Centuria Metropolitan REIT No. 1 ARSN 124 364 718 and Centuria Metropolitan REIT No. 2 ARSN 124 364 656 in accordance with section 127(1) of the Corporations Act 2001 (Cth) by:**

  
\_\_\_\_\_  
Signature of Director

*MATTHEW DAVID HARDY*  
\_\_\_\_\_  
Full name (print)

\_\_\_\_\_  
Signature of Director/Company Secretary

\_\_\_\_\_  
Full name (print)

**Executed by Centuria Property Funds No. 2 Limited (ACN 133 363 185) in its capacity as responsible entity of Centuria Urban REIT ARSN 106 453 196 in accordance with section 127(1) of the Corporations Act 2001 (Cth) by:**

\_\_\_\_\_  
Signature of Director

\_\_\_\_\_  
Full name (print)

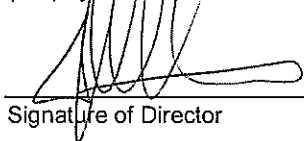
\_\_\_\_\_  
Signature of Director/Company Secretary

\_\_\_\_\_  
Full name (print)



**Executed as an agreement**

**Executed by Centuria Property Funds Limited ACN 086 553 639 in its capacity as responsible entity of Centuria Metropolitan REIT No. 1 ARSN 124 364 718 and Centuria Metropolitan REIT No. 2 ARSN 124 364 656 in accordance with section 127(1) of the Corporations Act 2001 (Cth) by**



\_\_\_\_\_  
Signature of Director

**DARREN COLLINS**

\_\_\_\_\_  
Full name (print)

\_\_\_\_\_  
Signature of Director/Company Secretary

\_\_\_\_\_  
Full name (print)

**Executed by Centuria Property Funds No. 2 Limited (ACN 133 363 185) in its capacity as responsible entity of Centuria Urban REIT ARSN 106 453 196 in accordance with section 127(1) of the Corporations Act 2001 (Cth) by:**

\_\_\_\_\_  
Signature of Director

\_\_\_\_\_  
Full name (print)

\_\_\_\_\_  
Signature of Director/Company Secretary

\_\_\_\_\_  
Full name (print)

**Executed as an agreement**

**Executed by Centuria Property Funds Limited ACN 086 553 639 in its capacity as responsible entity of Centuria Metropolitan REIT No. 1 ARSN 124 364 718 and Centuria Metropolitan REIT No. 2 ARSN 124 364 656 in accordance with section 127(1) of the Corporations Act 2001 (Cth) by:**

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Signature of Director

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Signature of Director/Company Secretary

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Full name (print)

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Full name (print)

**Executed by Centuria Property Funds No. 2 Limited (ACN 133 363 185) in its capacity as responsible entity of Centuria Urban REIT ARSN 106 453 196 in accordance with section 127(1) of the Corporations Act 2001 (Cth) by:**



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Signature of Director



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Signature of Director/Company Secretary

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Michael Figg

Full name (print)

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Rob Lloyd

Full name (print)