

Vital

Healthcare
Property Trust

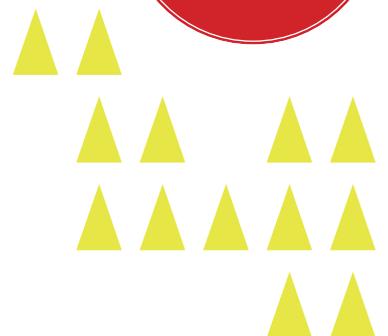
NOTICE OF ANNUAL MEETING 2019

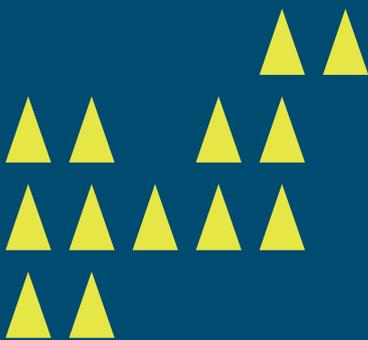
The 2019 Annual Meeting of unitholders of Vital Healthcare Property Trust will be held at the Level 4 Lounge, South Stand, Eden Park, Reimers Ave, Mt Eden, Auckland on Thursday 31 October 2019 commencing at 10.30am.

3 October 2019



**IMPORTANT
DOCUMENT**





www.vitalhealthcareproperty.co.nz

Table of Contents



4	Letter from Chair of the Manager
6	Letter from Independent Directors
7	Notice of Meeting
8	Explanatory Notes: Trust Deed Amendments
17	Explanatory Notes: Election of Independent Director
18	Procedural Notes
Schedule 1	– Detailed Summary of Trust Deed Amendments
Schedule 2	– Deloitte Reasonable Assurance Report
Schedule 3	– Supervisor Comments on Trust Deed Amendments

This is an important document and requires your immediate attention. Please read it carefully.

If you are in doubt as to anything contained in this document, you should consult a person authorised to undertake trading activities by the NZX or a financial or legal adviser.

This notice of meeting is dated 3 October 2019 and has been prepared by NorthWest Healthcare Properties Management Limited (the **Manager**) as manager of Vital Healthcare Property Trust.

The information in this Notice of Meeting and any discussion at the meeting is general information only and is not intended as investment or financial advice and must not be relied upon as such. You should obtain independent professional advice prior to making any decision relating to your investment or financial needs.

Letter from the Chair of the Manager



Dear unitholders

This notice of meeting convenes the 2019 annual meeting of unitholders of the Vital Healthcare Property Trust (**Vital**). We look forward to seeing you at 10.30am on 31 October 2019 at the Level 4 Lounge, South Stand, Eden Park.

Fee and Governance Review

On 23 November 2018, the Manager announced that it planned to undertake a review of its management fees during the first quarter of the 2019 calendar year. That review took place in the first quarter of calendar 2019 and involved a robust board-led process, including a research report on fees charged to other specialist externally managed entities by the accounting and financial services firm EY, and feedback from unitholders representing approximately 40% of the register (excluding the Manager's parent NorthWest Healthcare Properties REIT (**NWH REIT**)).

The outcome of this review (the **Fee and Governance Review**) was announced on 1 April 2019, with an agreement having been reached on a new structure between the Independent Directors (on behalf of Vital) and NWH REIT.

The key elements of the proposed new structure are:

- › A reduced and tiered base fee (replacing the current flat base fee of 75 basis points) as follows:
 - 65 bps per annum up to \$1bn of Vital's gross asset value (**GAV**);
 - 55 bps per annum from \$1bn to \$2bn of GAV;
 - 45 bps per annum from \$2bn to \$3bn of GAV; and
 - 40 bps per annum over \$3bn of GAV;
- › A modified incentive fee based on changes in Net Tangible Assets (**NTA**) (as opposed to the current scheme which is based on gross assets) calculated as 10% of the average annual increase in Vital's NTA over the respective financial year and the two preceding financial years. Also, the incentive fee calculations are subject to a "three year high watermark". In essence, this means that, unlike the current fee regime, the Manager will not be paid an Incentive Fee in a year where NTA grows if it is still below where it was on the last business day of the past three financial years;
- › An activity based fee structure for such things as leasing etc, based on market rates; and
- › The Manager will permanently remove its unilateral right to remove unitholders' right to appoint and remove two independent directors (clause 30.11 of the Trust Deed for Vital) and to increase fees (clause 22.5 of the Trust Deed).

Additional services, which may incur additional costs, will also form part of the proposed new structure and will include, for example, services in respect of acquisitions and/or disposals of investments and development management.

This Notice of Meeting includes significant additional detail on these proposed changes, how we expect them to affect the fees paid by Vital to the Manager and the impact on earnings, together with pro forma comparisons of prior periods as worked examples. I encourage you to familiarise yourself with the contents of this Notice of Meeting.

Trust Deed Amendments

At this year's meeting, unitholders will be asked to consider approving amendments to the Trust Deed to reflect the outcome of the Fee and Governance Review. In addition, we are proposing amendments to the Trust Deed which:

- › are intended to bring the Trust Deed in line with best practice (for example, to allow electronic participation at unitholder meetings);
- › reflect Vital's transition to the new NZX Listing Rules earlier this year; and
- › are designed to enhance and modernise the language and interpretation of the Trust Deed.

The amendments to reflect the outcome of the Fee and Governance Review, and those set out above, are collectively referred to as the **Trust Deed Amendments**. A detailed explanation of the key Trust Deed Amendments is set out in Schedule 1. A copy of the full Trust Deed marked-up so as to show the Trust Deed Amendments is available at our website: <http://www.vitalhealthcareproperty.co.nz/our-structure>.

A hard copy may also be obtained on request to:

By email: enquiry@vhpt.co.nz

By phone +64 9 973 7309

The Independent Directors recommend that unitholders vote IN FAVOUR of the Trust Deed Amendments.

Appointment of Mr Andrew Evans

The other matter for unitholders to consider at the annual meeting will be the election of Mr Andrew Evans as an Independent Director pursuant to the Trust Deed.

We look forward to discussing these matters with you at our upcoming annual meeting.

Kind regards



Bernard Crotty, Chair

NorthWest Healthcare Properties Management Limited

Letter from the Independent Directors of the Manager

Dear unitholders

As discussed in the Letter from the Chair of the Manager, unitholders are being given the opportunity to vote on the Trust Deed Amendments, which include specific amendments to give effect to the outcome of the Fee and Governance Review.

The agreement reached between the Manager and NWH REIT in relation to the Fee and Governance Review was negotiated on behalf of Vital by the Independent Directors. We formed a sub-committee of the Board for this purpose and had the benefit of independent legal advice throughout the review process.

We believe that the:

- › Fee and Governance Review has been fully and carefully considered, and that the process leading to the proposed new fee and governance structure was robust; and
- › proposed new fee and governance structure, as reflected in the Trust Deed Amendments, is in the best interests of Vital and its unitholders and is, on balance, a fair and reasonable outcome.

As you will see from the comparative historic examples outlined in the Explanatory Notes on pages 14 and 15, the new fee structure would have resulted in lower Base Fees and Incentive Fees for FY18 and FY19 than the current fee structure if it had been in place at the time.

If Resolution 1, the resolution relating to the approval of the Trust Deed Amendments, is passed, this will bring to an end the Fee and Governance Review process, providing Vital with a solid basis from which to move forward and focus on generating superior financial performance.

The Independent Directors fully support the Trust Deed Amendments and recommend that unitholders vote IN FAVOUR of the Trust Deed Amendments.

We look forward to discussing these matters with you at our upcoming annual meeting.

Kind regards



Graham Stuart
Independent Director



Andrew Evans
Independent Director

NOTICE OF MEETING



Notice is hereby given that the 2019 annual meeting of Vital Healthcare Property Trust unitholders will be held at the Level 4 Lounge, South Stand, Eden Park, Reimers Ave, Mt Eden, Auckland on Thursday, 31 October 2019 commencing at 10.30am.

Agenda

Chair of the Manager and Interim Manager presentations

Annual Financial Statements

The annual financial statements of Vital for the year ended 30 June 2019 will be tabled at the meeting.

Resolution 1 – Approval of Trust Deed Amendments

To consider and, if thought fit, pass the following special resolution:

That, for the purposes of s 139(2)(a)(i) of the Financial Markets Conduct Act 2013, the Trust Deed Amendments be approved

Voting restrictions apply to Resolution 1, as explained in more detail in the Procedural Notes.

Resolution 2 – Election of Independent Director

To consider and, if thought fit, pass the following ordinary resolution:

That Andrew Evans be elected as an Independent Director of NorthWest Healthcare Properties Management Limited, the manager of the Vital Healthcare Property Trust

See the Explanatory Notes for the biographical details of Andrew Evans.

General business

To consider any other matter that may be lawfully considered at the meeting.

By Order of the Manager

Bernard Crotty, Chair
NorthWest Healthcare Properties Management Limited

Dated 3 October 2019
VITAL HEALTHCARE PROPERTY TRUST
NOTICE OF ANNUAL MEETING 2019

EXPLANATORY NOTES



Trust Deed Amendments

It is proposed that the Trust Deed is amended to reflect:

- › the outcome of the Fee and Governance Review;
- › the new NZX Listing Rules introduced by NZX on 1 January 2019 (the **New Rules**); and
- › other improvements consistent with current best practice.

A marked-up Trust Deed has been prepared to reflect the proposed Trust Deed Amendments and a copy is available on <http://www.vitalhealthcareproperty.co.nz/our-structure>.

A hard copy of the Trust Deed marked to show the proposed amendments may also be obtained on request:

By email: enquiry@vhpt.co.nz

By phone +64 9 973 7309

A summary of the significant Trust Deed Amendments is set out in Schedule 1.

Fee and Governance Review

On 1 April 2019, the Independent Directors of the Manager announced that they had reached agreement on a new fees and governance structure with NWH REIT. The agreement followed discussions over the first quarter of calendar 2019 and market information from various sources, including a research report prepared by EY which included feedback from unitholders representing approximately 40% of Vital's unitholder register (excluding NWH REIT).

Current fee provisions

The current structure of management fees set out in the Trust Deed involves:

- › **Base Fee:** a monthly base fee of 0.75% per annum of the Gross Value of the Trust Fund (as defined in the Trust Deed); and
- › **Incentive Fee:** an annual incentive fee equal to 10% of the average annual increase in the Gross Value of the Trust Fund over the relevant financial year and the two preceding financial years.

There is a fee cap of 1.75% per annum of the Gross Value of the Trust Fund on the Manager's fee (the **Fee Cap**).

Subject to the Fee Cap, the Trust Deed allows the Manager to alter the amount of its Base Fee or Incentive Fee by giving written notice to unitholders and the Supervisor.

In addition to these fee provisions, the Trust Deed allows the Manager to engage related parties to provide services to the Trust, such as development management. The provision of these services is subject to compliance with the restrictions on related party transactions in the Financial Markets Conduct Act 2013. The Trust Deed does not contemplate such fees for services being subject to the Fee Cap.

