

30 August 2010**ASX Code : MIF**

**SPECIAL BOARD COMMITTEE UNANIMOUSLY RECOMMENDS OFFER FOR
MACARTHURCOOK INDUSTRIAL PROPERTY FUND**

Further to the announcement dated 12 July 2010, the Responsible Entity of the MacarthurCook Industrial Property Fund (the "Fund"), MacarthurCook Fund Management Limited, attaches a copy of the Explanatory Memorandum and Notice of Meeting.

The Special Board Committee ("SBC") unanimously recommends unitholders vote IN FAVOUR of the Proposal from Commonwealth REIT ("CWH", formerly HRPT Properties Trust) to acquire 100% of the units in the Fund for \$0.44 cash per unit (the "CWH Proposal"), in the absence of a superior proposal.

The recommendation has been made following the Independent Expert's report concluding that the CWH Proposal is not fair but reasonable and in the best interests of all non-associated Unitholders, in the absence of a superior proposal.

The SBC also notes the following in unanimously recommending the CWH Proposal to Unitholders (subject to no superior proposal emerging);

- it provides Unitholders with certain, cash consideration of \$0.44 per unit;
- it offers a 42% premium to the Fund's closing price on April 30 2010 (being the trading day before the CWH Proposal was announced); and
- a number of alternatives considered by the SBC (including status-quo, an orderly wind-up, a merger / privatisation and a capital raising), are considered inferior to the CWH Proposal.

The independent expert was engaged by the SBC to opine whether the CWH Proposal is fair and reasonable and in the best interests of Unitholders and included in its report, an assessment of other alternatives available to the Fund, including an orderly wind-up.

Further information on the CWH Proposal and the full independent experts report is provided in the attached Explanatory Memorandum, which Unitholders should read in full before deciding how to vote at the Unitholder Meeting, scheduled for 23rd September 2010.

MacarthurCook Fund Management Limited today also released the full year results and Appendix 4E of the Fund for the year ending 30 June 2010.

For further information, contact:

Russell Bullen
Head of Real Estate
MacarthurCook Fund Management Limited
Ph: +61 3 9660 4555

Tim Allerton
City Public Relations
(02) 9267 4511

About MacarthurCook:

MacarthurCook Pty Limited is a subsidiary of the AIMS Financial Group (AIMS) and specialises in the investment management of direct property, real estate securities and mortgage assets.

MacarthurCook and AIMS manage over A\$1.1 billion on behalf of over 21,000 investors as at 30 June 2010 and are the investment managers for AIMS-AMP Capital Industrial REIT, MacarthurCook Industrial Property Fund, MacarthurCook Office Property Trust, MacarthurCook Mortgage Fund, Advance Mortgage Fund, MacarthurCook Property Securities Fund, Advance Property Securities Fund and the RMR Asia Pacific Real Estate Fund. AIMS also manages, in a joint-venture arrangement with AMP Capital, the AIMS-AMP Capital Industrial REIT in Singapore.

The MacarthurCook Property Securities Fund is listed on the ASX and the Singapore Exchange. The MacarthurCook Industrial Property Fund is listed on the ASX. The AIMS-AMP Capital Industrial REIT is listed on the Singapore Exchange. The RMR Asia Pacific Real Estate Fund is listed on the American Stock Exchange.

About AIMS Financial Group:

Established in 1991, AIMS Financial Group is an Australian company with a solid track record and enviable reputation in the mortgage and securitisation markets. It has expanded to become an international financial group focusing on funds management, real estate investment, securitisation and mortgage lending.

AIMS is a 100% Australian owned business that has operated in Australia for nearly 20 years. AIMS started in Australia with only two staff and today have in excess of 100 staff in Australia. AIMS has been very active in introducing international investors into the Australian real estate market. During this time AIMS has attracted significant investment in Australian direct property from its international clients. Since 1999, AIMS has raised directly and indirectly approximately A\$3 billion in funds from the Australian capital markets, with most of the RMBS (Residential Mortgage Backed Securities) rated AAA by both Standard & Poors and Fitch Ratings.

With offices across Australia and China and highly qualified, professional and experienced cross-cultural teams, AIMS Financial Group bridges the gap between Australia and China in various markets, especially in real estate, resources, technology, infrastructure, banking and financial services.

MACARTHURCOOK

INDUSTRIAL PROPERTY FUND

26 August 2010

MacarthurCook Industrial Property Fund Explanatory Memorandum and Notice of Meeting

prepared for the primary purpose of Unitholders considering a proposal from CommonWealth REIT (formerly known as HRPT Properties Trust) to acquire all of the Units in the MacarthurCook Industrial Property Fund.

The Special Board Committee unanimously recommends that you VOTE IN FAVOUR OF THE SCHEME RESOLUTIONS to approve the CWH Proposal, in the absence of a superior proposal.

The Special Board Committee unanimously recommends that you VOTE AGAINST THE WIND-UP RESOLUTION in relation to the Wind-up Proposal.

This is an important document and requires your immediate attention.

You should read this document in its entirety before deciding how to vote.

If you are in doubt as to what you should do, you should consult your legal, investment, taxation or other professional adviser without delay.

MacarthurCook Industrial Property Fund
(ARSN 104 606 573)

Responsible Entity
MacarthurCook Fund Management Limited
(ABN 79 004 956 558)
(AFSL 258052)

IMPORTANT NOTICES

What is this document?

This document is the Notice of Meeting and Explanatory Memorandum for the Scheme and the Wind-up Proposal. The document provides such information as is prescribed or otherwise material to the decision of Unitholders on how to vote on the Scheme Resolutions and the Wind-up Resolution at the Meeting. The document also contains the members statement required to be given to Unitholders under section 252N of the Corporations Act, together with other important information in relation to the Wind-up Resolution and the Wind-up Proposal.

The primary purpose of this Explanatory Memorandum is to provide Unitholders with information about the CWH Proposal which, if approved and implemented, will result in Commonwealth REIT (**CWH**) (formerly known as HRPT Properties Trust) or its nominee owning all of the Units in the MacarthurCook Industrial Property Fund (**MIF**) and the Scheme Participants receiving \$0.44 cash per Scheme Unit.

Another purpose is to provide Unitholders with information about the Wind-up Resolution under which it is proposed to amend the termination provisions of the Fund's constitution to implement the Wind-up Proposal. If approved, that amendment to the Fund's constitution will result in the Fund being wound-up and all of its assets sold by 31 December 2011.

Date

This Explanatory Memorandum is dated 26 August 2010.

General

Unitholders should read this Explanatory Memorandum in its entirety before making a decision as to how to vote on the Resolutions to be considered at the Meeting.

If you have any questions about the Scheme Resolutions or the Scheme, the Wind-up Resolution or the Wind-up Proposal, please contact the MacarthurCook Operations Team on 1300 362 117 or 1300 655 197 or fax details to 02 9281 7611 or email to mail@macarthurcook.com.au. For information about your individual financial or taxation circumstances, please consult your investment, legal, taxation or other professional adviser.

No investment advice

This Explanatory Memorandum does not constitute financial product advice and has been prepared without reference to your particular investment objectives, financial situation, tax situation or needs. This Explanatory Memorandum should not be relied

on as the sole basis for any investment decision. Independent financial and taxation advice should be sought before making any investment decision in relation to your Units and how you vote on the Resolutions.

Responsibility for information

Except as outlined below, the information in this Explanatory Memorandum has been provided by MacarthurCook Fund Management Limited (**MCFM**) as the Responsible Entity of your Fund. Neither CWH nor any of its directors, officers and advisers assumes any responsibility for the accuracy or completeness of any such MCFM Information.

CWH has provided and is responsible for information contained in Part 7, Section 1.7 and Part 9 ('Information regarding CWH') of this Explanatory Memorandum, including information as to the funding arrangements it has made to provide the monies for the Scheme Consideration and information as to CWH's opinions, views, intentions and decisions in relation to the Fund. CWH has also consented to the inclusion of the undertakings it has provided in Part 11, Section 21 'Undertakings by CWH' (collectively the **CWH Information**). MCFM and its directors, officers and advisers do not assume any responsibility for the accuracy or completeness of the CWH Information.

The Independent Expert has provided and is responsible for the information contained in Attachment G of this Explanatory Memorandum. Neither MCFM nor CWH nor any of their respective directors, officers and advisers assumes any responsibility for the accuracy or completeness of the information contained in Attachment G. The Independent Expert does not assume any responsibility for the accuracy or completeness of the information contained in this Explanatory Memorandum, other than that contained in Attachment G.

KPMG has provided and is responsible for the information contained in Attachment H of this Explanatory Memorandum. Neither MCFM nor CWH nor any of their respective directors, officers and other advisers assumes any responsibility for the accuracy or completeness of the information contained in Attachment H. KPMG does not assume any responsibility for the accuracy or completeness of the information contained in this Explanatory Memorandum, other than that contained in Attachment H.

The Requisitioning Unitholders in Part 4 of Attachment B have provided the members statement in Part 2 of Attachment B.

ASIC and ASX involvement

Neither ASIC nor any of its officers takes any responsibility for the contents of this Explanatory Memorandum.

Neither ASX nor any of its officers takes any responsibility for the contents of this Explanatory Memorandum.

Disclosure regarding forward-looking statements

This Explanatory Memorandum contains both historical and forward-looking statements in connection with MIF and CWH.

The forward-looking statements in this Explanatory Memorandum are not based on historical facts, but reflect the current expectations of MCFM (or, in relation to the CWH Information, CWH), concerning future results and events and generally may be identified by the use of forward-looking words or phrases such as "believe", "aim", "expect", "anticipated", "intending", "foreseeing", "likely", "should", "planned", "may", "estimated", "potential", or other similar words and phrases. Similarly, statements that describe MCFM's and CWH's objectives, plans, goals or expectations are or may be forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties, assumptions and other factors that may cause either the Fund's or CWH's actual results, performance or achievements to differ materially from the anticipated results, performance or achievements expressed, projected or implied by these forward-looking statements. Deviations as to future results, performance and achievements are both normal and to be expected. Unitholders should review carefully all of the information, including the financial information, included in this Explanatory Memorandum. The forward-looking statements included in this Explanatory Memorandum are made only as of the date of this Explanatory Memorandum. Neither MCFM nor CWH gives any representation, assurance or guarantee to Unitholders that any forward-looking statements will actually occur or be achieved. Unitholders are cautioned not to place undue reliance on such forward-looking statements.

Subject to any continuing obligations under law or the ASX Listing Rules, MCFM and CWH do not give any undertaking to update or revise any forward-looking statements after the date of this Explanatory Memorandum to reflect any change in expectations in relation to those statements or any change in events, conditions or circumstances on which any such statement is based.

Privacy and personal information

MCFM will need to collect personal information to implement either the CWH Proposal or the Wind-up Proposal. The personal information may include the names, contact details, details of holdings of Unitholders, and contact details of individuals appointed by Unitholders as proxies, corporate representatives or attorneys at the Meeting. The collection of some of this information is required or authorised by the Corporations Act. Unitholders who are individuals, and other individuals in respect of whom personal information is collected, have certain rights to access the personal information collected about them and can contact the Company Secretary by calling 02 9217 2727 if they wish to exercise those rights.

The information may be disclosed to print and mail service providers, and to CWH and their advisers if requested to the extent necessary to effect the CWH Proposal or the Wind-up Proposal. If the information outlined above is not collected, MCFM may be hindered in, or prevented from, conducting the Meeting or implementing the CWH Proposal or the Wind-up Proposal effectively or at all. Unitholders who appoint an individual as their proxy, corporate representative or attorney to vote at the Meeting should inform that individual of the matters outlined above.

Defined terms

Capitalised terms used in this Explanatory Memorandum and proxy form are defined in the Glossary.

Currency

All financial amounts contained in this document are expressed in Australian dollars unless otherwise stated.

Time

Unless stated otherwise, all references to time in this Explanatory Memorandum are to Australian Eastern Standard Time, being the time in Sydney, Australia.

VOTING

Your vote is very important and is your opportunity to have your say on the success or failure of the CWH Proposal and the future direction of your Fund. The decisions at the meeting could have a significant impact on your investment and therefore the Responsible Entity strongly urges Unitholders to vote.

CONTENTS

KEY DATES

1	<u>CHAIRMAN'S LETTER</u>	01
2	<u>REASONS TO VOTE IN FAVOUR OF THE CWH PROPOSAL (AND AGAINST THE WIND-UP PROPOSAL)</u>	04
3	<u>REASONS TO VOTE AGAINST THE CWH PROPOSAL</u>	08
4	<u>REASONS TO VOTE IN FAVOUR OF, OR AGAINST, THE WIND-UP PROPOSAL</u>	09
5	<u>BACKGROUND TO THE PROPOSAL</u>	11
6	<u>UNITHOLDER VOTING OPTIONS</u>	15
7	<u>FREQUENTLY ASKED QUESTIONS</u>	18
8	<u>INFORMATION REGARDING MIF</u>	31
9	<u>INFORMATION REGARDING CWH</u>	35
10	<u>OVERVIEW AND IMPLEMENTATION OF THE CWH PROPOSAL</u>	39
11	<u>ADDITIONAL INFORMATION</u>	44
12	<u>GLOSSARY</u>	51

ATTACHMENTS

A	<u>NOTICE OF MEETING</u>	55
B	<u>PART 1 – WIND-UP RESOLUTION – BACKGROUND</u>	59
	<u>PART 2 – MEMBERS STATEMENT</u>	60
	<u>PART 3 – MCFM RESPONSE TO MEMBERS STATEMENT</u>	63
	<u>PART 4 – REQUISITIONING UNITHOLDERS</u>	64
C	<u>DEED POLL</u>	65
D	<u>SCHEME IMPLEMENTATION AGREEMENT</u>	66
E	<u>AMENDING DEED</u>	67
F	<u>SUPPLEMENTAL DEED</u>	68
G	<u>INDEPENDENT EXPERT'S REPORT</u>	69
H	<u>TAXATION CONSIDERATIONS</u>	70

KEY DATES ¹

Date	Event
11:00am, 21 September 2010	Last date and time by which proxy forms or powers of attorney for the Meeting must be received by the Registry
Close of business, 22 September 2010	Date and time for determining eligibility to vote at the Meeting
11:00am, 23 September 2010	Meeting

IF THE SCHEME IS IMPLEMENTED

If the CWH Proposal is approved at the Meeting (and the Wind-up Proposal is not approved) and all other conditions precedent to the Scheme have at that time been satisfied or waived, the Scheme will be implemented and the key dates will be as follows:

Date	Event
28 September 2010	Second court hearing date
28 September 2010	Effective Date
28 September 2010	Cessation of trading in Units at the close of trading on ASX
5 October 2010	Record Date – All Scheme Participants who hold Units on the Record Date will be entitled to receive the Scheme Consideration
6 October 2010	Implementation Date – Scheme Units will be transferred to CWH and Scheme Participants will be sent the Scheme Consideration to which they are entitled within five Business Days after this date

IF THE WIND-UP PROPOSAL IS IMPLEMENTED

If the Wind-up Proposal is approved at the Meeting, the wind-up of the Fund will proceed (even if the CWH Proposal is also approved) and the key dates will be as follows:

Date	Event
23 September 2010	Termination Event Triggered – Responsible Entity will be required to commence a sale of the Fund's assets.
31 December 2011	Wind-up of Fund to be completed by this date

All dates are subject to change and, if applicable, ASX approval, and the satisfaction or, where applicable, waiver of the conditions to the implementation of the CWH Proposal (see Part 10 'Overview and Implementation of the CWH Proposal').