Proposed new regime for fees

Following the agreement reached between the Independent Directors and NWH REIT as part of the Fee and Governance Review, the Trust Deed Amendments now contemplate an amended regime for calculating Vital's management fees.

Base Fee

It is proposed that the Base Fee be lowered as a proportion of the Gross Value of the Trust Fund, based on various tiers. The Base Fee for any calendar month will be calculated as the relevant amount below divided by 12:

- › if the Gross Value of the Trust Fund is less than or equal to NZ\$1 billion: 0.65% per annum of such value;
- › if the Gross Value of the Trust Fund is more than NZ\$1 billion but less than or equal to NZ\$2 billion, the aggregate of:
 - 0.65% per annum for the first NZ\$1 billion (i.e., \$6.5 million); and
 - 0.55% per annum of the amount above NZ\$1 billion;
- › if the Gross Value of the Trust Fund is more than NZ\$2 billion but less than or equal to NZ\$3 billion, the aggregate of:
 - 0.65% per annum for the first NZ\$1 billion (i.e., \$6.5 million);
 - 0.55% per annum for the second NZ\$1 billion (i.e., \$5.5 million); and
 - 0.45% per annum of the amount above NZ\$2 billion; and
- › if the Gross Value of the Trust Fund is more than NZ\$3 billion, the aggregate of:
 - 0.65% per annum for the first NZ\$1 billion (i.e., \$6.5 million);
 - 0.55% per annum for the second NZ\$1 billion (i.e., \$5.5 million);
 - 0.45% per annum for the third NZ\$1 billion (i.e., \$4.5 million); and
 - 0.40% per annum of the amount above NZ\$3 billion.

The Base Fee will be calculated and payable each calendar month, as is the case currently.

Incentive Fee

It is proposed that the Incentive Fee be changed so that it is calculated based on net tangible assets (**NTA**) rather than the Gross Value of the Trust Fund. This follows feedback from unitholders who were concerned that the Manager could increase its Incentive Fee through increasing borrowings.

Further, the Incentive Fee will be subject to a “three year high watermark”, which will mean that, when ascertaining the NTA for a financial year, the NTA figure will be compared against the highest NTA on the last business day for the previous three financial years. The increase in NTA for the applicable financial year’s Incentive Fee calculation will be reduced to zero unless the actual NTA has increased above the “three year high watermark”. In essence, this means that, unlike the current fee regime, the Manager will not be paid an Incentive Fee in a year where NTA grows if it is still below where it was on the last business day of the past three financial years.

Removal of ability to increase fees

The Manager’s ability to alter the amount of its Base Fee and Incentive Fee by giving written notice will be removed.

Activity Fees and Additional Costs

To clarify ambiguity in the current Trust Deed, and provide greater transparency, schedules have been added to the Trust Deed relating to Activity Fees and Additional Costs.

Activity Fees relate to other services the Manager provides to the Trust (with the exception of acquisition, disposition and development management services). As a result, they will be included in the calculation of the Fee Cap.

A summary of the services and the associated Activity Fee is set out below.

Activity Fees	
New leases or licences	<p>If the term of the lease or licence is less than three years, a fee equal to 11% of the aggregate annual rental.</p> <p>If the term of the lease or licence is three years, a fee equal to 12% of the aggregate annual rental.</p> <p>If the term of the lease or licence is greater than three years, the aggregate of (a) 12% of the aggregate annual rental and (b) a further 1% for each full year by which the term exceeds three years (up to a maximum of 20% of the aggregate annual rental).</p> <p>However, the fee shall not be less than \$2,500 per new lease or licence.</p>
Lease or licence renewals	<p>A fee equal to 50% of the amount that would have been payable if the lease was a new lease or licence.</p>

Activity Fees	
Rent review	<p>For structured (non-market) rent reviews, or any market rent review which does not result in a rental increase, an administration fee of \$1,000.</p> <p>In the case of a market review, a fee equal to 10% of the amount that the rental has increased by during the first year that such increase applies, provided that the fee shall be not less than \$1,000.</p>
Property management	A fee equal to 1% - 2% of gross income depending on the number of tenants at the property.
Facilities management	A fee equal to the market rate for similar services at similar properties and benchmarked by reference to a reputable and high quality service provider.
Project management fees	<p>For any project with a budget of between \$200,000 to \$2,500,000, where the purpose of the project is to upgrade, repair or otherwise extend the life of the property, including replacement or repair of major plant and equipment, structural items and building envelope. The project management fee will be an amount equal to:</p> <ul style="list-style-type: none"> • if the Manager is the project lead (i.e., has a project management role), 2% of the committed spend; and • if the Manager is not the project lead (i.e., does not have a project management role), but has an oversight role, 1% of the committed spend. <p>Any project with a budget greater than \$2,500,000 will be treated in the same manner, provided that references to “2%” and “1%” will be replaced with “4%” and “2%” respectively.</p>

By contrast, Additional Costs relate to services provided by the Manager that extend beyond its traditionally understood role as manager of the assets of Vital.

A summary of the services and associated Additional Cost is set out below.

Additional Costs	
Acquisitions	A fee equal to 1.5% of the capitalised cost of the relevant investment, being the contracted price payable, excluding any deductions netted off the settlement price (such as rates), together with other related capitalised acquisition costs.
Disposals	A fee equal to 1.0% of the contracted sale price of the relevant investment actually received, provided that, if a third party agent has been engaged to provide services for the disposal, then the fee payable to the Manager will be net of the third party agent’s costs and commissions.
Developments	A fee equal to 4% of the total project costs approved by the board of the Manager.

1.75% Fee Cap per annum

The Fee Cap continues to apply to the Base Fee, Incentive Fee and the Activity Fees. However, the Fee Cap will not apply to the Additional Costs outlined above.

Independent Directors' costs

A provision has been added to the Trust Deed which permits the Manager to be reimbursed from the Trust Fund for all costs, fees and expenses incurred in respect of the appointment and engagement of the Independent Directors, including director's fees, associated insurance premiums and costs associated with attendance at meetings.

A comparative analysis of the new and old fee regimes

The Fee and Governance Review, if implemented, would be expected to have the following effects:

- › **Lower base management fee** improving earnings and cash available for distributions
- › **Tiered base management fee** contributing to earnings growth as portfolio increases in size
- › **Fees for activity at market rates** promoting activities that add value for unitholders
- › **Incentive fee based on changes in NTA** aligning Manager's compensation with unitholder's bottom line growth in value

To help unitholders consider the merits of the new fee regime proposed as part of the Trust Deed Amendments, we have compared the fees paid to the Manager over recent financial years under the current regime with the fees that would have been payable if the new fee regime had been in place at the time. This comparison is set out in the tables on the following pages.

Related Party Fee Review

Key Metrics					
\$NZD					
		FY18	FY19	FY18	FY19
		\$000s	\$000s	c.p.u.	c.p.u.
Normalised NDI¹	Current Scheme	49,142	50,991	11.31c	11.50c
	Subject to Vote	51,655	53,102	11.89c	11.97c
	change (\$)	2,514	2,112	0.58c	0.48c
	change (%)	5.1% ▲	4.1% ▲	5.1% ▲	4.1% ▲
Distributions per unit²	Current Scheme			8.56c	8.75c
	Subject to Vote			9.14c	9.23c
	change (\$)			0.58c	0.48c
	change (%)			6.8% ▲	5.4% ▲
Net Tangible Assets	Current Scheme	987,976	1,029,744	\$2.26	\$2.31
	Subject to Vote	987,318	1,029,831	\$2.26	\$2.31
	change (\$)	(658)	87	\$-	\$-
	change (%)	0.0%	0.0%	0.0%	0.0%

¹ Includes saving from proposed change to incentive fee calculation.

² Assumed payout ratio of 100% on savings from fee review.

Related Party Fee Review

Historical analysis - FY18 & FY19			
	FY18		
	Current Scheme	Subject to Vote	Benefit/ (Cost)
Fees Expensed:	\$000s	\$000s	\$000s
Base fee	11,856	9,483	2,373
Incentive fee	13,096	11,667	1,428
NorthWest Derivative Acquisition fee ¹	-	-	-
Disposition fee	-	-	-
Property Management fee	200	1,165	(965)
Facilities Management fee	-	-	-
Rent Review fees	-	123	(123)
AFSL Fee ²	781	781	-
Independent Directors Fees	-	200	(200)
Total Fees Expensed (A)	25,933	23,419	2,514
	Current Scheme	Subject to Vote	Benefit/ (Cost)
Fees Capitalised:	\$000s	\$000s	\$000s
Acquisition fee	1,342	2,289	(946)
Leasing fees – New Leases	-	24	(24)
Leasing fees – Renewals	-	272	(272)
Development Management fee	807	148	658
Project Management fee	-	18	(18)
Total Fees Capitalised (B)	2,149	2,751	(602)
Total Fees (A + B)	28,082	26,170	1,911

¹ Derivative contract related to acquisition of an interest in Healthscope Ltd by NWAAT

² Australian Financial Services Licence

FY19				
Benefit/ (Cost)	Current Scheme	Subject to Vote	Benefit/ (Cost)	Benefit/ (Cost)
%	\$000s	\$000s	\$000s	%
20%	13,839	10,783	3,055	22%
11%	12,077	11,651	427	4%
n.a.	2,834	2,834	-	0%
n.a.	-	-	-	n.a.
(482%)	214	1,232	(1,018)	(476%)
n.a.	-	-	-	n.a.
n.a.	-	152	(152)	n.a.
0%	834	834	-	0%
n.a.	-	200	(200)	n.a.
10%	29,798	27,687	2,112	7%
Benefit/ (Cost)	Current Scheme	Subject to Vote	Benefit/ (Cost)	Benefit/ (Cost)
%	\$000s	\$000s	\$000s	%
(71%)	222	354	(132)	(59%)
n.a.	-	87	(87)	n.a.
n.a.	-	142	(142)	n.a.
82%	1,208	1,953	(746)	(62%)
n.a.	-	25	(25)	n.a.
(28%)	1,430	2,561	(1,131)	(79%)
7%	31,228	30,248	980	3%

Interim period from 1 April 2019

The outcome of the Fee and Governance Review was announced on 1 April 2019. To give unitholders the benefit of the new fee regime as soon as possible, the Manager agreed to procure that its fees would not be more than what they would be if the amendments had been effective from 1 April 2019 (other than in respect of the incentive fee, the effective date for which needed to be 1 July 2019 given the financial year based formulation). If the Trust Deed Amendments are not approved by unitholders, adjustments will be made to reverse this interim arrangement.

Deloitte Reasonable Assurance Report

Deloitte has been engaged by the Manager to review the above comparison of the existing and proposed fee arrangements. A copy of the Deloitte Reasonable Assurance Report is contained in Schedule 2.

Governance changes

In addition to the concessions regarding fees, NWH REIT has agreed to the removal of clause 30.11 of the Trust Deed, which allowed it to remove unitholders' right to appoint and remove two independent directors to (and/or from) the board of the Manager.

NZX Listing Rules

The NZX has recently undertaken a review of its market structure and the NZX Listing Rules and, as a result of that review, introduced the New Rules to replace the former NZX Listing Rules dated 1 October 2017. All NZX Main Board listed issuers (such as Vital) are required to transition to, and comply with, the New Rules, which took effect for Vital from 18 January 2019.

As a consequence of the transition to the New Rules, Vital's Trust Deed needs to be updated to ensure that it meets the requirements of, and is consistent with, the New Rules (as required by New Rule 2.18.1).

The amendments proposed for these purposes are limited to those required to conform to the New Rules to the extent that the New Rules apply to an issuer of fund securities (such as Vital), as well as certain minor changes to update out-of-date references in the Trust Deed and ensure that practical aspects of the Trust Deed better reflect current market practice.

External legal review

Bell Gully advised the Manager on the preparation of the Trust Deed Amendments. Chapman Tripp reviewed the Trust Deed Amendments on behalf of the Independent Directors. MinterEllisonRuddWatts reviewed the Trust Deed Amendments on behalf of the Supervisor.

Trust Deed Amendments not approved

As described above, the Trust Deed Amendments include amendments required to be made for consistency with the New Rules. If unitholders do not approve the Trust Deed Amendments at the annual meeting, the Manager will still need to arrange for the Trust Deed to be amended such that those amendments required by the New Rules are made. If the Supervisor is satisfied that those amendments do not have a material adverse effect on unitholders, the Supervisor may approve them without a unitholder vote.

Election of Independent Director

The Trust Deed provides that unitholders are entitled to appoint two Independent Directors to the board of the Manager. While Mr Andrew Evans has been an Independent Director on the board of the Manager since 2007, he has not previously been one of the two Independent Directors appointed by unitholders (as the board has had more than two Independent Directors). Following the resignation of Claire Higgins as an Independent Director earlier this year, the board has determined that Mr Evans will now be one of the two Independent Directors appointed by unitholders. Accordingly, Mr Evans is standing for election as an Independent Director at this year's annual meeting.

The biographical details of Mr Evans are set out below.

No nominations for Independent Directors were received by the Manager this year prior to the closing date for nominations and, as a result, no other person is eligible to be elected as a Director at the annual meeting.

Mr Evan's appointment requires approval as an ordinary resolution (i.e., a simple majority).

The Board unanimously recommends the election of Andrew Evans as an Independent Director.

Biographical notes – Andrew Evans

Andrew Evans has over 25 years' experience in commercial real estate and asset management, previously holding executive positions in listed and unlisted real estate investment businesses. Andrew is a Director of Holmes Group Limited, Holmes GP Fire Limited, Trust Investments Management Limited and Accessible Properties NZ Limited. Andrew has recently retired as a director of NZX listed Argosy Property Limited. In addition, Andrew is a past National President of the Property Council of New Zealand, a fellow of the New Zealand Property Institute and a government appointee to the Land Valuation Tribunal. He is a Chartered Fellow of the Institute of Directors and is on the Auckland Branch Committee.

Andrew has a Bachelor of Business Studies and MBA (with distinctions) from Massey University and a Diploma in Finance from Auckland University.

PROCEDURAL NOTES



Attendance and voting rights

1. Every unitholder, or that unitholder's proxy, attorney or representative, is entitled to attend the meeting and vote.
2. Voting will be by way of poll. On a poll, each unitholder has one vote for each unit.
3. If you are attending the meeting and voting in more than one capacity (e.g. also as proxy, attorney or representative for one or more other unitholders), you must fill out separate voting papers in respect of each capacity in which you vote.

Special resolution

4. Resolution 1 will be passed by special resolution at the meeting. A special resolution means a resolution passed by unitholders with a combined value of not less than 75% of the value of the units held by those persons who are entitled to vote and voting on the resolution.
5. Resolution 1 refers to section 139(2)(a)(i) of the Financial Markets Conduct Act 2013. Subject to Resolution 1 being passed by the requisite majority, it is proposed that the Trust Deed Amendments are effected by the Supervisor and the Manager signing a Deed of Amendment. This section of the Financial Markets Conduct Act 2013 provides that the Supervisor must not consent to the Trust Deed Amendments unless they have been approved by Unitholders.

Voting restrictions – Resolution 1

6. Under section 163(1) of the Financial Markets Conduct Act 2013, the Manager and its Associated Persons (as that term is defined in that Act, which will include NWH REIT and all of the directors of the Manager) are disqualified from voting on Resolution 1. This restriction does not apply where they are casting a vote as a proxy for a person who is entitled to attend and vote at the meeting where they are given an express direction to vote.
7. If the Manager, its Associated Persons or any of their directors or officers are appointed as a proxy by a unitholder entitled to attend and vote at the meeting but are not directed how to vote on Resolution 1, they will not be able to vote that unitholder's units and will abstain in respect of those units. **Therefore, if you intend to appoint a director of the Manager as proxy, please direct them on how to vote. If you do not provide a voting direction, the voting restrictions will apply and the director will not be able to cast your vote.**

Ordinary resolution

8. Resolution 2 will be passed if approved by ordinary resolution at the meeting. An ordinary resolution means a resolution passed by a simple majority of the votes of those unitholders entitled to vote and voting on the resolution.

Abstentions

9. Unitholders that abstain from voting on a resolution will not be counted when determining the unitholders that have voted on that resolution.

Chairperson

10. Trustees Executors Limited, as Supervisor of Vital, has advised that it will nominate Tracey Cross to be chairperson of the meeting. Tracey Cross is a partner at DLA Piper and is independent of the Manager and the Supervisor. In accordance with clause 6 of Schedule 1 of the Trust Deed, the Supervisor appoints the chairperson of the meeting.

Proxies and board recommendation

11. A unitholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of that unitholder. A proxy need not be a unitholder. A unitholder may appoint the Chair of the meeting, or another person, to act as proxy. Except where section 163 of the FMC Act applies, if the Chair of the meeting or an officer of Trustees Executors Limited is appointed to act as proxy and is not directed on how to vote, the proxy will vote in favour of all Resolutions.
12. A unitholder wishing to appoint a proxy should complete the enclosed proxy form. All joint holders must sign the proxy form.
13. A proxy granted by a company must be signed by a duly authorised officer or attorney who is acting under the company's express or implied authority.
14. If the proxy is signed under a power of attorney or other authority, that power of attorney or other authority or a copy of such power of attorney or authority certified by a Notary Public or in such manner as the Manager shall approve (unless previously provided to the Manager) and a completed certificate of non-revocation must accompany the proxy form.
15. Completed proxy forms must be received by the Registrar, Computershare Investor Services Limited at either Level 2, 159 Hurstmere Road, Takapuna, Auckland or Private Bag 92119, Auckland 1142 or via email at **corporateactions@computershare.co.nz** or via facsimile at +64 9 488 8787, **by no later than 10.30am on Tuesday, 29 October 2019** (being 48 hours before the meeting).

SCHEDULE 1

- Detailed summary of Trust Deed Amendments

This schedule includes an explanation of the reasons for each of the key proposed Trust Deed Amendments. It is not intended to replace a detailed review of the Trust Deed Amendments.

A copy of the full Trust Deed marked so as to show the proposed amendments is available at our website: <http://www.vitalhealthcareproperty.co.nz/our-structure>. A hard copy may also be obtained on request to:

By email: enquiry@vhpt.co.nz

By phone +64 9 973 7309

Glossary

The following definitions are used in this schedule:

FMC Act	Financial Markets Conduct Act 2013
FMC Regulations	Financial Markets Conduct Regulations 2014
Listing Rules	NZX Listing Rules in force from time to time
New Listing Rules	the Listing Rules dated 1 January 2019 (which may be viewed on the NZX website at https://www.nzx.com/)
Old Listing Rules	the Listing Rules dated 1 October 2017 (or earlier)
Vital	Vital Healthcare Property Trust

Clause reference	Explanatory Note
Clause 1 – Interpretation	
1.1 – Definitions relating to fees	Various new definitions have been added as part of the revised fee provisions, being: “Activity Fees”, “Activity Services”, “Additional Costs”, “Additional Services”, “Base Fee”, “High Watermark Net Tangible Assets” and “Incentive Fee”. These concepts are expanded on below.
1.1 – Definition of “Borrow”	The definition has been amended to remove ambiguity arising from historic drafting issues and to make it clear that (a) only financial instruments that represent money borrowed are included as “Borrowing”, rather than any financial instruments; and (b) mandatory convertible notes are not “Borrowing” if they are issued on the condition that they will not be redeemed as cash.
1.1 – Definition of “Convertible Obligations”	The definition has been updated to reflect the term “Financial Products” used in the New Listing Rules, as expanded on below. There has been no change in substance to this definition.
1.1 – Definition of “Financial Product”	The definition “Securities” used in the Old Listing Rules has been replaced with the term “Financial Products” for consistency with the terminology used in the FMC Act. Accordingly, references to “Securities” throughout the Trust Deed have been replaced with “Financial Products” for consistency with the New Listing Rules and the FMC Act.
1.1 – Definition of “Fund Security”	<p>A new definition has been added to reflect the introduction of that definition under the New Listing Rules.</p> <p>Under the New Listing Rules, managed investment schemes like Vital are “Issuers of Fund Securities”. Accordingly, references to “Equity Security” throughout the Trust Deed have been replaced with “Fund Security” for consistency with the New Listing Rules.</p>
1.1 – Definition of “Gross Income”	The definition is primarily used in the formulation of “Net Income” in clause 13.6, which is an important concept in the provisions relating to distributions. The definition of “Gross Income” has been amended to exclude adjustments required following amendments to generally accepted accounting practice that require lease payments to be recognised on a straight-line basis over the term of the lease. Because of the connection between this definition and the payment of distributions, it is considered preferable that “Gross Income” be linked to rental payments actually received during a Financial Year, rather than deemed to have been received under a straight-line revenue recognition.
1.1 – Definition of “Interest Group”	The definition has been updated to include any other Financial Products issued by Vital. There has been no change in substance to this definition.
1.1 – Definition of “Issuer”	The definition has been amended to refer to the definition used in the New Listing Rules for consistency with the New Listing Rules.