Any changes or variations to the above timetable will be announced to ASX and available on MIF's website at www.macarthurcook.com.au.

Unless otherwise stated, all references to time in this Explanatory Memorandum are references to Australian Eastern Standard Time, being the time in Sydney, Australia.

¹ All dates following the date of the Meeting are indicative only and are subject to receiving the advice MIF seeks at the second court hearing and satisfaction of the conditions precedent to the implementation of the Scheme. MCFM reserves the right to vary these dates without prior notice. Any changes to the above timetable will be announced through the ASX.

1. CHAIRMAN'S LETTER

26 August, 2010

Dear Unitholder

A Special Board Committee (**SBC**), which has been formed from the Board of the Responsible Entity which manages your Fund (MacarthurCook Fund Management Limited), has unanimously recommended that you vote in favour of the CWH Proposal received from CommonWealth REIT (**CWH**) to acquire all Units in your Fund for \$0.44 cents per Unit (**cpu**), subject to there being no superior proposal forthcoming.

An Independent Expert has also evaluated the CWH Proposal and concluded that it is "not fair but reasonable" and "in the best interests of Non-Associated Unitholders".

Background to the Fund's performance

Since acquiring the Responsible Entity in August 2009, the AIMS Financial Group (**AFG**) (an Australian diversified non-bank financial services and investment group established in 1991) has been focused on supporting the existing management team to stabilise and add value to your Fund, during what has been the worst market conditions since the recession in the 1990's.

This strategy has been successful and has been achieved through selective asset sales, a reduction in overall gearing from a peak of 51% (as at 30 June 2009) to 40% (as at 30 June 2010) and the reinstatement and growth of distributions. Despite these strong results, the Units in your Fund continue to trade at a substantial discount to the Fund's Net Tangible Asset (**NTA**) backing per unit. This is partly due to existing and potential vacancies, which impacts distributions, and the relatively small size of the Fund, low trading liquidity and concerns regarding the Fund's access to capital to fund growth and refinance the upcoming debt expiry. This prompted the Board to investigate further strategies to optimise Unitholder value.

CWH Proposal

This investigation led to discussions between CWH and the Responsible Entity which resulted in the CWH Proposal being put forward. Should the CWH Proposal be approved and implemented, Unitholders will receive total Scheme Consideration of \$0.44 per Unit. The CWH Proposal is also subject to a number of conditions. The SBC has no reason to expect that these conditions will not be satisfied or waived prior to the Unitholder Meeting except as otherwise set out in this Explanatory Memorandum, however several of these conditions must be satisfied in a form satisfactory to CWH and the SBC cannot represent CWH's position on these issues.

Wind-up Proposal

Following announcement of the CWH Proposal, the Responsible Entity received a notice from Unitholders collectively holding more than 5% of Units proposing a resolution to amend the Constitution in a way that will result in the winding-up of the Fund. In accordance with the Corporations Act, this resolution is included in the Notice of Meeting and will be put to Unitholders for consideration and vote at the Meeting.

Rationale for SBC's recommendation

The SBC recommends that Unitholders vote in favour of the CWH Proposal because:

- It provides certain, cash consideration of \$0.44 per Unit;
- It offers a significant premium to the recent trading price of the Fund's Units – for example, the Scheme Consideration is a 42% premium to the closing price on 30 April 2010 (being the trading day before the CWH Proposal was announced);
- The value certainty provided by an immediate cash offer which has been increased by 7.3% from CWH's original proposal is particularly appealing in the context of the recent softening in market conditions – since the CWH Proposal was announced, the All Ordinaries Index is down 9.9% and numerous other REITs continue to trade at a large discount to their net tangible asset backing; and
- The Independent Expert has opined that it is not fair but reasonable and in the best interests of all Non-Associated Unitholders, in the absence of a superior proposal emerging.

CHAIRMAN'S LETTER Continued

In reaching this recommendation, the SBC has considered the fact that the offer price of \$0.44 per Unit represents a 32% discount to the Fund's NTA and has also had regard to the other available alternatives including the Wind-up Proposal. Notwithstanding this recommendation, we have also set out on page 8 reasons which you may consider in deciding whether to vote against the Scheme Resolutions.

The SBC recommends that Unitholders vote against the Wind-up Proposal

The Wind-up Proposal is in substance an alternative to the CWH Proposal. The SBC considers that there is significant execution, timing and value risk associated with this alternative and it is difficult to estimate with any certainty the ultimate proceeds that Unitholders may receive under this compulsory liquidation strategy within a specific timeframe. In particular, while the theoretical maximum value that a wind-up may deliver to Unitholders as assessed by the Independent Expert is in excess of the CWH Proposal, the SBC believes that the execution risk and forced nature of the sale associated with the Wind-up Proposal is likely to counteract any possible premium a wind-up may offer and that the potential premium does not justify taking these risks.

Choice of Proposals

The CWH Proposal is effected by the Scheme Resolutions. The Wind-up Proposal is effected by the Wind-up Resolution. Whilst it is possible to vote for both the Scheme Resolutions and the Wind-up Resolution, they are in substance two different alternatives. We recommend that:

- if you are in favour of the CWH Proposal, you vote **for** the Scheme Resolutions and **against** the Wind-up Resolution,
- if you are in favour of the Wind-up Proposal, you vote **against** the Scheme Resolutions and **for** the Wind-up Resolution, and
- if you are not in favour of either the CWH Proposal or the Wind-up Proposal, you vote **against** both the Scheme Resolutions and the Wind-up Resolution.

The approval of the CWH Proposal is conditional on the Wind-Up Proposal not being approved. This means that even if the CWH Proposal is approved by Unitholders, the CWH Proposal will not proceed if the Wind-up Proposal is also approved by Unitholders. At the Meeting you will be able to elect how your vote is cast on the Wind-up Resolution after knowing the outcome of the Scheme Resolutions.

Independent Expert's opinion

The Independent Expert has concluded that the CWH Proposal is:

- not fair but on balance, is reasonable for Non-Associated Unitholders, in the absence of a superior offer emerging; and
- in the best interests of Non-Associated Unitholders, in the absence of a superior offer emerging.

The reasons for this conclusion are set out in full in Attachment G.

In reaching this conclusion, the Independent Expert has assessed the value of other alternatives available to the Responsible Entity, including an orderly wind-up of the Fund. The Independent Expert believes a reasonable expectation for an orderly wind-up would be that Unitholders receive (in today's dollars) an amount in a theoretical range from \$0.43 to \$0.49 per Unit. However, the Independent Expert is of the view that:

- both the commercial risk and execution risk under the wind-up scenario counteract any premium that may be achieved; and
- the wind-up scenario may achieve a premium in cash received by Non-Associated Unitholders (compared to the Scheme) but this premium is not sufficient enough in the Independent Expert's opinion to justify taking the risks.

CHAIRMAN'S LETTER Continued

Specifically, the Independent Expert has identified that:

- there is no guarantee that the properties will be sold at the estimated selling prices in today's property market or that the estimated property values could be achieved;
- bank debt would need to be fully paid off and all creditors' balances settled before Unitholders are paid any portion of their capital entitlement;
- it is unlikely that the Fund's portfolio could be sold as a single package, which could result in difficulty in selling the balance after the majority of properties are sold;
- should MIF's financier decide not to extend the bank loan over a period (though there is no current indication that this is the case) to allow orderly wind-up or impose onerous terms in its extension, the projected cash flows may be adversely affected;
- any circumstance that requires a "forced sale" of any of the properties would significantly reduce the re-sale value of those properties; and
- in the event that a windup scenario is commenced it is possible that MCFM will experience further loss in key staff over and above the loss in team members that has already occurred.

Unitholders should read the Independent Expert's Report at Attachment G.

Unitholder vote

There will be a meeting of Unitholders held at 11am on Thursday, 23 September 2010 at the Park Hyatt, 1 Parliament Square, off Parliament Place in Melbourne, Victoria, Australia.

At this Meeting, Non-Associated Unitholders will be able to vote on the Resolutions related to the CWH Proposal and the Wind-up Proposal to determine the future direction of the Fund.

Unitholders are encouraged to attend the Meeting to cast their vote. You may also vote by returning the enclosed proxy form in accordance with the instructions on the form.

If neither the CWH Proposal nor the Wind-up Proposal is approved at the Meeting, you will retain your Units in MIF as an entity trading on ASX. The trading price of Units will continue to be subject to market volatility as a result of general economic conditions and stock market movements, and the SBC believes that the trading price is likely to trade:

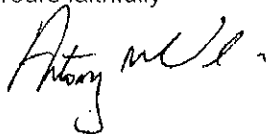
- below the value of the Scheme Consideration; and
- below the value that MIF has traded since 30 April 2010, the trading day prior to announcement of the CWH Proposal.

Further information

This Explanatory Memorandum contains important information in relation to the CWH Proposal and the Wind-up Proposal, including the reasons for the SBC's recommendation. Please read this entire Explanatory Memorandum carefully before making your decision.

If you have any questions, please contact the MacarthurCook Operations Team on 1300 362 117 or 1300 655 197 or fax details to 02 9281 7611 or email to mail@macarthurcook.com.au.

Yours faithfully



Tony Wood

Chairman
Special Board Committee and Independent Director
MacarthurCook Fund Management Limited
MacarthurCook Industrial Property Fund

2. REASONS TO VOTE IN FAVOUR OF THE CWH PROPOSAL (AND AGAINST THE WIND-UP PROPOSAL)

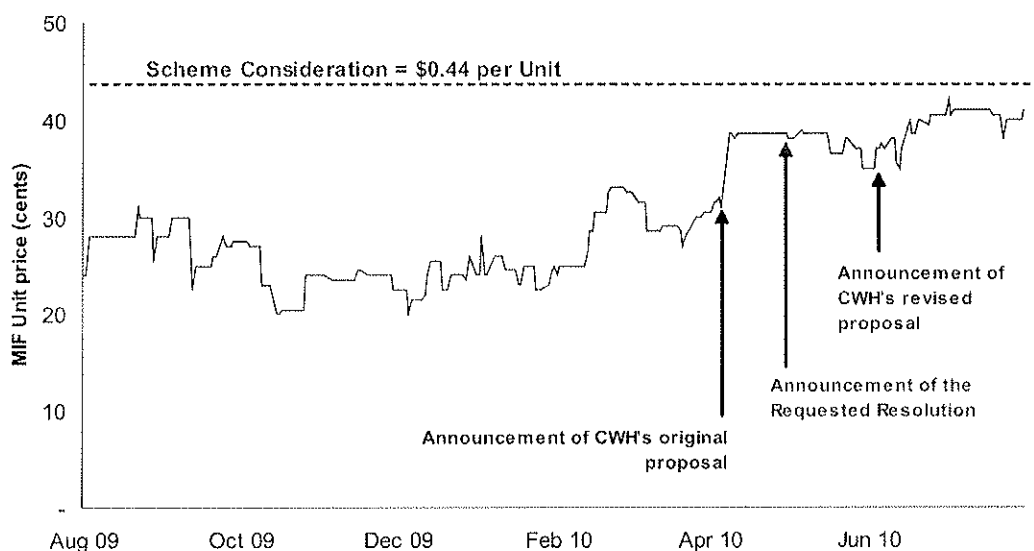
The SBC unanimously recommends that Unitholders vote IN FAVOUR of the Scheme Resolutions to approve the CWH Proposal, in the absence of a superior proposal. The SBC also recommends that Unitholders vote AGAINST the Wind-up Resolution in relation to the Wind-up Proposal. Additional reasons to vote against the Wind-up Resolution are set out on page 10. Reasons to vote for the CWH Proposal include the following:

1. Premium to pre-announcement trading price

While the Scheme Consideration of \$0.44 cash per Scheme Unit represents a 32% discount to MIF's NTA of \$0.65 per Unit as at 30 June 2010, it reflects a significant premium to the trading price of Units prior to the announcement of the CWH Proposal. Specifically, the Scheme Consideration reflects a:

- **42% premium to the closing price** of \$0.31 on 30 April 2010 (being the trading day before the CWH Proposal was announced);
- **47% premium to the one month VWAP** to 30 April 2010 of \$0.30;
- **57% premium to the three month VWAP** to 30 April 2010 of \$0.28; and
- **63% premium to the six month VWAP** to 30 April 2010 of \$0.27².

Scheme Consideration compared to pre-announcement trading prices



2. Certain value of an all cash offer

The Scheme Consideration of \$0.44 cash per Unit provides timing and value certainty for Unitholders if the CWH Proposal is approved (and the Wind-up Proposal is not approved) and the Scheme is implemented. By contrast, if the CWH Proposal does not proceed and MIF pursues other options, including the Wind-up Proposal, the value Unitholders may realise for their Units is uncertain and subject to a number of risks.

3. The Independent Expert's opinion

The Independent Expert has considered the CWH Proposal and concluded that it is not fair but on balance, is reasonable for Non-Associated Unitholders, in the absence of a superior offer emerging.

2. These calculations have been prepared based on rounding all values to two decimal places.

REASONS TO VOTE IN FAVOUR OF THE CWH PROPOSAL (AND AGAINST THE WIND-UP PROPOSAL)

Continued

The Independent Expert has interpreted ASIC Regulatory Guide 111 to mean that in assessing fairness the expert should not have regard to any entity - specific or structural issues such as excess gearing which may temporarily impair an entity's ability to realise full fair market value for its assets which may be reflected in the market price of its securities. Instead, in assessing fairness, an orderly market for the underlying assets should be assumed. Accordingly, the Independent Expert has not considered the impact on current market pricing of a unit in MIF of such factors as:

- MIF's existing capital structure;
- MIF's high gearing level in a REIT environment where investors are demanding significantly lower levels of debt compared to gross assets;
- potential refinancing issues that may be affecting MIF's market pricing in an environment where access to debt for REITs is limited; and
- banking covenant constraints in the current environment.

These factors were however considered in the assessment of whether the CWH Proposal is reasonable, as discussed below.

In determining the CWH Proposal to be not fair, the Independent Expert estimated the fair market value of MIF's NTA on a going concern basis and assessed the value of a Unit on a control basis to be in the range of \$0.63 - \$0.64. The Independent Expert compared the fair market value of Units using the net assets of MIF on a going concern approach (being between \$0.63 and \$0.64 (per MIF Unit) with the value of the Scheme Consideration (being \$0.44 per Unit).

In the Independent Expert's assessment of whether the CWH Proposal is reasonable, in addition to the factors noted above, the Independent Expert had regard to:

- the current position of MIF in the REIT sector and its future prospects;
- alternatives that may be available to Non-Associated Unitholders should they not approve the CWH Proposal;
- any existing unitholding in MIF that MCFM or its associates hold;
- other significant security holding blocks in MIF;
- the liquidity of the market in MIF's securities;
- cash flow or other benefits arising through achieving 100% ownership of MIF;
- the value of MIF to an alternative bidder and the likelihood that an alternative offer might be made;
- the impact on MIF should the CWH Proposal not proceed, including its market pricing; and
- other advantages and disadvantages of the CWH Proposal.

After taking all such factors into account, the Independent Expert has concluded that the CWH Proposal is not fair but on balance, is reasonable for Non-Associated Unitholders, in the absence of a superior offer emerging.

In addition to this opinion, the SBC also requested that the Independent Expert express an opinion as to whether the CWH Proposal is in the best interests of Non-Associated Unitholders. Having regard to the assessment of the findings in respect of both "fair" and "reasonable", and in particular considering whether on balance there are sufficient reasons for Unitholders to vote in favour of the CWH Proposal despite offsetting disadvantages, the Independent Expert reached a conclusion that the CWH Proposal is in the best interests of all Non-Associated Unitholders, in the absence of a superior offer emerging.

Attachment G contains a complete copy of the Independent Expert's Report which Unitholders should read in full.

REASONS TO VOTE IN FAVOUR OF THE CWH PROPOSAL (AND AGAINST THE WIND-UP PROPOSAL)

Continued

4. The trading price of Units may fall if the CWH Proposal is not implemented

If the CWH Proposal is not implemented, the SBC believes that it is likely that Units will trade:

- below the value of the Scheme Consideration; and
- below the value of MIF's trading price since 30 April 2010, the trading day prior to announcement of the CWH Proposal.

This may be the case regardless of whether the Wind-up Proposal is implemented or not.

The trading price of Units will also continue to be subject to market volatility as a result of general economic conditions and stock market movements. The SBC considers that if the Scheme is not implemented that the MIF Unit price is likely to fall having reference to:

- MIF's trading range pre-announcement of the CWH Proposal on 3 May 2010 (last close of \$0.31 prior to announcement); and
- MIF's yield of ~5%³ at current trading range compared to the listed property market average yield of ~7%.

Despite this, the SBC believes the status-quo is superior to the Wind-up Proposal given it allows management greater flexibility to investigate and pursue a broader range of alternatives to return value to Unitholders, including an orderly (rather than a forced) wind-up. For this reason the SBC recommends you vote against the Wind-up Proposal if you vote against the CWH Proposal.

5. Uncertain prospects for MIF on a stand-alone basis

Under the status quo, MIF faces a number of challenges that contribute to uncertain prospects and the SBC believes are likely to prevent MIF from trading at a premium to the Scheme Consideration, including:

- relatively low trading liquidity;
- MIF's debt facility matures in the ordinary course of business in August 2010 and will need to be refinanced at higher margins, likely resulting in a decrease in earnings, and potentially distributions;
- certain assets recently divested by MIF were relatively marketable, and MIF's remaining portfolio has a number of challenges including relatively high vacancy, which also impacts the ability to pay distributions, and near-term leasing risk;
- MIF's cost of capital makes it challenging to fund acquisitions and grow the portfolio;
- in the absence of acquisitions, MIF will remain a relatively small portfolio without reasonable prospects of index inclusion to attract institutional investors and improve trading price performance;
- MIF is currently trading on a distribution yield of approximately 5%³, which is considerably lower than the average FY11 distribution yield for other Australian REITs of ~7% reducing the attractiveness of MIF to new capital; and
- MIF's two Tasmanian properties are exposed to potential soil contamination which could result in remedial action, and the sole tenant of these two properties (the rental income for which represents 11% of total net income currently in place for MIF) is in receivership. Although not an immediate threat to Unitholders, this represents a potential credit risk for MIF, a risk which may move from contingent to actual over the coming one to two years (see further discussion regarding the potential risks associated with these properties in the Independent Expert's Report in Attachment G).

3. This calculation is based on MIF's trading price post announcement of the CWH Proposal (estimated 2 cent distribution on ~\$0.40 trading price)

REASONS TO VOTE IN FAVOUR OF THE CWH PROPOSAL (AND AGAINST THE WIND-UP PROPOSAL)

Continued

6. Best option open to MIF

MIF faces a number of challenges as set out above and in Part 5 'Background to the Proposal'. The SBC has reviewed a number of strategic options available to MIF to address these challenges and enhance Unitholder value, including continuing in its current form and an orderly wind-up.

All available options are subject to execution risk and timing uncertainties and may result in significant dilution of NTA, earnings and distributions per Unit. For these reasons, the SBC considers the CWH Proposal to be superior to these alternatives and has recommended the CWH Proposal to Unitholders, in the absence of a superior proposal.

Further detail on the alternatives considered by the SBC are outlined in Part 5 'Background to the Proposal'.

7. No superior proposal has emerged

Since the announcement of the CWH Proposal to ASX on 3 May 2010 and CWH's revised proposal on 12 July 2010, no superior proposal has emerged.

If an alternative proposal is made involving MIF, the SBC will review that proposal to determine if it represents a superior proposal to Unitholders and will advise you of its recommendation.

8. No brokerage or stamp duty

You will not incur any brokerage or stamp duty on the sale of your Units pursuant to the Scheme. This is particularly relevant to holders of less than a marketable parcel of Units.

3. REASONS TO VOTE AGAINST THE CWH PROPOSAL

The SBC unanimously recommends that you vote IN FAVOUR of the CWH Proposal in the absence of a superior proposal, and against the Wind-up Proposal. However, if you decide to vote against the CWH Proposal, the SBC still recommends that you also vote AGAINST the Wind-up Proposal. Factors which may lead you to vote against the CWH Proposal include the following:

1. Disagreement regarding the relative merits of the strategic options available to MIF

You may not agree with the view of the SBC that the other strategic options are characterised by higher risk and timing and value uncertainty when compared with the CWH Proposal.

It is important to note that in assessing the Wind-up Proposal relative to the CWH Proposal, Unitholders should consider the likely value of the Wind-up Proposal in today's dollars, in recognition of the fact that the CWH Proposal will give Unitholders cash for their Units sooner than the Wind-up Proposal.

2. Maintain investment in MIF

You may wish to maintain an interest in MIF because you are seeking to maintain a long term investment in an industrial REIT with the type of portfolio, objectives and strategies characterised by MIF. You may also take the view that now is not the optimum time to exit an investment with an exposure to the type of real estate held by MIF and would prefer to hold the Units for the longer term so that you can share in any potential appreciation in the value of MIF's portfolio of properties.

3. The Scheme Consideration is at a discount to MIF's NTA

You may consider that the CWH Proposal undervalues your Units as the Scheme Consideration of \$0.44 cash per Scheme Unit represents a 32% discount to MIF's NTA of \$0.65 per Unit as at 30 June 2010 and you believe that the Scheme Consideration does not reflect the realisable short or long-term value of MIF.

It is important to note that immediately prior to announcement of the CWH Proposal, the Unit price of \$0.31 (the last closing price on 30 April 2010) represented a 52% discount to MIF's NTA of \$0.65 as at 30 June 2010 (54% discount to MIF's then prevailing NTA of \$0.67 per Unit as at 31 December 2009).

4. The Independent Expert has concluded that the Scheme Consideration is not fair

The Independent Expert has concluded that the CWH Proposal is not fair because the Scheme Consideration of \$0.44 cash per Scheme Unit is less than the Independent Expert's estimate of the fair market value of a MIF Unit (on a control basis) of between \$0.63 and \$0.64. You may therefore consider that the value of the Scheme Consideration does not fully reflect the benefits accruing to CWH.

Attachment G contains a complete copy of the Independent Expert's Report which Unitholders should read in full.

5. Expectation of a superior proposal

You may consider that there is the potential for a superior proposal to be made. Since the announcement of the CWH Proposal to ASX on 3 May 2010, no superior proposal has emerged.

6. Taxation consequences

Approval and implementation of the Scheme may result in adverse tax consequences for Unitholders. Whilst the taxation consequences will vary depending on the personal taxation and financial circumstances of each Unitholder, possible adverse tax consequences of the Scheme for Australian resident Unitholders include capital gains which may crystallise a tax liability in the short-term and which would otherwise have been deferred. However, based on the current price of MIF relative to historic levels, it is anticipated many Australian resident Unitholders may make a tax or capital loss. Accordingly, Unitholders should evaluate the capital gains or other tax consequences of acceptance in assessing whether to approve the Scheme.

General information about some of the Australian tax consequences for Unitholders is set out in Attachment H. However, Unitholders should obtain advice from their own taxation adviser on the capital gains or other tax implications of the CWH Proposal or Wind-up Proposal.

Please note that the Independent Expert's Report also contains a discussion of the advantages and disadvantages of the CWH Proposal. A complete copy of the Independent Expert's Report is contained in Attachment G.

4. REASONS TO VOTE IN FAVOUR OF, OR AGAINST, THE WIND-UP PROPOSAL

The SBC unanimously recommends that you vote AGAINST the Wind-up Proposal, in the absence of a superior proposal. However, reasons why you may choose to vote for or against the Wind-up Proposal include the following:

REASONS TO VOTE IN FAVOUR OF THE WIND-UP PROPOSAL

1. You believe that the Wind-up Proposal presents the best alternative to MIF Unitholders

You may believe that the Wind-up Proposal presents the best alternative available to MIF Unitholders. You may also agree with the views of the Requisitioning Unitholders as expressed in the Members Statement which is set out in Part 2 of Attachment B. The reasons put forward to support the Wind-up Proposal include:

- the belief that the offer price undervalues the Fund in light of the Fund's level of bank debt and potential increases in the values of some of the real estate assets;
- the diminished size of the Fund as a result of the orderly sale of assets may reduce the prospect of institutional investors supporting the Fund, as well as potentially reduce the liquidity of the Units and therefore buying support for the Units; and
- the diminishing portfolio diversification of real estate assets may adversely affect buying support for the Units.

In considering these reasons, you should also have regard to the SBC's consideration of the strategic alternatives available to MIF outlined on pages 12-14.

2. You may believe the realisable value of MIF under the Wind-up Proposal represents less of a discount to MIF's NTA than the Scheme Consideration

You may want to realise value for your MIF Units in excess of the recently traded price and you may consider that:

- the CWH Proposal undervalues your Units as the Scheme Consideration of \$0.44 cash per Scheme Unit represents a 32% discount to MIF's NTA of \$0.65 per Unit as at 30 June 2010; and
- the Scheme Consideration does not reflect the realisable value of MIF under the Wind-up Proposal.

It is also important to consider the expected proceeds from a wind-up of MIF in today's dollars when comparing the Wind-up proposal with the CWH Proposal which would provide Unitholders with \$0.44 on the Implementation Date (currently proposed to be no later than 6 October).

3. The Independent Expert has concluded that the Scheme Consideration is not fair and you want a different alternative to the Scheme or the status quo

The Independent Expert has concluded that the CWH Proposal is not fair because the Scheme Consideration of \$0.44 cash per Scheme Unit is less than the Independent Expert's estimate of the fair market value of a MIF Unit (on a control basis) of between \$0.63 and \$0.64. You may therefore consider that the value of the Scheme Consideration does not fully reflect the benefits accruing to CWH.

The Independent Expert has also concluded that the value to Unitholders on an orderly wind-up may be between \$0.43 and \$0.49 and you may consider that, notwithstanding the risks identified by the Independent Expert, this provides more certainty and value to Unitholders. However, the Independent Expert's valuation:

- is based on an orderly wind-up over two years rather than MIF being required to complete a wind-up by 31 December 2011 as is required under the Wind-up Proposal; and
- identifies that any circumstance which requires a "forced sale" of any of the properties would significantly reduce the re-sale value of those properties.

The Independent Expert's Report does not contain an assessment on the fairness or reasonableness of the Wind-up Proposal to MIF Unitholders. Attachment G contains a complete copy of the Independent Expert's Report which Unitholders should read in full.

REASONS TO VOTE IN FAVOUR OF, OR AGAINST, THE WIND-UP PROPOSAL Continued

REASONS TO VOTE AGAINST THE WIND-UP PROPOSAL

1. Forced Sale

In order to comply with the Wind-up Resolution, the SBC believes the sale of MIF's assets would need to be completed by approximately October 2011. This would allow a period of 1 to 3 months to return funds to Unitholders, discharge the Fund's other assets and liabilities and de-list the Fund. The SBC believes that the requirement to sell MIF's 10 assets by October 2011 would effectively make MIF a "forced seller" and have adverse consequences on the prices realised for the assets.

The SBC notes that the Independent Expert's orderly wind-up value range of \$0.43 - \$0.49 per Unit assumes assets are sold in an orderly manner over a period of approximately two years. By contrast, the SBC believes that the Wind-up Proposal will realise less than this amount for Unitholders given the accelerated nature of the sale and the perceived distress of the vendor.