Clause reference	Explanatory Note
1.1 – Definition of “Liabilities”	A definition has been included for the purposes of calculating the “Net Tangible Assets”.
1.1 – Definition of “Listing Rules”	The definition has been updated to reflect minor changes to the language used in the New Listing Rules. There is no change in substance to this definition.
1.1 – Definition of “Minimum Number”	The definition has been updated to use the definition “Listed”. There is no change in substance to this definition.
1.1 – Definition of “Net Tangible Assets”	A new definition has been added for the purposes of calculating the Incentive Fee. The “Net Tangible Assets” on any Business Day will be ascertained and fixed by the Manager as being the Total Tangible Assets less Liabilities (but excluding contingent liabilities) and any other amounts which the Manager considers should be included for the purposes of making a fair and reasonable determination of Vital’s total net tangible assets having due regard to generally accepted accounting practice.
1.1 – Definition of “NZX”	The definition has been updated to reflect minor changes to the language used in the New Listing Rules. There is no change in substance to this definition.
1.1 – Definition of “NZX Main Board”	The definition has been updated to reflect minor changes to the language used in the New Listing Rules. There is no change in substance to this definition.
1.1 – Definition of “Ordinary Resolution”	The definition referred to Old Listing Rule 1.6.8, which has been deleted under the New Listing Rules. Accordingly, this definition has been updated to remove the reference to the Old Listing Rule.
1.1 – Definition of “Personal Representative”	The definition has been added to clarify and simplify the relevant provisions of the Trust Deed relating to personal representatives of Unit Holders. There is no change in substance.
1.1 – Definition of “Quotation”	The definition has been amended to refer to the corresponding definition used in the New Listing Rules for consistency with the New Listing Rules. There is no change in substance to this definition.
1.1 – Definition of “Representative”	A new definition has been added to help simplify some of the provisions relating to Unit Holder meetings. There is no change in substance.
1.1 – Definition of “Ruling”	The definition has been amended to refer to the corresponding definition used in the New Listing Rules for consistency with the New Listing Rules. There is no change in substance.
1.1 – Definition of “Total Tangible Assets”	A new definition “Total Tangible Assets” has been added for the purposes of calculating the “Net Tangible Assets”. “Total Tangible Assets” means the total market value of Vital’s assets that are considered to be tangible under generally accepted accounting practice, but excluding unrealised movements in currency reserves or derivatives, increases arising solely from subscriptions received for new Units and decreases arising solely from distributions paid to Unit Holders.

Clause reference	Explanatory Note
1.1 – Definition of “Vote”	The definition has been amended to reflect the new definition “Fund Securities” used under the New Listing Rules. There is no change in substance to this definition.
1.9 – FMC Act – Definitions	Clause 1.9 has been amended to reflect clause 1.6 which provides that terms used in the Trust Deed which are defined in the Listing Rules have the meaning given to them in the Listing Rules (unless the context otherwise requires).

Clause reference	Explanatory Note
Clause 2 – Listing Rules – Compliance with NZX requirements	
Clause 2	Clause 2 reflects Old Listing Rule 3.1.1, which set out the content requirements for trust deeds. The New Listing Rules no longer require these provisions to be included in Vital’s Trust Deed and, accordingly, could be deleted. However, these provisions remain relevant to Vital and, therefore, have been retained and updated to reflect language used under the New Listing Rules, as well as developments in market practice.
2.1 – Compliance with Rules	Clause 2.1 has been updated to reflect the application of the New Listing Rules to Vital as an “Issuer of Fund Securities”, and to reflect other minor changes to the language used in the New Listing Rules.
2.2 – Incorporation by reference	Clause 2.2 has been updated to reflect minor changes to the language used in the corresponding New Listing Rule and to ensure that the Trust Deed will remain compliant with the New Listing Rules. There is no change in substance to this clause.
2.3 – Listing Rules prevail	Clause 2.3 has been updated to reflect the corresponding New Listing Rule and market practice. There is no change in substance to this clause.
2.4 – Ruling	Clause 2.4 has been updated to reflect the corresponding New Listing Rule. There is no change in substance to this clause.
2.5 – Failure to Comply with Listing Rules	Clause 2.5 has been updated to reflect the corresponding New Listing Rule. There is no change in substance to this clause.

Clause reference	Explanatory Note
Clause 6 – Issue Price	
6.1 – Price	Cross referencing change.

Clause reference	Explanatory Note
Clause 8 – Register	
8.3 – Joint holders	Clause 8.3 has been amended to remove the reference to what happens on the death of a Unit Holder, which is already dealt with under clause 15.11. This deletion is intended to remove duplication.

Clause reference	Explanatory Note
8.7 – Reliance on Register	Clause 8.7 has been amended to remove the inference that there would be a certificate relating to the relevant Units. In practice, Units are not certificated.
8.8 – Evidence of ownership	Clause 8.8 has been amended to include the possibility of the relevant Unit Holder acting through a Personal Representative who would not be named as the Unit Holder on the Register.
8.9 – No recognition of trusts	Cross referencing change.

Clause reference	Explanatory Note
Clause 9 – Certificates, Subdivision, Consolidation	
9.2 - Statements	Clause 9.2 has been updated to reflect the corresponding New Listing Rule. Rules 8.3.1 and 8.3.4 each prescribes content requirements for statements, although Rule 8.3.4 only applies where a statement is issued following a transfer.
9.3 – Issuing of confirmation information and statements	The ability for the Manager to prescribe a fee for statements has been removed for consistency with the New Listing Rules.

Clause reference	Explanatory Note
Clause 10 – Calls on Units	
10.6 – Subscriptions paid by instalments	Clause 10.6 has been updated to use the new definition “Personal Representative”.

Clause reference	Explanatory Note
Clause 11 – Forfeiture and Lien	
11.4 – Notice and entry of forfeiture in Register	Clause 11.4 has been updated to use the new definition “Personal Representative”.
11.6 – Manager has a lien	Clause 11.6 has been amended to reflect that the Manager’s lien is only over Units that are not fully paid.
11.10 – Proceeds of sale	Clause 11.10 has been amended to clarify to what the proceeds of the sale of a forfeited Unit can be applied, and to use the new definition “Personal Representative”.

Clause reference	Explanatory Note
Clause 13 – Distributions	
13.6(a) – Determination of Net Income	Clause 13.6(a) has been amended to clarify that capitalised fees and costs are not included in the items that are deducted from Gross Income when calculating Net Income.

Clause reference	Explanatory Note
Clause 14 – Distribution Reinvestment Scheme	
14.2 – Terms of scheme	Clause 14.2 has been amended to acknowledge that the Listing Rules also regulate distribution reinvestment plans.
14.4 – Effectiveness of election notice	The NZX has amended the New Listing Rules to specify election date requirements for participation in a dividend reinvestment plan. This amendment is due to take effect on 1 January 2020. Accordingly, clause 14.4 has been amended to allow for these changes.

Clause reference	Explanatory Note
Clause 15 – Transfer and Transmission of Units	
15.1 – Units transferable	Clause 15.1 has been amended for a cross referencing change and to remove the stipulation that instruments of transfer are in writing (which is now dealt with in clause 15.2).
15.2 – Transfers	Clause 15.2 has been amended to reflect that, since transfers are rarely in writing, the description of the methods of transfer should be modernised.
15.3 – Method of transfer	Clause 15.3 has been amended to remove the historic references to the FASTER trading system and to modernise the methods of transfer. It has also been updated for consistency with the FMC Act.
15.4 – Forms of transfer	This is a new provision that prescribes the requirements for an instrument of transfer where a method of electronic transfer is not used.
15.6 – Manager may decline to register	Clause 15.6 has been updated to reflect the language in the corresponding New Listing Rule.
15.8 – Manager may sell small holdings	Clause 15.8 has been updated to reflect current market practice as well as to reflect the language in the New Listing Rules.
15.11 – Transmission of Units	Clause 15.11 has been updated to use the new definition “Personal Representative” and for cross referencing changes.
15.12 – Managers of incapable persons	Clause 15.12 has been updated to use new definitions.
15.13 – Registration by Personal Representative	Clause 15.13 has been updated to use the new definition “Personal Representative”.
15.14 – Rights of managers and personal representatives	Clause 15.14 has been amended to simplify the language and to reflect the new definition “Personal Representative”, thereby avoiding the need to restate the concept in this clause.
15.15 – Joint Personal Representatives	Clause 15.15 has been amended to clarify that where two or more Personal Representatives control a Unit, they are deemed to be joint holders of the Unit for the purposes of the Trust Deed.

Clause reference	Explanatory Note
Clause 16 – Takeover Restrictions	
16 – Takeover	Clauses 16 – 18 set out the takeover restrictions that apply to Vital. Vital is not subject to the Takeovers Code, as it is not a “code company”. Takeover restrictions were required to be included in Vital’s Trust Deed under the Old Listing Rules. However, the New Listing Rules no longer require Vital to include these restrictions in its Trust Deed. Nevertheless, they are equally not required to be deleted. As the restrictions provide protections for Unit Holders, it is proposed to retain them. As the equivalent sections of the New Listing Rules no longer apply to Vital, certain amendments are required to ensure the provisions of the Trust Deed can stand without reference to the New Listing Rules.
16.1 - Definitions	Certain definitions are required to be amended to ensure they can stand without the relevant sections of the New Listing Rules, which no longer apply to Vital. The definitions “Minority Veto Provisions” and “Relevant Group” are no longer required and have been deleted. An amendment to the definition of “Transfer” has been included to clarify that the creation or enforcement of a permitted security interest is excluded from the definition of “Transfer”.
16.2 – Application of NZX Listing Rules	A new clause has been added to reflect that, to the extent that clauses 16 – 19 of the Trust Deed refer to relevant provisions of the New Listing Rules, it is to aid interpretation only and does not mean that those provisions of the New Listing Rules apply to Vital. The old clause 16.2 has been deleted as it is no longer relevant as the equivalent New Listing Rules no longer apply to Vital.
16.3 – Notice and Pause	Clause 16.3 has been amended to allow the takeover provisions to stand without reference to the New Listing Rules, which no longer apply to Vital. The amendments do not alter the application of the provisions, which is preserved as it was under the Old Listing Rules. New sub-clause (d) is consistent with the language in Old Listing Rule 4.5.6 and which otherwise had been cross referenced. It is restated here to ensure the provisions still work on a standalone basis.
16.4 – Additional requirements	Clause 16.4 has been amended to accommodate the fact that there may be no applicable rules under the New Listing Rules.

Clause reference	Explanatory Note
Clause 17 – Enforcement of Takeover Restrictions	
17.4 – Powers of Affected Group	Minor amendments have been made to this clause to simplify drafting. There is no change to the substance of this clause.
17.6 – Remedies limited	Clause 17.6 has been amended to correct what appears to have been an historic cross referencing error in this clause.

Clause reference	Explanatory Note
Clause 18 – Compulsory Acquisition provisions	
Old clauses 18.1 - 18.3 – Adoption and Modification of Takeover Provisions	Clauses 18.1 – 18.3 have been deleted as they are no longer required to be included under the New Listing Rules. The effect of these clauses was that the takeover provisions could only be amended at a meeting of Unit Holders. As the takeover provisions are now solely set out in the Trust Deed, and any amendments to the Trust Deed continues to require Unit Holder approval, these provisions are unnecessary. Any modification to the takeover restrictions applying to Vital will continue to require Unit Holder approval.

Clause reference	Explanatory Note
Clause 19 – Takeovers Code and Holding by Bare Trustee	
19.2 – Holding by bare trustee	Section 4 is no longer the correct reference in the New Listing Rules. The equivalent section in the New Listing Rules does not apply to Vital. As a result, the reference to “section 4” of the Listing Rules has been deleted, such that the reference is now to the New Listing Rules generally.