2. Prefer an orderly wind-up

Even if you favour a wind-up of the Fund over the implementation of the Scheme, you may prefer an orderly wind-up to the Wind-up Proposal. The SBC does not consider the Wind-up Proposal constitutes an orderly wind-up due to the compressed timeframe in which the Fund's assets are required to be divested. The SBC believes a period of two years would be required to conduct an orderly divestment of MIF's assets (refer to the 'Background to the Proposal' Section) compared to the Wind-up Proposal which would allow only approximately one year to divest MIF's assets from the time of the Unitholder Meeting. There is a risk that MIF's assets may need to be sold at a significant discount to their current book value in order to facilitate their sale within a shortened divestment time period as contemplated by the Wind-up Proposal.

The SBC has an additional concern that third parties may seek to take advantage of the sale process once they become aware that MIF is required to sell all of its assets within a fixed timeframe.

3. Timing and value of proceeds

Any proceeds to be distributed to Unitholders on a wind-up are likely to be distributed after the Fund's debt has been repaid. This means that Unitholders may not receive any proceeds for an extended period.

In assessing the Wind-up Proposal relative to the CWH Proposal, Unitholders should consider the likely value of the Wind-up Proposal in today's dollars, in recognition of the fact that the CWH Proposal will give Unitholders cash for their Units significantly sooner than the Wind-up Proposal.

4. Event of Default

Passing a resolution to wind-up the Fund may result in an event of default under the MIF Multicurrency Loan Facility currently in place.

5. Maintain Investment in MIF

You may wish to maintain an interest in MIF because you are seeking to maintain a long term investment in an industrial REIT with the type of portfolio, objectives and strategies characterised by MIF. You may also take the view that now is not the optimum time to exit an investment with an exposure to the type of real estate held by MIF and would prefer to hold the Units for the longer term so that you can share in any potential appreciation in the value of MIF's portfolio of properties.

MEMBERS STATEMENT

The Responsible Entity is also legally required to include in this Explanatory Memorandum the statement provided by the Requesting Unitholders proposing the Wind-up Resolution. This is set out in Part 2 of Attachment B.

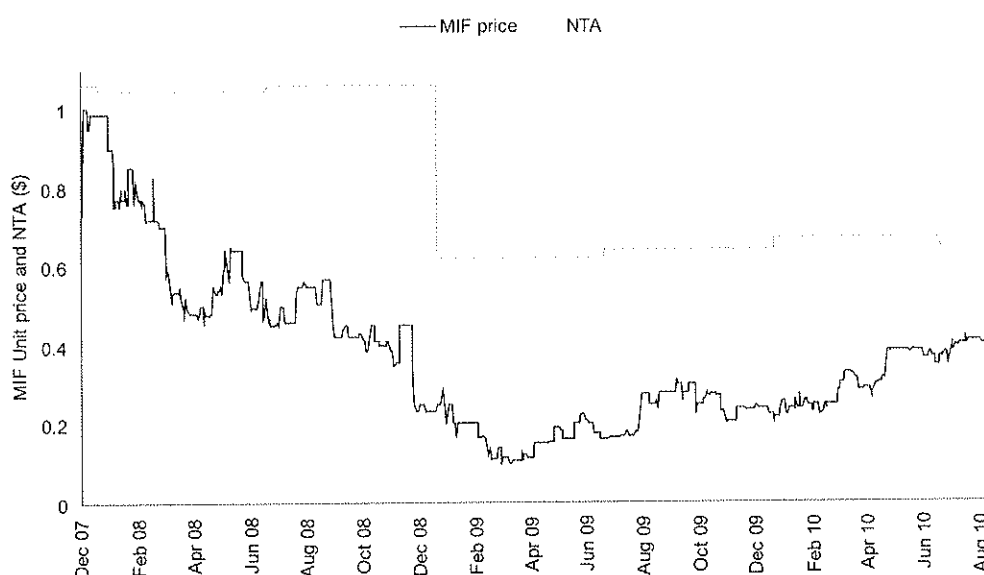
5. BACKGROUND TO THE PROPOSAL

MIF's historical performance

MIF, like many other REITs, was severely impacted by the global financial crisis (GFC). At the peak of the GFC, MIF faced a number of major challenges including:

- unit price trading as low as 9.4 cpm, representing an 85% discount to prevailing NTA;
- foreign exchange losses;
- loan to value ratio of 58% (close to the maximum allowed under its loan covenant); and
- limited options to fund capital commitments which were funded through the suspension of distributions.

These circumstances were reflected in the trading performance of MIF's Units, which have generally traded at a large discount to reported NTA since its IPO under the previous management personnel in December 2007.



Since August 2009 when AFG acquired control of MCFM, the Responsible Entity has undertaken a range of initiatives to seek to address these issues and has achieved the following:

- increase in the Unit price from a low of 18 cpm in early August 2009 to 31 cpm prior to announcement of the CWH Proposal;
- increase in the NTA per Unit from \$0.64 (as at 30 June 2009) to \$0.65 per Unit (as at 30 June 2010);
- reduction in overall gearing from 51% (as at 30 June 2009) to 40% (as at 30 June 2010);
- sale of assets for prices generally in line or above their carrying value;
- sale of international property related investments to reduce MIF's risk profile;
- reduction in the discount to NTA at which the Units have been trading; and
- reinstatement and growth of distributions.

BACKGROUND TO THE PROPOSAL Continued

While these strategies have been successful in improving MIF's Unit price over this period and placing MIF in a stronger position than at the peak of the GFC, Units continue to trade at a substantial discount to NTA and it is difficult for the Responsible Entity to add significant further value for MIF Unitholders, particularly in light of the following factors:

- as MIF is trading at a significant discount to NTA, it is difficult to expand, improve and diversify the Fund without undertaking a capital raising at a further significant discount to NTA. Such a capital raising would significantly dilute the underlying capital for investors who are unable or unwilling to participate; and
- given the relatively low distribution yield at which MIF is currently trading on the ASX (approximately 5%) and the relatively high cost base for managing a small fund, it is highly unlikely, even assuming all remaining vacancies in the portfolio are leased, that the Fund will trade close to NTA based on its current size.

As a result of these ongoing challenges, it was the view of the Board that other strategic options should be explored to maximise value for Unitholders.

Assessment of alternative strategies

Due to the ongoing management arrangements proposed between CWH and MCFM, the Board formed the Special Board Committee (SBC) to investigate further strategies which MIF could pursue to enhance Unitholder value. The SBC is an independent committee formed to ensure that its recommendations are not influenced in any way by the other activities of the broader MacarthurCook or AIMS Financial Groups (for further information about the SBC see Part 7, Section 4.2). The SBC investigated a number of alternatives as outlined below.

1. Status quo

The SBC considered maintaining the status quo but believes MIF faces a number of challenges that contribute to uncertain prospects and may inhibit trading price performance, including:

- relatively low trading liquidity;
- MIF's debt facility was to mature in August 2010 and has now been extended to mature in December 2010. This facility will need to be refinanced at higher margins, likely resulting in a decrease in earnings and potentially distributions. The SBC notes that this obligation arises irrespective of whether or not the Scheme is approved as it is currently anticipated that the implementation of the Scheme will be after the facility matures. The impact on Unitholders will only occur if the Scheme is not implemented. The SBC is reasonably confident a new facility could be secured should the CWH Proposal not be approved (though long term refinancing prospects will need to be assessed at the relevant time in the future);
- certain assets recently divested by MIF were relatively marketable, and MIF's remaining portfolio has a number of challenges including relatively high vacancy, which also affects MIF's ability to pay distributions, and near-term leasing risk;
- MIF's cost of capital makes it challenging to fund acquisitions and grow the portfolio;
- in the absence of acquisitions, MIF will remain a relatively small portfolio without reasonable prospects of index inclusion to attract institutional investors and improve trading price performance; and
- MIF is currently trading on a distribution yield of approximately 5%, which is considerably lower than the average FY11 distribution yield for other Australian REITs of ~7%, reducing the attractiveness of the Fund to new capital.

2. Orderly wind-up

An orderly sale of MIF's assets, repayment of all liabilities and subsequent wind-up of MIF may deliver Unitholders a value in excess of the Scheme Consideration. The SBC believes, however, that there is considerable execution, timing and value risk associated with such a strategy and, given the following considerations, it is difficult to estimate with any certainty the ultimate proceeds Unitholders would receive:

4. This is an estimate only, based on the timing to complete the administrative requirements for a wind up of another listed MacarthurCook fund (eg finalising accounts, distributions and lodgment of accounts) – the MacarthurCook Asian Real Estate Securities Fund ARSN 122 638 457

BACKGROUND TO THE PROPOSAL Continued

- the SBC believes that a reasonable timeframe for MIF to sell its 10 assets is approximately two years, with a further 1-3 months⁴ required to wind-up the Fund itself and distribute final proceeds to Unitholders;
- a managed wind-up would likely require a renegotiation of MIF's debt facility, which is expected to result in higher interest costs and therefore lower earnings and potentially lower distributions to Unitholders over the period required to sell all of MIF's assets and wind-up the Fund;
- depending on the time taken to complete the wind-up, Unitholders would need to wait a considerable time to receive any net proceeds, most of which would likely be returned to Unitholders towards the end of the period taken to complete the wind-up given the lender's requirement to prioritise debt repayment;
- some of MIF's assets have specific challenges such as high vacancy, customised fit-out and near-term lease expiries, which may limit demand for those assets; and
- under a wind-up scenario, there is uncertainty regarding future market conditions into which assets will be sold, and the price at which MIF's assets could be sold may come under pressure as potential buyers attempt to capitalise on any perceived sale pressures.

As discussed in Part 1 of Attachment B, the SBC does not consider that the Wind-up Proposal would constitute an 'orderly wind-up' because it will involve a forced sale within a short time frame and will therefore be likely to adversely impact the value received by Unitholders.

The SBC believes 2 years is a reasonable timeframe for an orderly sale of the assets. Whilst this is an approximate timeframe and there remains the possibility that the sale process takes either more or less time, key considerations in coming to this estimated timeframe include:

- several properties in the portfolio are relatively marketable for sale and are likely to sell within a relatively short time frame, say 3 to 6 months;
- there are however several properties that have a greater risk profile and are likely to face challenges when offered for sale, e.g. ACL properties given the tenant is in receivership with a 2016 lease expiry; 2 properties with persistent vacancies; several properties with relatively short term lease terms remaining; and
- the risk profile and secondary nature of certain assets may also pose challenges for purchasers seeking debt funding.

The SBC estimates that if approved, the Wind-up Proposal would allow only approximately 14 months to complete the sale and settlement of all 10 properties to allow MIF to be wound up by December 2011⁵. For the reasons stated above, the SBC does not consider this to be an orderly sale time period for the MIF portfolio and there is the risk that the less marketable properties may be sold at prices below current valuation, which would negatively impact the return to unitholders.

Accordingly, if the Scheme Resolutions are not approved and implemented, the SBC believes that the status-quo is a preferred option over the Wind-up Proposal. Notwithstanding the SBC's view that MIF's Unit price is likely to decrease if the Scheme Resolutions are not approved, as previously discussed, the risks associated with implementing the Wind-up Proposal are likely to adversely impact the value received by Unitholders. If Unitholders did not support the Scheme, the SBC believes that the status-quo option allows management greater flexibility to investigate and pursue a broader range of alternatives to return value to Unitholders including an orderly wind-up of MIF, which should mitigate the potential fall in unit price that may occur if the Scheme is not approved. As previously outlined, the SBC believes that an orderly wind-up has the potential to provide a greater level of return compared to that of the Wind-up Proposal.

3. Merger/privatisation

The SBC considered approaching other parties to determine their appetite to make an offer for MIF or its portfolio. However, preliminary discussions with possible counterparties indicated that such a secondary portfolio acquisition was unlikely to be considered highly strategic for larger vehicles and groups looking to grow their funds management business. The SBC also felt that publicly putting a genuine proposal to Unitholders would be an effective means of determining whether third parties were able to put forward a superior proposal. Since the CWH Proposal was announced on 3 May 2010 and CWH made its revised proposal on 12 July 2010, no competing proposal has emerged.

⁵ This is an estimate only, based on the timing to complete the administrative requirements for a wind up of another listed MacarthurCook fund (eg finalising accounts, distributions and lodgment of accounts) – the MacarthurCook Asian Real Estate Securities Fund ARSN 122 638 457

BACKGROUND TO THE PROPOSAL Continued

4. Recapitalisation

A recapitalisation through an equity raising would provide capital for asset acquisitions or retirement of debt. However, this was not pursued as MIF does not have any current acquisition opportunities (which is particularly challenging given MIF's cost of capital) and is geared at an appropriate level with reasonable prospects of being able to refinance the debt facility (which was maturing in August 2010 and has now been extended to December 2010), though long term refinancing prospects will need to be assessed at the relevant time in the future. Given the dilutive nature of recapitalisations and the lack of opportunities for redeployment of MIF's capital, the SBC did not consider this to be an appropriate strategy.

Conclusion

The SBC considers all of the above alternatives available to MIF inferior to the CWH Proposal and as such, the SBC recommends Unitholders vote in favour of the CWH Proposal in the absence of a superior proposal, and against the Wind-up Proposal.

Future management of MIF

Given CWH is a US-based REIT, if Unitholders approve the Scheme Resolutions and the Scheme is implemented, CWH will require an Australian-based manager to manage MIF's portfolio. Given MCFM's prior experience with the portfolio and the benefits of consistent asset management, CWH will appoint MCFM as the manager of the portfolio if the Scheme is implemented. This appointment would be on an arm's length basis with market-based fees and is summarised in Part 9, Section 6 and discussed in Part 11, Section 15 (d).

Given the potential for an ongoing relationship between MCFM and CWH, the SBC was formed to act solely in the interests of MIF Unitholders. In assessing the CWH Proposal and making its recommendation that Unitholders vote in favour of the Scheme and against the Wind-up Proposal, the SBC has had no regard to:

- the impact of the transaction on MCFM; or
- the indirect relationship existing between MCFM and CWH.

Further information on the formation of the SBC can be found in Part 11, Section 3.

6. UNITHOLDER VOTING OPTIONS

WHAT YOU SHOULD DO

- Carefully read this Explanatory Memorandum in its entirety before making a decision as to how to vote on the Resolutions.
- Consult your legal, investment, taxation or other professional adviser and obtain independent advice before making any investment decision in relation to your Units and how to vote on the Resolutions.
- Vote on the Resolutions. The Notice of Meeting set out in Attachment A provides information on how you may vote, either in person or by proxy, on the Resolutions.

ENTITLEMENT TO VOTE

If you are registered on the Register as a Unitholder at close of business on 22 September 2010, then you will be entitled to attend and vote at the Meeting, unless otherwise noted in the voting exclusions statement contained in the Notice of Meeting (set out in Attachment A).

The details of the Meeting are as follows:

Location	Park Hyatt, 1 Parliament Square off Parliament Place, Melbourne, Victoria
Date	23 September 2010
Time	11:00am

VOTING

If you wish to vote in person, you must attend the Meeting. If you cannot attend the Meeting, you may vote by proxy, attorney or, if you are a body corporate, by appointing a corporate representative.

If you wish to appoint a proxy to attend and vote at the Meeting on your behalf, please complete and sign the proxy form for the Meeting accompanying this Explanatory Memorandum in accordance with the instructions set out on the proxy form.

TO BE VALID, YOUR PROXY FORMS MUST BE RECEIVED BY THE REGISTRY BY NO LATER THAN 11:00am on 21 September 2010.

UNITHOLDER VOTING OPTIONS Continued

To vote in favour of the Scheme Resolutions to approve the Scheme

Proposal	Resolution	Vote
CWH Proposal	Resolutions 1 and 2	Vote "YES"
Wind-up Proposal	Resolution 3	Vote "NO"

This is the course of action unanimously recommended by the SBC, in the absence of a superior proposal. The reasons for the SBC's unanimous recommendation are set out in the 'Reasons to vote for the CWH Proposal (and against the Wind-up Proposal)' section at the front of this Explanatory Memorandum.

The CWH Proposal is conditional on the Wind-up Proposal not being approved. Accordingly, for the CWH Proposal to be approved:

- each of the Scheme Resolutions must be passed by the appropriately constituted requisite majorities at the Meeting, as outlined in Part 10, Section 1; and
- the Wind-up Resolution must **not** be approved.

You may vote for the CWH Proposal in person or by proxy. The outcome of the voting on the Scheme Resolutions will be announced prior to a poll being requested on Resolution 3. If attending the Meeting in person you can elect how to vote on Resolution 3 after hearing the results of the voting on Resolutions 1 and 2.

To vote in favour of the Wind-up Resolution to approve the Wind-up Proposal

Proposal	Resolution	Vote
CWH Proposal	Resolutions 1 and 2	Vote "NO"
Wind-up Proposal	Resolution 3	Vote "YES"

Despite the SBC's unanimous recommendation to vote in favour of the Scheme Resolutions and against the Wind-up Resolution if you support the Wind-up Proposal you may vote for the Wind-up Resolution either in person or by proxy. If the Wind-up Proposal is approved, the Scheme will not proceed even if the Scheme Resolutions are passed by the appropriately constituted requisite majorities.

To vote against both the Scheme Resolutions and the Wind-up Resolution

Proposal	Resolution	Vote
CWH Proposal	Resolutions 1 and 2	Vote "NO"
Wind-up Proposal	Resolution 3	Vote "NO"

If you vote against the Scheme Resolutions, the SBC recommends that you also vote against the Wind-up Resolution for the reasons set out in Part 1 of Attachment B. Part 8, Section 6 'Outlook for MIF if the CWH Proposal and the Wind-up Proposal do not proceed' for further details on what will happen if the Scheme and the Wind-up Proposal are not approved and implemented.

However if the Scheme is approved by the requisite majorities at the Meeting and the Wind-up Proposal is not approved, and all of the conditions to the Scheme are satisfied or (where applicable) waived, the Scheme will be implemented and will bind all Scheme Participants, including those who vote against the Scheme Resolutions and those who do not vote at all. In these circumstances, all Units that you hold as at the Record Date will be sold to CWH and you will receive the Scheme Consideration.

UNITHOLDER VOTING OPTIONS Continued

To do nothing – neither vote in favour of nor against the Resolutions nor sell your Units

Unitholders who do not elect to vote at the Meeting or sell their Units will:

- if the Scheme is implemented – receive payment of \$0.44 cash per Scheme Unit;
- if the Scheme is not implemented and the Wind-up Proposal is not implemented – retain their Units. See Part 8, Section 6 'Outlook for MIF if the CWH Proposal and the Wind-up Proposal do not proceed' for further details; or
- if the Scheme is not implemented and the Wind-up Proposal is implemented – retain their Units and receive the proceeds of the sale of the Fund's real estate assets by 31 December 2011. These proceeds will only be received by Unitholders once all debt and transaction costs have been repaid by the Fund.

7. FREQUENTLY ASKED QUESTIONS

1. OVERVIEW

1.1 Why have I received this Explanatory Memorandum?

This Explanatory Memorandum has been sent to you because you are a Unitholder and Unitholders are being asked to vote on the CWH Proposal as well as the Wind-up Proposal which can potentially have a significant impact on all Unitholders regardless of whether they vote or not. As a result, the Responsible Entity strongly encourages all Unitholders to vote at the Meeting.

The purpose of this Explanatory Memorandum is to explain the terms of the Scheme and the manner in which the Scheme will be considered and implemented (if the Scheme Resolutions are approved, the Wind-up Resolution is not approved and all conditions to the Scheme are satisfied or waived), and to provide such other information as is prescribed or otherwise material to the decision of Unitholders as to whether or not to approve the Scheme. This Explanatory Memorandum also contains:

- reasons to vote for or against the Scheme Resolutions;
- reasons to vote for or against the Wind-up Resolution; and
- a members statement (see Part of 2 Attachment B) received in connection with the Wind-up Resolution and provided to Unitholders in accordance with section 252N of the Corporations Act.

You should carefully read this Explanatory Memorandum in full and, if necessary, consult your legal, investment, taxation or other professional adviser before voting on the Resolutions.

1.2 What is the CWH Proposal?

The CWH Proposal involves CWH acquiring all of the Units in MIF, and Scheme Participants receiving a payment of \$0.44 cash for each Scheme Unit they hold on the Record Date.

If the CWH Proposal is approved by the appropriately constituted requisite majorities of Unitholders, the Wind-up Proposal is not approved, and all of the conditions to the Scheme are either satisfied or waived, the CWH Proposal will be effected by way of a trust scheme.

Following implementation of the CWH Proposal, Unitholders (other than those within the CWH Group) will cease to hold an interest in MIF, which will subsequently be delisted from the ASX.

1.3 What strategic options has the Board considered?

The Board has reviewed a number of strategic options available to MIF to enhance Unitholder value, including:

- maintaining the status quo;
- orderly disposal of MIF's assets, repayment of all liabilities and subsequent wind-up of MIF, similar to the process contemplated by the Wind-up Proposal;
- merger/privatisation; and
- recapitalisation.

The responsible entity has already implemented a strategy of selective asset sales, successfully selling over \$39 million of direct property assets (this excludes the sale of the MI-REIT units). This strategy was implemented to strengthen the balance sheet and to protect Unitholders' capital. It was selected over an alternative of raising new equity and potentially growing the assets under management, as this alternative was considered to be dilutive and not in the best interests of Unitholders.

FREQUENTLY ASKED QUESTIONS Continued

The balance sheet of the Fund has been significantly strengthened and the Fund has been stabilised through successful execution of the asset sale strategy. However, in the absence of formal wind-up proceedings, to undertake further asset sales would reduce the diversification benefits of the portfolio, further reduce its portfolio value and potentially expose the fund to greater risk.

In assessing these options, the Board has considered the extent to which each option would address the issues facing MIF, the potential value outcome for Unitholders, and the risks involved in pursuing each option.

Each of the strategic options considered by the Board is discussed in detail in Part 5 'Background to the Proposal'.

1.4 What are my options?

If you are a Unitholder, your options are to:

- (a) **Support the Scheme:** vote in favour of the Scheme Resolutions and vote against the Wind-up Resolution at the Meeting (**AS UNANIMOUSLY RECOMMENDED BY THE SBC, IN THE ABSENCE OF A SUPERIOR PROPOSAL**);
- (b) **Support the Wind-up Proposal:** vote against the Scheme Resolutions and vote in favour of the Wind-up Resolution at the Meeting. If the Wind-up Resolution is approved, the Wind-up Proposal will proceed (even if the CWH Proposal is also passed by the appropriately constituted requisite majorities) and the Fund will be wound up by 31 December 2011. Proceeds will first be used to repay MIF's debt and fund transaction costs, with all remaining proceeds to be distributed to Unitholders;
- (c) **Maintain the status quo:** vote against the Scheme Resolutions and vote against the Wind-up Resolution at the Meeting. See Part 8, Section 6 'Outlook for MIF if the CWH Proposal and the Wind-up Proposal do not proceed' for further details on what will happen if the Scheme and the Wind-up Proposal are not approved and implemented;
- (d) **Vote in favour of both resolutions:** vote in favour of the Scheme Resolutions and vote in favour of the Wind-up Resolution at the Meeting. The CWH Proposal is conditional on the Wind-up Proposal not being approved. Accordingly, if both the Scheme Resolutions and the Wind-up Resolution are passed by the appropriately constituted requisite majorities, the Wind-up Proposal will be implemented (and the Scheme will not be implemented). The Fund will be required to be wound-up immediately with all of its assets to be sold and proceeds to be distributed to Unitholders by 31 December 2011. The proceeds of this sale will be distributed to Unitholders after the Fund has repaid its debt. It is noted that as the Scheme and the Wind-up Proposal are essentially alternatives, it is not recommended to vote for both the Scheme and the Wind-up Proposal;
- (e) sell your Units on ASX; or
- (f) do nothing – i.e. neither vote in favour of, or against, the Resolutions, nor sell your Units.

If the Scheme is approved by the appropriately constituted requisite majorities at the Meeting and the Wind-up Proposal is not approved and all of the conditions to the Scheme are satisfied or (where applicable) waived, the Scheme will bind all Scheme Participants, including those who vote against the Scheme Resolutions and those who do not vote at all. In these circumstances, all Units in MIF that you hold as at the Record Date will be acquired and you will receive the Scheme Consideration regardless of which of the options above you elected to pursue.

FREQUENTLY ASKED QUESTIONS Continued

1.5 What if I choose to sell my Units?

CWH Proposal	Wind-up Proposal
The CWH Proposal does not preclude you from selling your Units on ASX, if you wish, on or before the Effective Date.	The Wind-up Proposal does not preclude you from selling your Units on ASX, if you wish, on or before the earlier of the date the Fund is wound up or the date the Fund is suspended/delisted from the ASX.
If you are considering selling your Units, you should have regard to the prevailing trading prices of Units on ASX and compare those to the Scheme Consideration being offered under the CWH Proposal.	If you are considering selling your Units, you should have regard to the prevailing trading prices of Units on ASX and compare those to the proceeds you may receive under a wind-up and the length of time it may take to realise that value.

You may ascertain current trading prices of Units on ASX through the ASX website www.asx.com.au, or by contacting your stockbroker.

Unitholders who sell their Units on ASX prior to the Effective Date:

- will receive the consideration for sale of their Units sooner than they would receive the Scheme Consideration under the CWH Proposal;
- may incur a brokerage charge; and
- will not be able to participate in the Scheme (if approved).

1.6 What if both the Scheme and the Wind-up Proposal are passed by the appropriately constituted requisite majorities of Unitholders?

The CWH Proposal is conditional on the Wind-up Proposal not being approved. Accordingly, if both the Scheme Resolutions and the Wind-up Resolution are passed by the appropriately constituted requisite majorities:

- the CWH Proposal will not be implemented; and
- the Wind-up Proposal will be implemented,

which means that the Fund will be required to be wound-up immediately with all of its assets to be sold and proceeds to be distributed to Unitholders by 31 December 2011. The proceeds of this sale will be distributed to Unitholders after the Fund has repaid its debt.

1.7 What is CWH's rationale for the proposed acquisition of MIF?

CWH is a real estate investment trust, or REIT, which primarily owns office and industrial properties in the United States of America.

CWH wishes to acquire MIF to expand its portfolio of investments to include industrial properties in Australia. CWH believes that its proposed acquisition of MIF may create a platform for further investment by it in Australian properties.

FREQUENTLY ASKED QUESTIONS Continued

2. CASH PAYMENT

2.1 What will I receive for my Units if the Scheme is implemented?

If the Scheme is implemented, each Scheme Participant will receive the Scheme Consideration of \$0.44 cash for each Unit they hold on the Record Date without incurring any brokerage charges.

2.2 When will I receive the Scheme Consideration?

If the Scheme is implemented, the Scheme Consideration will be sent to the address you have provided on the Unitholder register. MIF will commence sending the Scheme Consideration on or about 6 October 2010 and you will receive it within 5 Business Days of that date, being 13 October 2010. Unitholders are reminded to ensure that their direct credit details are correct to ensure payment is received. If you need to update these details, please contact the MacarthurCook Operations Team on 1300 362 117 or 1300 655 197 or fax details to 02 9281 7611 or email to mail@macarthurcook.com.au.

The date for payment of the Scheme Consideration may be later than 6 October 2010 if all conditions precedent are not satisfied by that time or the End Date for the Scheme has been extended as set out in Part 10, Section 6.

2.3 Am I entitled to a distribution for the period ending 30 September 2010?

No, if the Scheme is approved and implemented you are not entitled to any future distributions after 30 June 2010.

FREQUENTLY ASKED QUESTIONS Continued

3. VOTING ON THE CWH PROPOSAL

Your vote is very important and is your opportunity to have your say on the success or failure of the CWH Proposal, as well as the success or failure of the Wind-up Proposal. The decision of the Meeting could have a significant impact on your investment and therefore the Responsible Entity strongly urges Unitholders to vote at the Meeting.

3.1 What are the reasons to vote for the CWH Proposal and against the Wind-up Proposal?

The SBC unanimously recommends that Unitholders vote in favour of the Scheme Resolutions to approve the CWH Proposal, in the absence of a superior proposal, and vote against the Wind-up Resolution in relation to the Wind-up Proposal.