Clause reference	Explanatory Note
Clause 22 – Remuneration of Manager	
22.1 – Maximum fee	<p>Clause 22.1 imposes a cap on fees paid to the Manager of 1.75% per annum of the Gross Value of the Trust Fund. Amendments to this clause have been made to clarify its application in practice, and to avoid practical issues in determining how the Fee Cap should be applied. Those changes are to clarify that:</p> <ul style="list-style-type: none"> the Fee Cap applies to the Base Fee, Incentive Fee and Activity Fees, being fees payable to the Manager in respect of its management services. For example, Additional Services (which extend beyond the traditionally understood role as manager of the assets of the Vital trust) are not included in the calculation of the Fee Cap; the calculation is done on an annual basis on the last day of the Financial Year, with reference to the Gross Value of the Trust Fund as at that date; and it relates to the Base Fee, Incentive Fee and Activity Fees attributable to that Financial Year. For example, it does not matter that the Incentive Fee is payable early in the following Financial Year. <p>The current Trust Deed does not include any provision for what should happen if the Fee Cap is exceeded in a Financial Year. The proposed amendment at the end of clause 22.1 is to provide that any excess above 1.75% is carried forward to the following Financial Year such that the aggregate of that excess together with the Base Fee, Incentive Fee and Activities for that subsequent Financial Year will not exceed the 1.75% cap.</p>

Clause reference	Explanatory Note
22.2 – Composition of fee	<p>Clause 22.2 has been amended to make it clear that the fees referred to in clause 22 (being the Base Fee, Incentive Fee and Activity Fees) are to compensate the Manager for performing the functions of the Manager contemplated by section 142 of the FMC Act. This clarifies, for example, that those fees are not for performing additional functions that the Manager or a related party might provide from time to time, which, for example, could be regulated by the related party transaction regime in the FMC Act.</p>
22.3 – Base fee	<p>As agreed and announced on 1 April 2019 following the fee review, the Base Fee has been reduced from 0.75% per annum of the Gross Value of the Trust Fund to being calculated on a tiered basis as follows:</p> <ul style="list-style-type: none"> • 0.65% per annum in respect of the first \$1 billion of the Gross Value of the Trust Fund; • 0.55% per annum in respect of the Gross Value of the Trust Fund between \$1 billion and \$2 billion; • 0.45% per annum in respect of the Gross Value of the Trust Fund between \$2 billion and \$3 billion; and • 0.40% per annum in respect of the Gross Value of the Trust Fund above \$3 billion. <p>The clause has also been amended to clarify that the Base Fee is calculated on a calendar month basis.</p>
22.4 – Incentive Fee	<p>As agreed and announced on 1 April 2019 following the fee review, the Incentive Fee provisions have been amended such that it is now calculated by reference to Vital’s Net Tangible Assets, rather than the Gross Value of the Trust Fund.</p> <p>As a result, subject to the below, the Incentive Fee in respect of a Financial Year will now equal 10% of the average annual increase in the Net Tangible Assets over that Financial Year and the two preceding Financial Years.</p> <p>However, the calculation of the Incentive Fee will now also be calculated by reference to a “three year high watermark” threshold. This means that the Net Tangible Assets for a Financial Year will be measured against the highest of the Net Tangible Assets on the last business day of the previous three Financial Years – the “High Watermark Net Tangible Assets”.</p> <p>If the Net Tangible Assets for the applicable Financial Year is less than the High Watermark Net Tangible Assets, then the increase in annual Net Tangible Assets will be deemed to be zero and no Incentive Fee will be payable for that Financial Year.</p> <p>This formulation has been added to make it more difficult for the Incentive Fee to become payable during periods immediately following a reduction in Net Tangible Assets. For example, if Net Tangible Assets fall in a Financial Year but then increases in the following Financial Year, the amount of the increase in Net Tangible Assets would need to be more than the decrease in the previous Financial Year to be counted towards the Incentive Fee calculation, and then only the excess would be counted.</p>

Clause reference	Explanatory Note
22.5 – Activity Fees	<p>As agreed and announced on 1 April 2019 following the fee review, a new schedule of Activity Fees has been added to the Trust Deed. These fees relate to activities of the Manager relating to Vital’s properties. The activities and fees are set out in a detailed schedule to the Trust Deed but, in summary, include:</p> <ul style="list-style-type: none"> • New leases or licences – a fee of at least \$2,500, but ultimately the fee depends on the term, starting at 11% of the aggregate annual rental if the term is less than three years. Above three years it is the aggregate of 12% and a further 1% for each full year above three years (adjusted pro rata); • Renewals – a fee equal to 50% of the amount that would have been paid if it was a new lease or licence; • Rent reviews – a fee of \$1,000 for a structured (non-market) rent review or any market rent review that does not result in a rental increase, or a fee equal to 10% of the rental increase in the first year for market rent reviews (or \$1,000 if greater); • Property management fees – a fee equal to 1-2% of gross income depending on the number of tenants; • Facilities management fees – a fee equal to the market rate for similar services at similar properties, benchmarked by reference to a reputable service provider and which fee is recoverable from tenants through outgoings, provided, however, that the fee will not be payable where a third party provider is engaged to provide facilities management services; and • Project management fees – for projects with a budget of between \$200,000 to \$2,500,000, a fee equal to 2% if the Manager is the project lead, or 1% if just an oversight role. Any project with a budget greater than \$2,500,000 will be treated in the same manner, provided that references to “2%” and “1%” will be replaced with “4%” and “2%” respectively. Payment will be due at the completion of the relevant project.
22.6 – Payment	<p>The previous provision required the Manager to apply the Incentive Fee to subscribe for Units in Vital notwithstanding that it may contravene the Listing Rules or the Trust Deed to do so, or be adverse to Unit Holders’ interests (e.g., because it risked compromising PIE status). This clause has been amended to make it clear that the Manager is not required to apply the Incentive Fee to subscribe for Units if to do so would (i) be inconsistent with the Listing Rules or applicable laws or (ii) have an adverse effect on Unit Holders other than the Manager and its Associated Persons (in the opinion of the Manager, acting reasonably).</p>
22.5 – Additional fee	<p>As agreed and announced on 1 April 2019 following the fee review, clause 22.5 has been deleted. It provided the Manager with the ability to increase the amount of the Base Fee and the Incentive Fee on written notice, subject to the Fee Cap.</p>

Clause reference	Explanatory Note
Clause 23 – Removal and Retirement of Manager	
23.1 – Removal	Clause 23.1 has been amended to include due process provisions to ensure that, before the Supervisor decides whether to exercise its powers of removal of the Manager under section 185(1)(a) of the FMC Act, it gives notice to the Manager, allows the Manager the opportunity to respond and considers the Manager’s response before taking action. The due process provisions are subject to the FMC Act, including the Supervisor’s duty to act in the best interests of Unit Holders.
23.2 – Fee on removal	Clause 23.2 has been amended to reflect that Vital Healthcare Management Limited’s name was changed to NorthWest Healthcare Properties Management Limited.
23.7 – Appointment of replacement	The amendments to this clause are for clarity and are not intended to change its substance. The amendment is to clarify that the Supervisor has the necessary power to act on the direction of Unit Holders in respect of the appointment of a new manager.

Clause reference	Explanatory Note
Clause 25 – Supervisor’s and Manager’s Liabilities and Indemnities	
25.4 – Reimbursement of expenses	Clause 25.4 has been added to permit the Manager to be reimbursed from the Trust for all costs, fees and expenses incurred in respect of the appointment and engagement of the Independent Directors, including director’s fees, associated insurance premiums and costs associated with attendance at meetings.

Clause reference	Explanatory Note
Clause 27 – Manager’s Powers, Duties and Covenants	
27.5 – Additional Services	<p>This is a new clause that is intended to provide clarity around the ability of the Manager to be engaged on behalf of the Trust to provide services that extend beyond its traditionally understood role as manager of the assets of the Vital trust. For example, consistent with market practice, the Manager may be engaged to perform additional work in connection with acquisition opportunities. This clause, and the associated schedule, provide transparency as to what those services and costs will be. They are:</p> <p>Acquisitions – services in relation to the acquisition of new Investments, with a corresponding cost of 1.5% of the capitalised costs of the relevant investment (i.e., the price payable excluding deductions netted off the settlement price together with other related capitalised acquisition costs);</p> <p>Disposals – services in respect of disposals of Investments, with a corresponding cost of 1.0% of the contracted sale price, provided that if a third party agent has been engaged to provide services for the disposal, then their costs and commissions will be deducted from the amount payable to the Manager; and</p>

Clause reference	Explanatory Note
Clause 27 – Manager’s Powers, Duties and Covenants continued	
27.5 – Additional Services	<p>Developments – services in respect of a development project, such as managing procurement of required consents, negotiating principal agreements, ensuring compliance, managing insurances, coordination of design, procurement and contractors, managing the construction process and budgets. The corresponding cost is 4.0% of the total project costs approved by the board, provided that, if the Manager engages a third party provider to provide development management services and the fee payable to that third party is payable by the Manager and not re-charged to the tenant by way of rentalisation, then the costs of the third party will be deducted from the amount payable to the Manager. Payments will be based on the achievement of milestones.</p> <p>In addition, the Manager will pay the costs incurred by the independent directors where they are required to carry out due diligence over and above the level that which would be consistent with standard market practice in order to satisfy the requirements of sections 172 – 175 of the FMC Act in the event of an acquisition or disposal involving a related party.</p>

Clause reference	Explanatory Note
Clause 29.5 – Meetings of Unit Holders	
29.5 – Interest Group meetings	Clause 29.5 has been updated to reflect new definitions.

Clause reference	Explanatory Note
Clause 30 – Independent Directors	
30.1 - Principle	Clause 30.1 has been updated to remove the reference to clause 30.11 which has been deleted.
30.11 – Termination of clause	As agreed and announced on 1 April 2019 following the fee review, clause 30.11 has been deleted. That clause allowed the shareholder of the Manager to remove, by giving written notice, the right of Unit Holders to appoint and remove two Independent Directors. If the shareholder exercised that power it would be able to appoint and remove all Independent Directors.

Clause reference	Explanatory Note
Clause 34 – Notices	
34.3 – Notices to managers and representatives of unit holders	Clause 34.3 has been updated to use the new definition “Personal Representative”. The content of this clause relating to how notices may be served is not required as it is covered by the balance of clause 34.

Clause reference	Explanatory Note
Clause 37 – Taxation Liability	
37.1 – Definition of “Relevant Person”	Clause 37.1 has been updated to use the new definition “Personal Representative”.
37.3 – Sale of units	Clause 37.3 has been updated to use the new definition “Financial Products”.

Clause reference	Explanatory Note
Clause 38 – Changes to Dates	
38 – Changes to Dates	Clause 38 has been amended to clarify that if dates are changed such that the length of a Distribution Period or Financial Year changes any calculations under the Trust Deed will be adjusted on a pro rata basis to reflect the shorter or longer period so as to ensure that the change does not have an unintended economic impact.

Clause reference	Explanatory Note
Clause 39 – Contracts Privity	
39 – Contracts Privity	Clause 39 has been amended to reflect the new Contract and Commercial Law Act 2017.

Clause reference	Explanatory Note
Schedule 1 – Additional Services and Additional Costs	
See the explanation above.	

Clause reference	Explanatory Note
Schedule 2 – Activity Services and Activity Fees	
See the explanation above.	