Possible reasons to vote in favour of the CWH Proposal include the following:

- the Scheme Consideration reflects a 42% premium to the trading price of Units immediately prior to the announcement of the CWH Proposal;
- the Scheme Consideration of \$0.44 cash per Unit provides timing and value certainty for Unitholders if the CWH Proposal is approved and implemented;
- the Independent Expert has considered the CWH Proposal and has concluded that it is not fair but reasonable to Non-Associated Unitholders;
- the Independent Expert has considered the CWH Proposal and has concluded that it is in the best interests of Non-Associated Unitholders;
- the SBC believes that the trading price of MIF Units is likely to fall if the CWH Proposal is not implemented;
- compared to the timing and value certainty provided by an immediate cash offer, MIF on a stand-alone basis has uncertain prospects and faces a number of challenges;
- following a rigorous review of a number of strategic options available to MIF to address the challenges it faces and enhance Unitholder value, the SBC believes that the CWH Proposal is the best option available to Unitholders, in the absence of a superior proposal;
- since the announcement of the CWH Proposal to ASX on 3 May 2010 and the CWH revised proposal on 12 July 2010, no superior proposal has emerged; and
- you will not incur any brokerage or stamp duty on the sale of your Units pursuant to the Scheme.

Each of these reasons are discussed in detail in Part 2 'Reasons to vote in favour of the CWH Proposal (and against the Wind-up Proposal).

FREQUENTLY ASKED QUESTIONS Continued

3.2 What are the reasons to consider voting against the CWH Proposal?

Although the SBC unanimously recommends that you vote in favour of the Scheme Resolutions to approve the CWH Proposal, in the absence of a superior proposal, and against the Wind-up Proposal, factors which may lead you to vote against the CWH Proposal include the following:

- you may not agree with the view of the SBC that the other strategic options are characterised by higher risk and timing and value uncertainty when compared with the CWH Proposal;
 - you may wish to maintain an interest in MIF (in which case the SBC recommends you also vote against the Wind-up Resolution);
 - the Scheme Consideration is at a discount to MIF's last reported NTA;
 - the Independent Expert has concluded that the Scheme Consideration is not fair but reasonable to Non-Associated Unitholders;
 - you may consider that there is the potential for a superior proposal to be made;
 - implementation of the Scheme may result in adverse tax consequences for you; and
 - you may believe that the Wind-up Proposal is a superior offer, notwithstanding the SBC's recommendation.
- Each of these reasons are discussed in detail in Part 3 'Reasons to vote against the CWH Proposal'.

3.3 Will the Special Board Committee members be voting any Units they control in favour of the CWH Proposal?

At the time of despatch of this Explanatory Memorandum none of the SBC members holds or has a relevant interest in any Units in MIF and they would, in any event, be excluded from voting on the Resolutions as they are an associate of MCFM and MIF.

Notwithstanding this, proxies given to an SBC member will be voted in accordance with the directions given by the Unitholder providing the proxy, and any proxy with no direction will be voted in accordance with the SBC's recommendation.

3.4 When and where will the Meeting be held?

The Meeting will be held at 11:00am, 23 September 2010 at the Park Hyatt, 1 Parliament Square off Parliament Place, Melbourne, Victoria.

3.5 What voting majority is required to approve the Scheme?

The majority required to approve the Scheme depends on the particular Resolution being considered. There are 2 Scheme Resolutions required in order to approve the Scheme:

- (a) the Approval Resolution must be approved by at least 50% of the total number of votes cast by Unitholders entitled to vote on that resolution (in person, by proxy, by attorney or, in the case of a body corporate, by a corporate representative); and
- (b) the Amendment Resolution must be approved by at least 75% of the total number of votes cast by Unitholders entitled to vote on that resolution (in person, by proxy, by attorney or, in the case of a body corporate, by a corporate representative).

In order for the CWH Proposal to be implemented:

- each of the Scheme Resolutions must be approved by the requisite majorities of Unitholders;
- the Wind-up Resolution must not be approved; and
- all conditions precedent to the Scheme must be satisfied or waived.

FREQUENTLY ASKED QUESTIONS Continued

3.6 Am I entitled to vote?

If you are registered as a Unitholder at close of business on 22 September 2010, you will be entitled to attend the Meeting and to vote on the Resolutions (in person, by proxy, by attorney or, in the case of a body corporate, by a corporate representative), unless otherwise noted in the voting exclusion statement contained in the Notice of Meeting (see Attachment A).

3.7 Who is excluded from voting on the Resolutions?

MCFM and its associates (which currently control 24% of MIF⁷) will not be entitled to vote on any of the Resolutions. For the purposes of these Resolutions, MCFM's associates include MacarthurCook Real Estate Funds Limited and all funds for which MCFM is the responsible entity, including the MacarthurCook Property Securities Fund and the MacarthurCook Diversified Property Income Fund.

CWH has no votes and has no power to control, or exercise control, over the voting rights attaching to any Units. In any event, CWH would be excluded from voting in relation to any of the Resolutions, because they are the potential acquirer of the Units and an associate of MCFM (by virtue of the terms contained in the Scheme Implementation Agreement).

Further information on these voting exclusions is contained in Part 10, Sections 1.1 and 1.2.

3.8 Is voting compulsory?

No. However, if you do not vote, either in person or by proxy, and a proposal is approved and implemented (either the CWH Proposal or the Wind-up Proposal), it will become binding on you even if you did not participate in the Meeting.

3.9 What if I cannot or do not wish to attend the Meeting?

If you cannot or do not wish to attend the Meeting, you may appoint a proxy or attorney (or for a body corporate, a corporate representative) to vote at the Meeting on your behalf.

Full details of how these appointments may be made are contained in the Notice of Meeting which is set out in Attachment A. Proxy forms accompany this Explanatory Memorandum.

If a proposal is approved and implemented (either the CWH Proposal or the Wind-up Proposal), it will become binding on you even if you did not participate in the Meeting.

7. This figure has been rounded from two decimal places.

FREQUENTLY ASKED QUESTIONS Continued

4. THE RELATIONSHIP BETWEEN MCFM AND CWH

4.1 What is the relationship between MCFM and CWH?

Other than in connection with the CWH Proposal, there is no direct relationship between CWH and MCFM.

As CWH has no employees, its day to day operations are conducted by Reit Management & Research LLC (**RMR**), a real estate management company founded in 1986. RMR Advisors Inc., an affiliate of RMR, is the investment advisor to the RMR Asia Pacific Real Estate Fund, which is a real estate securities fund listed on the American Stock Exchange.

MacarthurCook Investment Managers Limited (**MCIM**), a subsidiary of MacarthurCook Limited and related body corporate of MCFM, is the sub advisor for the RMR Asia Pacific Real Estate Fund.

Pursuant to the Sub-Advisory Agreement dated 18 November 2009, MCIM is entitled to a sub-advisory fee of 0.25% per annum of Net Asset Value (**NAV**) until May 25, 2012, and 0.375% per annum thereafter in relation to this mandate. The Sub-Advisory Agreement continues from year to year, and is reviewed on an annual basis in accordance with the Sub-Advisory Agreement.

Other than what is anticipated by this transaction and the proposed Management Agreement, there are no other contemplated future transactions between MCFM, CWH and associates.

4.2 Why is the full MCFM Board not making a recommendation in relation to the CWH Proposal?

Due to the ongoing management arrangements proposed between CWH and MCFM, which had the potential to create a conflict of interest for certain Board members, a Special Board Committee has been established to consider the CWH Proposal and other available alternatives. This ensures that the recommendations of the Committee are not influenced in any way by the other activities of the broader MacarthurCook or AIMS Financial Groups. The Committee is comprised of Tony Wood (independent director), Chris Langford (independent director) and Mark Thorpe-Apps (executive director, funds management). Further information on the formation of the SBC is contained in Part 11, Section 3.

The Committee has reached its decision and formed its recommendation with only the interests of MIF Unitholders in mind, and without regard to any ongoing arrangements involving MCFM. Further detail on the relationship between CWH and MCFM is outlined in Part 5 'Background to the Proposal'.

4.3 Does the CWH Proposal favour MCFM over Unitholders?

No. If the CWH Proposal is approved by Unitholders (and the Wind-up Proposal is not approved) and implemented, CWH will require a manager in Australia and has decided that based on MCFM's prior experience with the portfolio and the benefits of consistent asset management, CWH intends to continue the appointment of MCFM as the manager of the portfolio. This appointment would be on an arm's length basis with market-based fees and is summarised in Part 9, Section 6 and discussed in Section Part 11, Section 15(d).

Further, MCFM and its associates will not be permitted to vote at the Meeting and so will not have any influence on whether or not the CWH Proposal is approved and implemented.

4.4 What fees are payable to MIF and/or MCFM in relation to the transaction?

MCFM will receive no payment for foregoing its management of MIF in its listed form and the ongoing management fee structure is less favourable to MCFM than its current arrangement with MIF, as outlined in Part 9, Section 6 and discussed in Part 11, Section 15(d).

FREQUENTLY ASKED QUESTIONS Continued

4.5 Has MCFM agreed to pay a break fee to CWH in certain circumstances where the CWH Proposal does not proceed?

As part of the CWH Proposal, MCFM has agreed to pay CWH a break fee of \$800,000 in certain circumstances, including:

- (a) if MCFM takes any action that results in a breach of a clause of the Scheme Implementation Agreement in a material respect;
- (b) if the SBC recommends a competing proposal; or
- (c) if, before the earlier of the Implementation Date, 30 September 2010 and the termination of the Scheme Implementation Agreement, a competing proposal is announced which, prior to 3 May 2011, completes, is unconditional or which is approved by a requisite majority of Unitholders.

4.6 Has CWH agreed to pay a break fee to MCFM in certain circumstances where the CWH Proposal does not proceed?

CWH has agreed to pay MCFM a break fee of \$800,000 in the event that CWH takes any action that results in a breach of a clause of the Scheme Implementation Agreement in a material respect.

4.7 Does the Scheme Implementation Agreement contain any exclusivity provisions?

MCFM has agreed in the Scheme Implementation Agreement not to engage in certain activity that could lead to a competing proposal. This is subject to a qualification in some cases where the SBC in accordance with its duties determines the competing proposal is a superior proposal. A superior proposal is one which the SBC considers is capable of being valued and completed and would be more favourable to MIF Unitholders if completed.

MCFM has agreed in the Scheme Implementation Agreement to give CWH details of a superior proposal in relation which the SBC proposes to recommend, approve or withdraw the recommendation of the CWH Proposal. CWH has the right to make a counterproposal within 4 clear Business Days of the notice of the superior proposal.

Full details of the exclusivity provisions are set out in section 10 of the Scheme Implementation Agreement in Attachment D.

FREQUENTLY ASKED QUESTIONS Continued

5. OTHER INFORMATION AND DETAILS OF THE CWH PROPOSAL

5.1 What did the Independent Expert conclude?

In summary, the Independent Expert has concluded that the Scheme is not fair but reasonable to Non-Associated Unitholders and in the best interests of Non-Associated Unitholders.

A complete copy of the Independent Expert's Report is contained in Attachment G.

5.2 What happens if I vote against the Scheme?

If each of the Scheme Resolutions are approved by the appropriately constituted requisite majorities at the Meeting, the Wind-up Resolution is not approved and all of the conditions to the Scheme are satisfied or (where applicable) waived, the Scheme will bind all Scheme Participants, including those who vote against the Scheme Resolutions and those who do not vote at all. In these circumstances, all Units that you hold as at the Record Date will be acquired and you will receive the Scheme Consideration.

5.3 What happens if a superior proposal emerges?

Since the CWH Proposal was announced on 3 May 2010 and the CWH revised proposal was announced on 12 July 2010, no superior proposal has emerged.

If an alternative proposal is made involving MIF, the SBC will review that proposal to determine if it represents a superior proposal to Unitholders and advise you of their recommendation.

5.4 Are there any conditions that must be satisfied in order for the CWH Proposal to be implemented?

Yes. In particular, the Scheme is conditional on:

- (a) the Scheme Resolutions being passed by the requisite majorities of Unitholders (see Part 10, Section 1);
- (b) the Wind-up Resolution not being approved;
- (c) the parties obtaining the Final Tax Rulings from the Australian Tax Office;
- (d) all regulatory approvals being obtained which both parties agree are necessary to implement any material aspect of the CWH Proposal; and
- (e) a number of other conditions contained within the Scheme Implementation Agreement.

The conditions contained within the Scheme Implementation Agreement are summarised in Part 11, Section 14 and the Scheme Implementation Agreement is set out in full in Attachment D.

As at the date of this Explanatory Memorandum, the SBC is not aware of any reason why the conditions to the Scheme should not be satisfied except as otherwise set out in this Explanatory Memorandum. However, it is noted that several of the conditions are reliant on certain waivers or applications being granted in a form which is satisfactory to CWH. The SBC does not purport to know what CWH's position is in relation to these conditions or whether CWH considers that those conditions are likely to be satisfied or waived.

Unitholders should also be aware that the Scheme Implementation Agreement may be terminated in certain circumstances including, but not limited to:

- (a) a breach of any provision of the Scheme Implementation Agreement in a material respect;
- (b) if the members of the SBC publicly recommend a competing proposal; or
- (c) if either party notifies the other that any of the information given in the warranties and representations in the Scheme Implementation Agreement are materially inconsistent with those given on the date of the agreement.

FREQUENTLY ASKED QUESTIONS Continued

5.6 What happens if the CWH Proposal is not approved, the Wind-up Proposal is approved or the conditions to the CWH Proposal are not satisfied?

If :

- the CWH Proposal is not approved;
- the Wind-up Proposal is approved;
- the conditions of the CWH Proposal are not satisfied or (where applicable) waived; or
- the Scheme Implementation Agreement is terminated,

the Scheme will not proceed.

If the Scheme does not proceed and the Wind-up Proposal is not approved, Unitholders will retain their Units, the rights of Unitholders will remain unchanged, and MIF will continue to operate as an entity trading on the ASX.

If the CWH Proposal is not approved and the Wind-up Proposal is approved, MCFM will immediately commence a process to sell MIF's assets, with a wind-up of MIF to be completed by 31 December 2011. Unitholders will receive the proceeds of these sales once MIF's debt has been repaid.

If the CWH Proposal is not implemented, the SBC believes that it is likely that Units could trade:

- below the value of the Scheme Consideration; and
- at a lower price than the price at which they have traded since 30 April 2010, the trading day prior to announcement of the CWH Proposal.

The trading price of Units will also continue to be subject to market volatility as a result of general economic conditions and stock market movements.

5.7 Will I be taxed on the Scheme Consideration?

While the taxation consequences will vary depending on the personal taxation and financial circumstances of each Unitholder, Australian resident Unitholders who hold their Units on capital account will make a capital gain if the Scheme Consideration exceeds the tax cost base of their Units. If there is a capital gain, it may crystallise a tax liability. However, Australian resident Unitholders who hold their Units on capital account will make a capital loss if the Scheme Consideration is less than the tax reduced cost base of their Units.

The Australian tax consequences of the Scheme for Unitholders will depend on the personal taxation and financial circumstances of each Unitholder, and Unitholders should consult their own taxation advisers about the Australian taxation consequences for them if the Scheme is implemented before making any decision on whether to approve the Scheme.

General information about the main Australian income tax, stamp duty and GST consequences of the Scheme and Wind-up Proposal for Unitholders that hold their Units on capital account and Unitholders who hold their Units on revenue account is set out in Attachment H.

This general information is not tax advice, does not take into account individual circumstances of the Unitholder and may not identify all potential tax consequences for Unitholders in relation to the Scheme. It does not replace the need for Unitholders to obtain their own tax advice having regard to their own circumstances.

5.8 How do I obtain further information?

If you have any questions about the Scheme or the Wind-up Proposal, please contact Russell Bullen (Head of Real Estate for MCFM) by calling +61 3 9660 4555.

If you have a question about MIF (other than in relation to the Scheme or the Wind-up Proposal), please contact the MacarthurCook Operations Team on 1300 362 117 or 1300 655 197 or fax details to 02 9281 7611 or by email at mail@macarthurcook.com.au.

For information about your individual financial or taxation circumstances, please consult your investment, legal, taxation or other professional adviser.

FREQUENTLY ASKED QUESTIONS Continued

6. WIND-UP PROPOSAL

6.1 What is the Wind-up Proposal?

The Wind-up Proposal is a proposed resolution to amend MIF's constitution to insert a new provision which effectively provides for MIF to be wound up and the proceeds distributed by 31 December 2011. Further details in relation to the Wind-up Proposal are contained in the Members Statement in Part 2 of Attachment B.

6.2 How did the Wind-up Proposal arise?

On 27 May 2010, MCFM received a notice from Unitholders collectively holding more than 5% of Units in the Fund proposing the Wind-up Resolution. In accordance with the Corporations Act, this resolution is included in the Notice of Meeting and will be put to Unitholders for consideration at the Meeting. MCFM is obliged to put the Wind-up Resolution to Unitholders and it has not been proposed or supported by the Board. The SBC strongly urges that Unitholders vote AGAINST the Wind-up Resolution.

6.3 What happens if the Wind-up Proposal is approved?

If the Wind-up Resolution is passed by Unitholders a new termination event will be introduced into the Fund's Constitution such that the Fund will be wound up if the volume weighted average price of the Fund's units on ASX for the 15 trading days up to and including 30 June 2010 is less than \$0.57 (ie greater than a 15% discount to the 31 December 2009 NTA of \$0.67 per unit). If the Wind-up Proposal is approved, the wind-up will be implemented even if the CWH Proposal is passed by the requisite voting majorities (the CWH Proposal is conditional on the Wind-up Proposal not being approved).

Over the specified period to 30 June 2010, the Fund's unit price was \$0.37. Therefore, if the Wind-up Proposal is implemented, the new termination provision will automatically be triggered and a wind-up process will be initiated immediately following the Unitholder Meeting. This wind-up process is required to be completed by 31 December 2011.

It should be noted that a number of REITs would be forced into a wind-up if they were to adopt a constitutional amendment in the form proposed under the Wind-up Resolution (as illustrated by the sample in the following table). This table also shows an example of the 15 day VWAP to 30 June 2010 which would have been required in order for this sample of REITs not to be required to be wound up if a constitutional amendment in the form proposed under the Wind-up Resolution was approved by unitholders of those REITs.

Trading discount to NTA as at 30 June 2010				
REIT	31 Dec 09 NTA per unit	Actual 15 day VWAP to 30 June 10	Trading discount to NTA	Example Only 15 day VWAP to 30 June 10 required to avoid a wind-up
EDT Retail Trust	\$0.32	\$0.05	84.0%	\$0.27
Centro Retail Group	\$0.35	\$0.19	45.5%	\$0.30
MacarthurCook Industrial Property Fund	\$0.67	\$0.37	44.8%	\$0.57
FKP Property Group	\$1.27	\$0.75	40.9%	\$1.08
Charter Hall Office REIT	\$0.44	\$0.26	39.9%	\$0.37
Valad Property Group	\$0.16	\$0.10	38.9%	\$0.14
ING Industrial Fund	\$0.60	\$0.39	35.6%	\$0.51
Abacus Property Group	\$0.60	\$0.41	32.4%	\$0.51
Australand Property Group	\$3.40	\$2.52	25.8%	\$2.89
Charter Hall Retail REIT	\$0.72	\$0.57	20.9%	\$0.61
ING Office Fund	\$0.74	\$0.59	20.7%	\$0.63
Challenger Diversified Property Group	\$0.65	\$0.54	16.8%	\$0.55

FREQUENTLY ASKED QUESTIONS Continued

6.4 Why should I vote for the Wind-up Proposal?

Possible reasons for you to vote for the Wind-up Proposal are contained on page 9 in Part 4 "Reasons to vote in favour of, or against, the Wind-up Proposal".

6.5 Why should I vote against the Wind-up Proposal

Possible reasons for you to vote against the Wind-up Proposal are contained on page 10 in Part 4 "Reasons to vote in favour of, or against, the Wind-up Proposal".

6.6 What voting majority is required to approve the Wind-up Proposal?

The Wind-up Resolution must be approved by at least 75% of the total number of votes cast by Unitholders entitled to vote on that resolution (in person, by proxy, by attorney or, in the case of a body corporate, by a corporate representative). If the Wind-up Proposal is approved, the wind-up will be implemented even if the CWH Proposal is passed by the requisite voting majorities (the Scheme Resolutions are conditional on the Wind-up Resolution not being approved).

6.7 What will I receive for my units if the Wind-up Proposal is implemented?

You will receive the available funds MIF receives for the sale of each of MIF's properties less the amount of transaction costs, management fees and after the repayment of all debt.

6.8 If the Wind-up Proposal is implemented when will I receive the proceeds?

You will receive the proceeds after all of the properties have been sold and MIF's debt has been repaid. The payment date is currently expected to be in December 2011.

6.9 What if both the Wind-up Proposal and the Scheme are passed by the Requisite voting majorities of Unitholders?

The CWH Proposal is conditional on the Wind-up Proposal not being approved. Accordingly, if both the Scheme Resolutions and the Wind-up Resolution are passed by the requisite voting majorities:

- the CWH Proposal will not be implemented; and
- the Wind-up Proposal will be implemented,

which means that the Fund will be required to be wound-up immediately with all of its assets to be sold and proceeds to be distributed to Unitholders by 31 December 2011. The proceeds of this sale will be distributed to Unitholders after the Fund has repaid its debt.

8. INFORMATION REGARDING MIF

Overview of MIF

MIF is an industrial REIT which is listed on the ASX (code MIF).

1. Fund objective

The Fund's investment objective is to provide investors with regular income and long term capital growth from investing in a diversified portfolio of industrial property. In September 2009, the Responsible Entity indicated it would focus purely on Australian industrial property.

2. Portfolio

As at 30 June 2010, the Fund had an investment in 10 industrial properties across five Australian states.

The 10 properties had:

- 14 tenants;
- an average remaining lease expiry of 4.6 years; and
- occupancy of 83% (measured by income⁸).

Further information about the portfolio and occupancy is contained in Table A, Graph B set out below and section 10.1.3 of the Independent Expert's Report contained in Attachment G.

Table A

State	Address	Occupancy (%)	WALE (yrs)	Passing rent \$/m ²
WA	7 Modal Cres, Canning Value	100%	1.3	\$69
WA	19 Leadership Way, Wangara	100%	1.3	\$84
VIC	Whiteside and Main Roads, Clayton	100%	2.2	\$73
VIC	127-161 Cherry Lane, Laverton	100%	3.9	\$53
NSW	16 Rodborough road, Frenchs Forest	91%	12.8	\$215
NSW	22 Rodborough road, Frenchs Forest	0%	N/A	\$0
NSW	44-46 Mandarin Street, Villawood	82%	2.6	\$91
QLD	9-13 Titanium Court, Crestmead	22%	0.6	\$110
TAS	310-314 Invermay Road, Mowbray ¹	100%	5.9	\$34
TAS	253-293 George Town Road, Rocherlea ¹	100%	5.9	\$67

Portfolio WALE as at 30 June 2010 was 4.6 years.

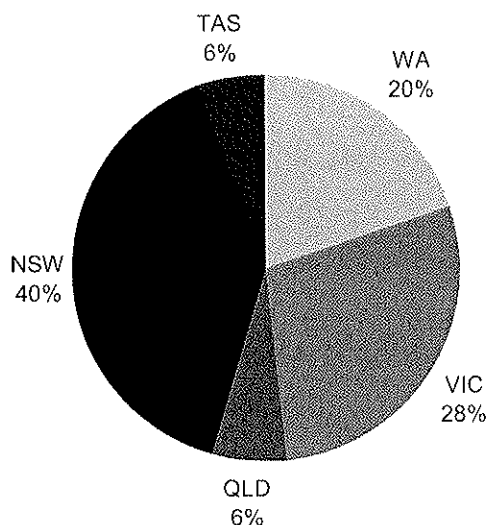
1. The sole tenant at both Tasmanian properties, ACL is currently in receivership. The tenant continues to occupy both premises, lease payments are current and the leases have an expiration date of 30 May 2016, which contributes to the portfolio WALE of 4.6 years as at 30 June 2010. Given the uncertainty relating to these properties, the WALE has also been calculated excluding the two Tasmanian properties. On this basis, the portfolio WALE as at 30 June 2010 would be 4.4 years. 12 month bank guarantees are held for both properties.

8. Measured by income means the percentage of income determined by the total potential rental income of the Fund in relation to the total actual income of the Fund being received for premises which have been rented.

INFORMATION REGARDING MIF Continued

Graph B

Portfolio diversification



3. Financials

As at 30 June 2010, the Fund's property portfolio was independently valued at \$106.05 million, compared to \$108.80 million as at 31 December 2009 (on a same-property basis), and overall gearing was approximately 40%. A breakdown of the valuation is provided below in Table C.

Table C

MIF Valuation Summary

Property	Valuation 31 Dec 2009	Valuation 30 June 2010	Value Change (%)	Cap Rates 30 June 2010 (%)
WA 7 modal Crescent, Canning Vale 250 Leadership Way, Wangara	\$13,750,000 \$7,000,000	\$14,000,000 \$7,100,000	1.8% 1.4%	8.25% 8.25%
VIC 71-93 Whiteside Road, Clayton 127-161 Cherry Lane, Laverton North	\$19,700,000 \$10,350,000	\$19,700,000 \$10,350,000	0.0% 0.0%	9.50% 10.25%
QLD 9-13 Titanium Court, Crestmead	\$7,000,000	\$6,700,000	-4.3%	8.75%
NSW 16 Rodborough Rd, Frenchs Forest 22 Rodborough Rd, Frenchs Forest 44 Mandarin St, Villawood	\$20,000,000 \$7,500,000 \$15,500,000	\$20,300,000 \$6,500,000 \$15,500,000	1.5% -13.3% 0.0%	8.50% 9.00% 10.00%
TAS East Tamar Hwy, Rocherlea Invermay Rd, Mowbray	\$6,750,000 \$1,250,000	\$4,800,000 \$1,100,000	-28.9% -12.0%	11.75% 11.00%
Total Wtd Avg.	\$108,800,000	\$106,050,000	-2.5%	9.25%

INFORMATION REGARDING MIF Continued

Distributions for the Fund were recommenced in the September quarter 2009 with a target distribution of 1.6 cpu for the 2010 financial year. This was subsequently increased to a target of 1.8 cpu, largely as a result of a number of selective asset sales which allowed debt to be reduced and interest cost reduced accordingly. Distributions are considerably lower than they were prior to the GFC, which reflects a range of factors including higher vacancies, higher than budgeted cost of debt and reduced payout ratios, in order to fund ongoing capital works.

The Fund has a debt facility with the National Australia Bank which expires on 31 August 2010, although an extension has now been granted to 31 December 2010. The cost of the facility extension increased significantly, consistent with the impact of the GFC, although the Responsible Entity has already budgeted a higher cost of debt in its distribution target for the 2011 financial year. Discussions with a range of banks regarding a new facility were commenced in December 2009 and the Responsible Entity is reasonably confident a new facility could be secured should the CWH Proposal not be approved.

4. Unit price and discount to NTA

Reflecting the significant improvements made to the Fund, combined with the stronger performance of REITs since early 2009, the Unit price for the Fund has increased from a low of 9.4 cpu in March 2009, 18 cpu in August 2009, to 41 cpu (as at the date of this document) and seen the discount at which the Units have been trading relative to its NTA, reduce from a low of 85% in March 2009, 72% in August 2009, to 46% using the NTA per Unit as at 30 June 2010.

If the CWH Proposal is not implemented, the SBC believes that it is likely that Units will trade:

- below the value of the Scheme Consideration; and
- at a lower price than the price at which they have traded since 30 April 2010, the trading day prior to announcement of the CWH Proposal.

5. Changes since the 2010 MIF Annual Report

Any material changes to MIF's financial position since the release of its 2010 Annual Report have been publicly disclosed to ASX and can be found in announcements released at www.asx.com.au.

6. Outlook for MIF if the CWH Proposal and Wind-up Proposal do not proceed

If neither the CWH Proposal nor the Wind-up Proposal proceed, the Responsible Entity will be focused in the immediate term on securing a new debt facility and seek to lease the remaining vacancies in the portfolio. Under the status quo, MIF faces a number of challenges that contribute to uncertain prospects and may place MIF's Unit price under pressure and prevent Unitholders from realising a value higher than the Scheme Consideration. If the CWH Proposal is not implemented, the SBC believes that it is likely that Units will trade:

- below the value of the Scheme Consideration; and
- below the value that MIF has traded since 30 April 2010, the trading day prior to announcement of the CWH Proposal.

The challenges facing MIF under the status quo are outlined in Part 5 'Background to the Proposal'.