Clause reference	Explanatory Note
Schedule 3 – Meetings of Unit Holders	
2 – Notice of Meetings	Clause 2 has been amended to use the new definition “Personal Representative” and to modernise the language.
3 – Quorum	Clause 3 has been amended to reflect the permitted methods of participation under clauses 5 and 6 of Schedule 11 of the FMC Regulations, which now include participation by electronic means. Other amendments have been made to make use of new definitions and to simplify the language.
4 – Method of holding meetings	Clause 4 has been amended to include the requirements of clauses 4 and 6 of Schedule 11 of the FMC Regulations, rather than incorporating them by reference. This will now permit electronic participation at Unit Holder meetings.
8 – Voting Rights	Clauses 8(b) and (c) have been added to align the Trust Deed with clauses 7 and 11 of Schedule 11 of the FMC Regulations and to permit electronic voting. Clause 8(d)(ii)(B) has been amended to reflect the updated language used in New Listing Rule 6.2.4. Clause 8(c) has been deleted as it has been replaced by the use of new definitions. Clause 8(e) has been added to reflect market practice where two or more persons attempt to vote the same unit.
9 – Proxies	Clause 9 has been amended in order to align the Trust Deed with clause 10 of Schedule 11 of the FMC Regulations and to remove duplication. For example, clause 9(e) has been deleted as it is covered by clause 9(a).
14 – Special Resolution binds all Unit Holders	Clause 14 has been amended to modernise the language. There is no change in substance.

SCHEDULE 2

- Deloitte Reasonable Assurance Report





INDEPENDENT ASSURANCE REPORT

To the Board of Directors of Northwest Healthcare Properties Management Limited, as the Manager of the Vital Healthcare Property Trust (the 'Manager')

Report on the comparison of management fees charged under existing and proposed fee arrangements

The Manager has prepared the *Comparison of Management fees charged under existing and proposed fee arrangements by Northwest Healthcare Properties Management Limited to Vital Healthcare Property Trust and its subsidiaries* (the 'Trust') for the years ended 30 June 2018 and 30 June 2019 (the 'Comparison') as included in Appendix 1. The Comparison has been prepared in accordance with the definitions (the 'Definitions') as set out in Appendix 2 of this report.

The Comparison has been compiled to illustrate the impact of the proposed fees for the Trust, so presents the existing management fees as charged by the Manager to the Trust for the years ended 30 June 2018 and 2019 ('the Current scheme'), and pro-forma fees (the 'subject to vote' fees referred to as the proposed fees per Appendix 1) for the years ended 30 June 2018 and 2019 as if the proposed fee arrangements had been in effect from the beginning of those financial years.

We have been engaged to provide a reasonable assurance report on the Comparison, for inclusion in the Notice of Annual Meeting 2019.

Opinion

In our opinion, the Comparison has been prepared, in all material respects, in accordance with the Definitions.

Basis for Conclusion

We conducted our reasonable assurance engagement in accordance with the International Standard on Assurance Engagements (New Zealand) 3000 (Revised): *Assurance Engagements Other than Audits or Reviews of Historical Financial Information* ('ISAE (NZ) 3000 (Revised)') issued by the New Zealand Auditing and Assurance Standards Board.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Board of Directors of the Manager's Responsibility

The Board of Directors of the Manager are responsible for preparing the Comparison in accordance with the Definitions. This responsibility includes identification of the risks that threaten the preparation of the Comparison in accordance with the Definitions and the design, implementation and maintenance of internal controls relevant to mitigating those risks.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of Professional and Ethical Standard 1 (Revised): *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Other than in our capacity as independent auditor and the provision of other assurance reports, we have no relationship with or interests in the Trust or the Manager. These services have not impaired our independence as independent assurance practitioner.

The firm applies Professional and Ethical Standard 3 (Amended): *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance Engagements* issued by the New Zealand Auditing and Assurance Standards Board, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Our Responsibility

Our responsibility is to express an opinion on whether the Comparison has been prepared, in all material respects, in accordance with the Definitions. ISAE (NZ) 3000 requires that we plan and perform this engagement to obtain reasonable assurance about whether the Comparison is free from material misstatement.

A reasonable assurance engagement involves performing procedures to obtain evidence about the preparation of the Comparison. The nature, timing and extent of procedures selected depend on our judgement, including the identification and assessment of risks of material misstatement of the Comparison. In making those risk assessments we considered internal controls relevant to the Company's preparation of the Comparison.

Our procedures also included, but were not limited to:

- Developing an understanding of the process used, and controls in place, to collect the data for the calculations used in preparing the Comparison.
- Reconciling the existing management fee included in the Comparison to the audited financial statements.
- Agreeing a sample of inputs for the proposed fees to underlying source data.
- Recalculating the proposed fee arrangements as set out in the Definitions.

These procedures have been undertaken to form an opinion as specified above.

Inherent Limitations

Because of the inherent limitations of an assurance engagement, together with the inherent limitations of any systems of internal controls, it is possible that fraud, error or non-compliance may occur and not be detected even though the engagement is properly planned and performed in accordance with the Standards on Assurance Engagements.

The purpose of the Comparison is solely to illustrate the impact of the proposed fee arrangements for the Trust. Accordingly, this engagement does not provide assurance that the fees will be calculated in accordance with the Definitions in the future. In addition, the quantum of the pro-forma fees may not be indicative of the fees that will be charged in future periods. Further, the Definitions provided in Appendix 2 may need to change, or may be interpreted differently in future periods depending on the types of transactions undertaken.

The opinion expressed in this report has been formed on the above basis.

Use of Report

This report is made solely to the Board of Directors of the Manager of the Trust. We disclaim any assumption of responsibility for any reliance on this report or on the Comparison to which this report relates for any purpose other than the purpose for which it was prepared. This report should be read in conjunction with the Comparison, the Definitions and other information provided by the Board of Directors of the Manager in the Notice of Meeting of the Annual Meeting papers. However, we take no responsibility for, nor do we report on, any other information provided by the Board of Directors of the Manager that is not specifically mentioned in this Report. To the fullest extent permitted by law we do not accept or assume responsibility to anyone other than the Board of Directors of the Manager of the Trust for the conclusions we have formed.

Deloitte Limited

Deloitte Limited
30 September 2019
Auckland, New Zealand



APPENDIX 1: COMPARISON

Historical Analysis - FY18 & FY19

	FY18				FY19			
	Current Scheme \$000s	Subject to Vote \$000s	Benefit/(Cost) \$000s	Benefit/(Cost) %	Current Scheme \$000s	Subject to Vote \$000s	Benefit/(Cost) \$000s	Benefit/(Cost) %
Fees Expensed:								
Base fee	11,856	9,483	2,373	20%	13,839	10,783	3,055	22%
Incentive fee	13,096	11,667	1,428	11%	12,077	11,651	427	4%
NorthWest Derivative Acquisition fee ¹	-	-	-	n.a.	2,834	2,834	-	0%
Disposition fee	-	-	-	n.a.	-	-	-	n.a.
Property Management fee	200	1,165	(965)	(482%)	214	1,232	(1,018)	(476%)
Facilities Management fee	-	-	-	n.a.	-	-	-	n.a.
Rent Review fees	-	123	(123)	n.a.	-	152	(152)	n.a.
AFSL Fee ²	781	781	-	0%	834	834	-	0%
Independent Directors Fees	-	200	(200)	n.a.	-	200	(200)	n.a.
Total Fees Expensed (A)	25,933	23,419	2,514	10%	29,798	27,687	2,112	7%
Fees Capitalised:								
Acquisition fee	1,342	2,289	(946)	(71%)	222	354	(132)	(59%)
Leasing fees – New Leases	-	24	(24)	n.a.	-	87	(87)	n.a.
Leasing fees – Renewals	-	272	(272)	n.a.	-	142	(142)	n.a.
Development Management fee	807	148	658	82%	1,208	1,953	(746)	(62%)
Project Management fee	-	18	(18)	n.a.	-	25	(25)	n.a.
Total Fees Capitalised (B)	2,149	2,751	(602)	(28%)	1,430	2,561	(1,131)	(79%)
Total Fees (A + B)	28,082	26,170	1,911	7%	31,228	30,248	980	3%

¹ Derivative contract related to acquisition of an interest in Healthscope Ltd by NWHAAT

² Australian Financial Services Licence

APPENDIX 2: DEFINITIONS

Definitions for the Existing Management Fees

Existing management fees are defined in clause 22.2 of the Trust Deed dated 1 September 1999 and as amended 29 November 2016 (the 'Trust Deed'), extracted as follows:

The Manager's fee shall be comprised of:

- a) In respect of each month, a fee equal to 0.75% per annum of the monthly average of the Gross Value of the Trust Fund for the quarter ended on the last day of that month (calculated by aggregating the Gross Value of the Trust Fund at the end of each month during that quarter and dividing the sum by three) (referred to as the 'Base fee').
- b) In respect of each Financial Year, an incentive fee of an amount equal to 10% of the average annual increase in the Gross Value of the Trust Fund over the relevant Financial Year and the two preceding Financial Years. The increase shall be measured between the first and last days of each Financial Year. Should there be a distribution of capital, that amount will be added back for the purposes of this calculation. Where an Investment is acquired at any time during the Financial Year it shall be deemed to have been purchased on the first day of that Financial Year. Any increase in the Gross Value of the Trust Fund arising solely by subscription received of New Units shall be ignored (referred to as the 'Incentive fee').

The following fees charged by the Manager are not defined in the Existing Trust Deed and have previously been charged on a case by case basis following agreement with the Trustee: NorthWest Derivative Acquisition fee, Property Management fee, Australian Financial Service Licence ("AFSL") fee, Acquisition fee, and Development Management fee.

Definitions for the proposed management fees

Proposed management fees are defined in the amended Trust Deed dated 30 September 2019 (the 'amended Trust Deed'), extracted as follows:

Base fee	<p>The Base Fee will be calculated each calendar month on the basis described in 22.3(b). For these purposes the "Gross Value of the Trust Fund"¹ will be the monthly average of the Gross Value of the Trust Fund for the calendar quarter ended on the last day of that month (calculated by aggregating the Gross Value of the Trust Fund at the end of each calendar month during that calendar quarter and dividing such sum by three).</p> <p>The Base Fee for any calendar month shall be calculated as the amount below divided by 12:</p> <ol style="list-style-type: none"> i. if the Gross Value of the Trust Fund is less than or equal to \$1 billion, 0.65% per annum of such value; ii. if the Gross Value of the Trust Fund is greater than \$1 billion, but less than or equal to \$2 billion, the aggregate of: <ol style="list-style-type: none"> a. \$6.5 million (being 0.65% of the first \$1 billion); and b. 0.55% per annum of the amount by which such value exceeds \$1 billion; iii. if the Gross Value of the Trust Fund is greater than \$2 billion, but less than or equal to \$3 billion, the aggregate of: <ol style="list-style-type: none"> a. \$6.5 million (being 0.65% of the first \$1 billion); b. \$5.5 million (being 0.55% of the second \$1 billion); c. 0.45% per annum of the amount by which such value exceeds \$2 billion; and
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	<p>iv. if the Gross Value of the Trust Fund is greater than \$3 billion, the aggregate of:</p> <ol style="list-style-type: none"> a. \$6.5 million (being 0.65% of the first \$1 billion); b. \$5.5 million (being 0.55% of the second \$1 billion); c. \$4.5 million (being 0.45% of the third \$1 billion); and d. 0.40% per annum of the amount by which such value exceeds \$3 billion.
Incentive fee	<p>The Manager shall be entitled to an annual incentive fee of an amount equal to 10% of the average annual increase in the Net Tangible Assets² of the Trust over the relevant Financial Year and the two preceding Financial Years (in each case as adjusted pursuant to this clause 22.4). For the purposes of determining the increase in the Net Tangible Assets for a Financial Year, the actual Net Tangible Assets on the last day of that Financial Year shall be measured against the High Watermark Net Tangible Assets³ applicable to that Financial Year such that the increase in the Net Tangible Assets for the Financial Year will reduce to zero if the actual Net Tangible Assets does not exceed the High Watermark Net Tangible Assets applicable to that Financial Year. Where an Investment⁴ is acquired at any time during a Financial Year it shall be deemed to have been purchased on the first day of that Financial Year.</p>
Acquisition fee	<p>A fee equal to 1.5% of the capitalised cost of the relevant Investment, being the contracted price payable by the Supervisor (or the Subsidiary, as the case may be), excluding any deductions netted off the settlement price (such as rates), together with other related capitalised acquisition costs.</p> <p>In the case of an acquisition that involves the provision of a related party benefit in compliance with sections 172 - 175 of the FMC Act⁵, the Manager must pay any costs reasonably and properly incurred¹² by or on behalf of the Independent Directors¹¹ in carrying out due diligence that is over and above the level of due diligence that would be consistent with standard market practice for a proposed acquisition that did not involve the provision of a related party benefit (for example, the cost of any market valuation of the relevant assets). Any such amounts may be set off against management fees otherwise payable.</p>
Disposition fee	<p>A fee equal to 1.0% of the contracted sale price of the relevant Investment actually received by the Supervisor (or the Subsidiary, as the case may be) (the Disposal Fee), provided that, if a third party agent has been engaged to provide services for the disposal, then the fee payable to the Manager will be an amount equal to the Disposal Fee less the third party agent's costs and commissions.</p> <p>In the case of a disposal that involves the provision of a related party benefit in compliance with sections 172 - 175 of the FMC Act, the Manager must pay any costs reasonably and properly incurred by or on behalf of the Independent Directors in carrying out due diligence that is over and above the level of due diligence that would be consistent with standard market practice for a disposal that did not involve the provision of a related party benefit (for example, the cost of any market valuation of the relevant assets). Any such amounts may be set off against management fees otherwise payable. For clarity, the fee payable to the Manager in respect of a disposal will not be reduced below zero.</p>
Leasing fees – new leases	<p>A fee calculated as follows for each new lease or licence:</p> <ol style="list-style-type: none"> a) if the term of the lease or licence is less than three years, an amount equal to 11% of the aggregate annual Rental⁶; b) if the term of the lease or licence is three years, an amount equal to 12% of the aggregate annual Rental; c) if the term of the lease or licence is greater than three years, the aggregate of: <ol style="list-style-type: none"> i. an amount equal to 12% of the aggregate annual Rental; and ii. a further 1% of the annual Rental in respect of each full year by which the term of the lease or licence exceeds 3 years (adjusted pro rata for part years), up to a maximum of 20% of the aggregate annual Rental, <p>provided that the fee shall not be less than \$2,500 per new lease or licence.</p>
Leasing fees – renewals	<p>A fee equal to 50% of the amount that would have been payable if the lease or licence was a new lease or licence.</p>

Rent review fees	<p>In the case of a structured (non-market) rent review, or any market rent review which does not result in a Rental increase, an administration fee of \$1,000.</p> <p>In the case of a market rent review, a fee equal to 10% of the amount that the Rental has increased by during the first year that such increase applies, provided that the fee shall not be less than \$1,000.</p>
Property management fee	<p>A fee equal to between 1%-2% of gross income¹⁰ depending on the number of tenants at the property. The fee percentage between 1% and 2% (each inclusive) will be determined based on the following:</p> <ul style="list-style-type: none"> (i) 1% where the property has one principal tenant; (ii) 1.5% where the property has between two and five tenants; and (iii) 2% where the property has six or more tenants. <p>Where a single property operator manages multiple sub-tenants at a property, it will be treated as a single tenant for those purposes.</p> <p>Where the property is comprised of a medical centre and hospital, the fee will be based on the number of tenants (excluding sub-tenants) in the medical centre and hospital.</p> <p>The Manager will deduct any amounts recovered by it by way of outgoings from amounts payable to it as a property management fee.</p>
Facilities management fee	<p>A fee equal to the market rate for similar services at similar properties and benchmarked by reference to a reputable and high quality service provider¹¹ and which fee is recoverable from tenants through outgoings.</p> <p>This fee is payable unless there is a contract in place with a third party external provider to provide facilities management services.</p>
Development fee	<p>A fee equal to 4% of the total project costs approved by the board of the Manager.</p> <p>However, if:</p> <ul style="list-style-type: none"> a) the Manager engages a third party external provider for the development management services; and b) the fee payable to the third party external provider ("Relevant Amount") is payable by the Manager and not re-charged to the tenant by way of rentalisation. <p>The development fee of 4% must be reduced by the Relevant Amount. Notwithstanding the foregoing, the Manager may, at its discretion, agree in writing to charge a fee lower than that which would be otherwise payable for particular projects.</p>
Project management fee	<p>The Manager will be entitled to a project management fee in respect of any project with a budget of between \$200,000 to \$2,500,000, where the purpose of the project is to upgrade, repair or otherwise extend the life of the property, including but not limited to replacement or repair of major plant and equipment, structural items and building envelope.</p> <p>The project management fee will be an amount equal to:</p> <ul style="list-style-type: none"> a) if the Manager is the project lead (i.e., has a project management role), 2% of the committed spend; and b) if the Manager is not the project lead (i.e., does not have a project management role), but has an oversight role, 1% of the committed spend. <p>For these purposes 'committed spend' is the budget approved by the board of the Manager.</p> <p>Any project with a budget greater than \$2,500,000 will be treated in the manner specified under (a) and (b) above provided, however, that the references to "2%" and "1%" will be replaced with "4%" and "2%" respectively.</p>

The following table sets out key definitional terms as defined by the Manager:

1	Gross Value of the Trust Fund	<p>Gross Value of the Trust Fund in respect of any Business Day⁷ means such sum as is ascertained and fixed by the Manager in respect of that Business Day as being the greater of:</p> <ol style="list-style-type: none"> a) the book value of the tangible assets⁸ of the Trust and its Subsidiaries as disclosed by the most recently published consolidated annual financial statements of the Trust; and b) the aggregate of: <ol style="list-style-type: none"> i. the Market Value of all of the Investments other than Cash; ii. any income accrued or payable but not included in such Market Value; and iii. the amount of Cash forming part of the Trust Fund, <p>(in both cases irrespective of and ignoring any liabilities attributable to the assets or of any Subsidiaries or other entities through which the assets are held).</p>
2	Net Tangible Assets	<p>Net Tangible Assets or NTA in respect of any Business Day means such sum as is ascertained and fixed by the Manager in respect of that Business Day using the following formula:</p> <p>NTA = A- L</p> <p>Where:</p> <p>A = the Total Tangible Assets⁹ of the Trust; and L = all Liabilities and any other amounts which, in the opinion of the Manager, should be included in such aggregate for the purposes of making a fair and reasonable determination of the total net tangible assets of the Trust, having due regard to generally accepted accounting practice (as that term is defined in the Financial Reporting Act 2013).</p>
3	High Watermark Net Tangible Assets	<p>High Watermark Net Tangible Assets means, in respect of a Financial Year, an amount equal to the higher of:</p> <ol style="list-style-type: none"> a) the Net Tangible Assets as at the last Business Day of the previous Financial Year (FY-1); b) the Net Tangible Assets as at the last Business Day of the Financial Year immediately before FY-1 (FY-2); and c) the Net Tangible Assets as at the last Business Day of the Financial Year immediately before FY-2 (FY-3).
4	Investment	<p>Investment means any investment, asset, right, or property of any nature at any time forming part of the Trust Fund.</p>
5	FMC Act	<p>Financial Market Conduct Act 2013</p>
6	Rental	<p>Rental means, in respect of a period:</p> <ol style="list-style-type: none"> 1) in the case of a gross lease or licence, the actual rent (including, but not limited to, turnover rent) payable by the tenant under the lease or licence for that period; or 2) in the case of a net lease or licence, the aggregate of the actual rent (including, but not limited to, turnover rent), tenant recoveries and other outgoings payable by or charged by the landlord to the tenant under the lease or licence for that period, in any case ignoring any incentives or concessions.
7	Business Day	<p>Business Day means a day on which NZX is open for trading.</p>
8	Tangible Assets	<p>Tangible asset are assets of a monetary nature or have a physical substance such as:</p> <ul style="list-style-type: none"> • Investment properties • Derivative financial instruments • Property Plant and Equipment • Cash and cash equivalents

9	Total Tangible Assets	Total Tangible Assets means the consolidated total market value of the assets of the Trust and its Subsidiaries that are considered to be tangible assets including, without limitation, the amount of Cash and receivables, but excluding: <ul style="list-style-type: none"> a) any unrealised movements in currency reserves and derivatives (including derivatives relating to interest rates or currency) during the relevant Financial Year; b) any increase in the tangible assets of the Trust arising solely from subscriptions received for new Units (net of any fees incurred relating to such subscriptions); and c) any decrease in tangible assets arising solely from distributions of any kind paid to Unit Holders other than normal course recurring distribution payments.
10	Gross income	Gross Income in relation to a Financial Year means the gross income of the Trust Fund in respect of that Financial Year, taking account of all income accrued or accruing due, but for the avoidance of doubt excluding adjustments required under generally accepted accounting practice (as that term is defined in the Financial Reporting Act 2013) requiring lease payments to be recognised on a straight-line basis over the term of the lease.
11	Reputable and high quality service provider	A reputable and high quality service provider is determined by the Manager.
12	Costs reasonably and properly incurred by or on behalf of the Independent Directors	A costs reasonably and properly incurred by or on behalf of the Independent Directors determined by the Manager.
	NorthWest Derivative Acquisition fee	Derivative contract related to acquisition of an interest in Healthscope Ltd by NorthWest Healthcare Australia Asset Trust.
	AFSL	Australian Financial Services Licence fee.
	Independent Directors Fees	Subject to clause 25.6, the Supervisor and the Manager shall each be entitled to be reimbursed out of the Trust Fund for all expenses, costs or liabilities incurred by them respectively in or about acting as Supervisor or Manager (as the case may be) under this deed. Without prejudice to the generality of the foregoing, the Supervisor and the Manager shall be entitled to be indemnified against: <ul style="list-style-type: none"> a) all costs, charges, disbursements and expenses incurred in connection with the investigation, negotiation, acquisition, registration, custody, disposal of or other dealing with an Authorised Investment, including, without limitation, commission, bank charges and stamp duty; b) all income tax, capital gains tax, stamp duties, and all other duty, tax or impost properly charged to or payable by the Supervisor or Manager (whether by any trading authority or any other person) in connection with and for the account of the Trust; c) interest on Borrowings, discounts and acceptance and other fees in respect of bill facilities; d) costs of postage in respect of all cheques, accounts, Certificates, distribution statements, notices, reports and other documents sent to all or any Unit Holders in accordance with the provisions of this deed; e) costs of convening and holding any meeting of Unit Holders; f) all costs, fees and expenses incurred in respect of the appointment and engagement of the Independent Directors, including (without limitation): <ul style="list-style-type: none"> i. director fees for the Independent Directors; ii. associated insurance premiums for the Independent Directors; and

		<ul style="list-style-type: none"> iii. costs in connection with attendance at meetings (including associated travel and accommodation costs); g) costs of preparing and printing cheques, accounts, Certificates, distribution statements, notices, reports and other documents required to be prepared in connection with the Trust, pursuant to this deed, the rules or requirements of any stock exchange on which the Units are listed, or any relevant law; h) all costs, charges and expenses of and incidental to the preparation, execution and stamping of this deed and any supplemental deeds, the preparation and registration of any product disclosure statement or register entry, the acquisition, registration, custody, disposal or other dealing with Investments, including bank charges and stamp duty, and the expenses of any agents or nominated company of the Supervisor or the manager but excluding any incidental expense which is not an out-of-pocket expense or disbursement incurred (by deduction or otherwise) by the Manager or the Supervisor; i) fees and expenses of any valuer, auditor, solicitor, barrister, property manager, agent or consultant, computer expert or other expert from time to time engaged by the Manager or by the Supervisor in the discharge of their respective duties and exercise of powers under this deed; j) expenses in connection with the establishment and maintenance of accounting systems and the keeping of accounting records and the Register; k) all costs, charges and expenses incurred in the advertising and promotion of the Trust; l) all costs, charges and expenses incurred in connection with or which are incidental to the application for the listing of the Units on any stock exchange and the costs of the maintenance of such listing, m) any expense or liability which may be incurred by the Supervisor or the Manager (as the case may be) in bringing or defending any action or suit in the Trust or the provisions of this deed; and n) all costs or expenses of any nature (including without limitation amounts payable to contractors and professional consultants) in respect of the acquisition of any Land; o) the cost of the preparation and lodgement of returns pursuant to any law; p) any other expenses properly and reasonably incurred by the Supervisor or the Manager in connection with carrying out their respective duties under this deed. <p>All such items (other than those referred to in sub-paragraph (m)) shall unless the Manager determines otherwise, be chargeable against the Gross Income.</p> <p>The Supervisor or the Manager may at any time elect not to seek reimbursement from the Trust Fund for any expense, cost or liability without prejudicing the right of the Supervisor or the Manager to be reimbursed for any other expense, cost or liability (whether or not of a similar nature).</p>
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SCHEDULE 3

- Supervisor Comments on Trust Deed Amendments



To: Each of the Unit Holders of the Vital Healthcare Property Trust

This letter is written to you by Trustees Executors Limited (**TEL**), as Supervisor of the Vital Healthcare Property Trust (**Trust**), in relation to the proposal by NorthWest Healthcare Properties Management Limited (**Manager**) to approve certain amendments to the Trust Deed of the Trust by a Special Resolution at a meeting of Unit Holders on 31 October 2019.

The proposed amendments to the Trust Deed reflect the outcome of the fee and governance review undertaken by the Manager (which included feedback from Unit Holders representing approximately 40% of the register). The outcome of the review was also announced on 1 April 2019.

If the Special Resolution is passed by Unit Holders, the fee and governance review will be considered completed (as the outcomes will be set out in the Trust Deed, effective 31 October 2019). If the Special Resolution is not passed by Unit Holders, those amendments that have been made to reflect the Trust's transition to the new NZX Listing Rules will still be made (subject to TEL being satisfied that those amendments will not have a material adverse effect on Unit Holders).

We confirm that as Supervisor we have been consulted by the Manager in relation to the proposed amendments and, in conjunction with our legal advisers, have reviewed and commented on the revised Trust Deed and the Notice of Annual Meeting (including the accompanying explanatory notes and summary of the Trust Deed amendments).

We are satisfied that, from the perspective of the Unit Holders, the Special Resolution has been properly put in accordance with the provisions of the Trust Deed and relevant legislation. We are also satisfied that the explanatory notes (at page 10) and detailed summary of the Trust Deed amendments (set out in Schedule 1) present a fair and accurate summary of the proposed amendments and their implications generally for Unit Holders so that an informed voting decision can be made by Unit Holders. It is, however, up to you to decide how you vote on the Special Resolution, based on your assessment of the proposed amendments to the Trust Deed.

We should point out that, subject to there being the necessary quorum at the meeting, if the Special Resolution is passed by Unit Holders with a combined value of not less than 75% of the value of the units held by those persons who are entitled to vote (and voting), then the amendment will be binding on all Unit Holders no matter how they voted or even if they have taken no action at all.

The Supervisor encourages you to read the accompanying explanatory notes and detailed summary of the Trust Deed amendments (set out in Schedule 1) in full in order to make an informed decision before voting on the Special Resolution. If you are unable to attend the meeting but would like to vote, please complete the proxy form included in the Notice of Meeting bundle and forward it in accordance with the instructions set out in the proxy form. We strongly encourage you to vote on the Special Resolution.

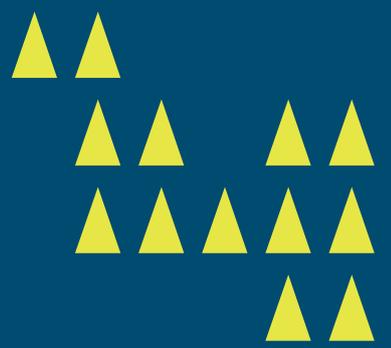
If you are in any doubt about these matters you are encouraged to consult your financial adviser, solicitor, accountant and/or other professional adviser in relation to your investment in the Trust.

Yours sincerely

TRUSTEES EXECUTORS LIMITED



MATTHEW BAND
GENERAL MANAGER
CORPORATE TRUSTEE SERVICES



A large blue triangle pointing upwards, positioned in the bottom-left corner of the page. It contains the company logo.

Vital

Healthcare
Property Trust

Lodge your proxy



By Mail

Computershare Investor Services Limited
Private Bag 92119, Auckland 1142, New Zealand



By Fax

+64 9 488 8787



By Email

corporateactions@computershare.co.nz

For all enquiries contact



+64 9 488 8777



corporateactions@computershare.co.nz

For your vote to be effective it must be received by 10.30am on Tuesday, 29 October 2019

Voting/Proxy Form

Attending the Meeting

If you plan to attend the meeting please bring this Voting/Proxy Form with you to the meeting as it contains your attendance slip. All unitholders are entitled to attend the meeting.

Appointment of Proxy

A unitholder entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of that unitholder. A proxy need not be a unitholder. A unitholder may appoint the chair of the meeting, or another person, to act as proxy. To do this, enter 'The Chair of the Meeting' or the name of your proxy in the space allocated in 'Step 1' of this form.

Voting of your holding

Should you wish to direct the proxy how to vote, please indicate with a tick in the appropriate box overleaf. If you do not provide a voting direction to the proxy, they will, subject to the voting restrictions, vote at their discretion (or may not vote).

If you do not name a person as your proxy or your named proxy does not attend, but you otherwise complete the proxy form in full (including providing a voting direction), the Chair of the meeting will act as your proxy and will vote in accordance with your express direction. If, however, no voting direction is provided, the chair will vote in favour of all Resolutions.

Voting restrictions – Resolution 1

Under section 163(1) of the Financial Markets Conduct Act 2013, the Manager and its Associated Persons (as that term is defined in that Act, which will include NWH REIT and all of the directors of the Manager) are disqualified from voting in favour of Resolution 1, other than where such vote is cast as a proxy for a person who is entitled to vote and does so in accordance with the express directions on the proxy form. **Therefore, if you intend to appoint a director of the Manager as proxy, please direct them on how to vote. If you do not provide a voting direction, the voting restrictions will apply and the director will not be able to cast your vote.**

Further details of these restrictions are set out in the procedural notes in the Notice of Meeting.

Signing Instructions

Individual

A unitholder wishing to appoint a proxy should complete this proxy form.

Joint Holding

All joint holders must sign this proxy form.

Power of Attorney

If this proxy form is signed under a power of attorney or other authority, that power of attorney or other authority or a copy of such power of attorney or authority certified by a Notary Public or in such manner as the Manager shall approve (unless previously produced to the Trust) and a completed certificate of non-revocation must accompany this proxy form.

Companies

A proxy granted by a company must be signed by a duly authorised officer or attorney who is acting under the company's express or implied authority.

Comments & Questions

If you have any comments or questions for the Trust, please write them on a separate sheet of paper and return it with this form.

Returning your form

Completed proxy forms must be received by Computershare Investor Services Limited at the mailing address, fax number or e-mail address shown above by **no later than 10.30am on Tuesday, 29 October 2019** (being 48 hours before the meeting).

Turn over to complete the form to appoint a proxy and vote

Voting/Proxy Form

STEP 1 Proxy Form (for use if you are unable to attend the meeting)

being a unitholder/unitholders of **Vital Healthcare Property Trust**

hereby appoint _____ of _____

or failing him/her _____ of _____

as my/our proxy to vote for me/us at the **annual meeting of unitholders of Vital Healthcare Property Trust to be held at Level 4 Lounge, South Stand, Eden Park, Reimers Ave, Mt Eden, Auckland, on Thursday, 31 October 2019 at 10.30am** and at any adjournment of that meeting.

STEP 2 Voting Instructions/Voting Paper

Please note: This part of the form can only be used as voting instructions for a proxy vote or as a voting paper at the meeting. Please note that if units are held jointly, the voting instruction is given on behalf of each joint holder. Unless otherwise instructed, but subject to the voting restrictions, the proxy will vote (or choose not to vote) as he or she thinks fit. Should you wish to direct the proxy to vote, please indicate with a tick in the appropriate box below.

If you wish, you may appoint as your proxy "The Chair of the Meeting". Except where section 163 of the Financial Markets Conduct Act 2013, applies, if the Chair is not directed, the Chair will vote in favour of all Resolutions.

Capitalised terms used but not defined in this Voting/Proxy Form have the meanings given to them in the Notice of Meeting accompanying this form.

Tick in box to record your vote

Resolutions

		For	Against	Proxy Discretion	Abstain
Resolution 1	That, for the purposes of s 139(2)(a)(i) of the Financial Markets Conduct Act 2013, the Trust Deed Amendments be approved.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2	That Andrew Evans be elected as an Independent Director of NorthWest Healthcare Properties Management Limited, the manager of the Trust.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

SIGN Signature of Unitholder/Unitholders This section must be completed.

Unitholder 1

or Sole Director/Director

Unitholder 2

or Director (if more than one)

Unitholder 3

Contact Name _____ Contact Daytime Telephone _____ Date _____

ATTENDANCE SLIP



Annual meeting of unitholders of Vital Healthcare Property Trust to be held at the Level 4 Lounge, South Stand, Eden Park, Reimers Ave, Mt Eden, Auckland on Thursday, 31 October 2019, commencing at 10.30am