7. SBC's recommendation

The SBC unanimously recommends that Unitholders vote **IN FAVOUR** of the Scheme Resolutions to approve the CWH Proposal, in the absence of a superior proposal, and **AGAINST** the Wind-up Proposal. For a discussion of the reasons for the SBC's recommendation to vote in favour of the CWH Proposal see Part 2 'Reasons to vote in favour of the CWH Proposal (and against the Wind-up Proposal)' and for a discussion of the reasons to vote against the Wind-up Proposal, see Page 10 of Part 4 "Reasons to vote in favour of, or against, the Wind-up Proposal" and Part 1 of Attachment B.

INFORMATION REGARDING MIF Continued

8. MIF's Management Fee Arrangements

Set out below is a comparison of the existing management fee arrangements compared to the proposed new fee arrangements for the continued appointment by CWH of MCFM as the manager of the portfolio.

Term	Current arrangements	Proposed new arrangements
Management fees	<ul style="list-style-type: none"> MCFM is entitled to a management fee of 0.65% per annum of the Fund's "gross asset value". <p>MCFM is also entitled to:</p> <ul style="list-style-type: none"> an acquisition and promotion fee of 1.0% of the purchase price of real property located outside Australia acquired as an asset of the Fund; and a disposal fee of 0.5% of the net sale proceeds upon the sale of any real property located outside Australia that is an asset of the Fund, if the net sale proceeds exceed the purchase price and acquisition costs. 	<ul style="list-style-type: none"> MCFM will be entitled to a business management fee which will be 0.5% of the annual average invested capital of the Fund (determined by reference to the average aggregate historical cost of the Fund's assets). MCFM will be entitled to a property management fee calculated as 50% of an amount equal to the difference between 3% of gross rents of the Fund and any amounts paid by MIF to third party property managers.
Performance fees	MCFM is entitled to a performance fee calculated in accordance with the formula set out in Schedule 1 of MIF's Constitution.	MCFM will not be entitled to a performance fee.
Construction Supervision Fee	N/A	<p>MCFM will be entitled to a construction supervision fee calculated as one half of an amount equal to the difference between:</p> <ul style="list-style-type: none"> five percent (5%) of the cost of all interior and exterior construction, renovation or repair activities at the properties, other than ordinary maintenance and repair (which shall include the costs of all related professional services and the cost of general conditions); and any amounts paid to third parties for construction management and/or supervision in connection with such construction, renovation or repair activities at the properties.
Expense reimbursement	MCFM is entitled to be reimbursed out of the assets of the Fund for expenses it incurs in connection with managing the Fund.	MCFM will be entitled to be reimbursed out of the assets of the Fund on terms materially similar to clause 19.5 of MIF's Constitution.

MCFM has compared the fees that would be payable in the financial year ending June 2011 (FY 2011) under the current management arrangements and the proposed new management arrangements⁹. As a result of the calculations MCFM believes that in FY 2011 it will receive around 22.5% less fees if the CWH Proposal is approved and implemented than it would receive if the CWH Proposal is not implemented such that the Fund continued to be operated under the current management arrangements.

9. This analysis assumes that no performance fee would be payable to MCFM in the financial year ending June 2011.

9. INFORMATION REGARDING CWH

Overview of CWH

CWH is a REIT established in 1986 under the laws of the State of Maryland, United States of America. CWH was formerly named 'HRPT Properties Trust' and changed its name to 'CommonWealth REIT' on 1 July 2010. CWH is listed on the New York Stock Exchange under the sign 'CWH'.

CWH owns US\$6.6 billion of office and industrial property assets located in the United States of America across 35 states and Washington, D.C.

CWH is managed by RMR. RMR is a Delaware limited liability company beneficially owned by Barry M. Portnoy and Adam D. Portnoy who are also the Managing Trustees of CWH. RMR currently manages over US\$17 billion of property assets across office, industrial, hotel and seniors living sectors.

1. Rationale for CWH's proposed acquisition of MIF

CWH's rationale for the proposed acquisition of MIF is to expand its portfolio of investments to include industrial properties in Australia. CWH believes that its proposed acquisition of MIF may create a platform for further investment by it in Australian properties.

2. Acquiring entities

While CWH is the proposed purchaser under the terms of the Scheme Implementation Agreement, it is anticipated that CWH will, prior to implementation of the Scheme, nominate a wholly owned entity of CWH (**CWH Nominee**) to accept a transfer of some of the Scheme Units.

CWH anticipates that the CWH Nominee will be ASA Properties Trust (**ASA**), which is also a REIT established under the laws of the State of Maryland and which is 100% owned by CWH.

3. What is the relationship between CWH and MCFM?

Other than in connection with the Proposal, there is no direct relationship between CWH and MCFM.

RMR Advisors Inc., an affiliate of RMR, is the investment advisor to the RMR Asia Pacific Real Estate Fund, which is a real estate securities fund listed on the NYSE All Cap. MacarthurCook Investment Managers Limited, a subsidiary of MacarthurCook Limited and related body corporate of MCFM, is the sub advisor for the RMR Asia Pacific Real Estate Fund.

4. Funding arrangements

Under the terms of the Scheme Implementation Agreement and the Deed Poll, subject to the Scheme becoming Effective, CWH must either itself provide, or ensure that the CWH Nominee provides, to Scheme Participants the aggregate amount of the Scheme Consideration.

As at the date of this Explanatory Memorandum, there are 98,468,806 Units on issue (based on documents filed by MIF with ASX). Assuming no change to this number, the maximum aggregate amount of cash required to be paid by CWH and/or the CWH Nominee to Scheme Participants as Scheme Consideration is \$43,326,275.

CWH expects to use cash on hand and may also use available drawing capacity under its unsecured credit facilities to fund the payment of the aggregate amount of the Scheme Consideration. CWH confirms that these funds are held or available to it in United States dollars, are unhedged, but are enough to ensure that sufficient funds in Australian dollars will be available to pay the aggregate amount of the Scheme Consideration as and when required under the Scheme.

INFORMATION REGARDING CWH Continued

5. CWH's intentions if the Scheme is implemented

The intentions set out in this section are statements of current intention only and are based on facts and circumstances that are known to CWH as at the date of this Explanatory Memorandum. Final decisions on these matters will only be made in light of all material facts and circumstances at the relevant time if the Scheme is implemented. Accordingly, these statements of current intent may change as new information becomes available or if circumstances change.

If the Scheme is implemented, CWH will own (either solely or jointly with the CWH Nominee) all of the Units in MIF. As noted above, CWH's rationale for the proposed acquisition of MIF is to expand its portfolio of investments to include industrial properties in Australia and CWH believes that this investment may create a platform for further purchases of Australian properties.

If the Scheme is implemented, CWH intends to do the following:

- (a) have MIF removed from the official list of ASX; and
- (b) retain MCFM (or another wholly owned subsidiary of AIMS) as the responsible entity of MIF and engage it to operate and manage MIF and its assets on the terms of the Management Agreement. The terms of the Management Agreement are summarised in Part 9, Section 6 of this Explanatory Memorandum.

Other than as set out in this Part 9, Section 5, if the Scheme is implemented, CWH intends to:

- (c) continue the business of MIF; and
- (d) not make any major changes to the business of MIF or redeploy the fixed assets or property of MIF.

6. Management of MIF

Given CWH is a US-based REIT, if Unitholders approve the Scheme Resolutions and the Scheme is implemented CWH will require an Australian-based manager to manage MIF's portfolio. Given MCFM's prior experience with the portfolio and the benefits of consistent asset management, CWH has decided to continue the appointment of MCFM as the manager of the portfolio.

This appointment is on an arm's length basis with market-based fees, the material terms of which are summarised as follows:

6.1 Management Services

MCFM will provide day to day management services in respect of MIF's businesses, operations and real estate investments. CWH, in its capacity as unitholder in MIF, will have approval/veto rights in respect of significant decisions concerning MIF.

6.2 Term

The continued appointment of MCFM as responsible entity and manager of MIF is ongoing, subject to the following termination rights which are materially similar to those in the management agreement between CWH and its manager RMR:

- (a) CWH termination by notice: CWH may remove MCFM as responsible entity and manager of MIF on giving 60 days' notice to MCFM;
- (b) MCFM termination by notice: MCFM may retire as responsible entity and manager of MIF on 60 days notice to CWH; and
- (c) Accelerated termination for 'cause': either CWH or MCFM may terminate the Management Agreement at any time upon written notice to the other party if that other party is in material breach of the Management Agreement which has not been remedied within seven days of receipt of notice of that breach.

INFORMATION REGARDING CWH Continued

6.3 Fees

The existing fee structure set out in the Constitution of MIF will be removed and replaced by the following arrangements:

- (a) **Business Management Fee:** MCFM will be entitled to a business management fee calculated as 0.5% of the annual average invested capital of MIF (being determined by reference to the average aggregate historical cost of MIF's assets).
- (b) **Property Management Fee:** MCFM will be entitled to a property management fee calculated as 50% of an amount equal to the difference between 3% of gross rents of MIF and any amounts paid by MIF to third party property managers; and
- (c) **Construction Supervision Fee:** MCFM will be entitled to a construction supervision fee calculated as one half of an amount equal to the difference between:
 - (i) five percent (5%) of the cost of all interior and exterior construction, renovation or repair activities at the properties, other than ordinary maintenance and repair (which shall include the costs of all related professional services and the cost of general conditions); and
 - (ii) any amounts paid to third parties for construction management and/or supervision in connection with such construction, renovation or repair activities at the properties.

6.4 Expense Reimbursement

MCFM will continue to have a right to reimbursement out of the assets of MIF of expenses incurred in relation to the operation of MIF on terms materially similar to those which currently apply under the MIF Constitution.

6.5 Substitution of MCFM

CWH has agreed that MCFM may, following implementation of the Scheme, be replaced as the responsible entity and manager of MIF by another wholly owned subsidiary of AIMS. The terms of engagement of any such replacement responsible entity and manager of MIF will be identical to those of the Management Agreement.

6.6 Exclusivity

For so long as MCFM (or any other wholly-owned entity of AIMS) is the responsible entity of the Fund:

- (a) MCFM will have a right of first opportunity to manage, on the same terms as it manages the Fund, any investment by CWH in Australian or New Zealand office or industrial property; and
- (b) subject to certain exceptions, the Fund will have a right of first refusal over investment opportunities in respect of Australian or New Zealand office or industrial property sourced by the AIMS Group.

INFORMATION REGARDING CWH Continued

7. CWH's interest in MIF

(a) Current interests

As at the date of this Explanatory Memorandum:

- (i) CWH does not have a relevant interest in any of the issued Units; and
- (ii) CWH's voting power in MIF is 24.3%.

CWH's voting power in MIF arose as a result of it having become an associate of MCFM at the time that the Scheme Implementation Agreement was signed. That association arose at that time due to the proposed ongoing management arrangements for MIF which are contemplated by the Scheme Implementation Agreement and which are summarised in Part 9, Section 6 and discussed in Part 11, Section 15(d) of this Explanatory Memorandum. For the same reason, RMR also has voting power of 24.3% in MIF.

(b) Dealings in previous four months

During the period of four months before the date of this Explanatory Memorandum, neither CWH nor any of its associates (as defined in section 12(2) of the Corporations Act) have provided, or agreed to provide, consideration for a Unit under a purchase or an agreement other than under the Scheme Implementation Agreement and the Deed Poll.

(c) Benefits to third parties

Other than as disclosed in this Explanatory Memorandum, during the period of four months before the date of this Explanatory Memorandum, neither CWH nor any of its associates (as defined in section 12(2) of the Corporations Act) have given, or offered to give, a benefit to another person, or an associate (as defined in section 12(2) of the Corporations Act) to:

- (i) vote in favour of the Scheme Resolutions to approve the CWH Proposal; nor
- (ii) dispose of Units,

and where the benefit was not offered to all Unitholders.

10. OVERVIEW AND IMPLEMENTATION OF THE CWH PROPOSAL

Overview of the CWH Proposal

1. Scheme

The Scheme is being facilitated by an amendment to the Trust Constitution as set out in the Supplemental Deed (as set out in Attachment F).

Implementation of the Scheme is conditional on:

- (a) the Scheme Resolutions being passed by the appropriately constituted requisite majorities of Unitholders at the Meeting;
- (b) the Wind-up Resolution not being approved; and
- (c) a number of other conditions in Section 3.1 of the Scheme Implementation Agreement, (as set out in Attachment D).

If the Scheme is approved and implemented, Scheme Participants will receive a payment of \$0.44 cash in respect of each Unit they hold on the Record Date.

See Part 11, Section 17 for information regarding the modification granted by ASIC to enable the CWH Proposal to be implemented if the Scheme Resolutions are approved by the appropriately constituted requisite majorities and the Wind-up Resolution is not approved.

Following implementation of the Scheme, Unitholders will cease to hold an interest in MIF, which will subsequently be delisted from ASX.

1.1 Explanation of the Approval Resolution

The Approval Resolution is an approval of the CWH Proposal for all purposes, including for the purposes of item 7 of section 611 of the Corporations Act, to allow CWH to acquire a relevant interest in Units the acquisition of which would otherwise breach section 606 of the Corporations Act.

Section 606 of the Corporations Act prohibits the acquisition by a person of a relevant interest in the voting securities of an entity if the acquisition would result in that person's voting power in the entity increasing from 20% or below to more than 20%, unless the acquisition falls within one of the exceptions listed in section 611 of the Corporations Act. One of those exceptions is under item 7 of section 611 where the acquisition is approved by a resolution of Unitholders.

The Approval Resolution must be passed as an ordinary resolution and therefore will be passed if supported by a simple majority of votes cast on that resolution (in person, by proxy, attorney or, in the case of corporate Unitholders, by corporate representative) by Unitholders entitled to vote on the Approval Resolution.

Pursuant to item 7 of section 611 of the Corporations Act, no votes may be cast by CWH and its associates on the Approval Resolution (unless the associate is a custodian, nominee, trustee, responsible entity or other fiduciary which has received a specific instruction from a third party beneficiary, who is not an associate of CWH, directing the associate how to vote). Pursuant to section 253E of the Corporations Act, MCFM and its associates are not entitled to vote on the Approval Resolution if they have an interest in the Resolution other than as a member.

The Approval Resolution is conditional upon:

- (a) the passing of the Amendment Resolution; and
- (b) the Wind-up Resolution to wind-up the Scheme not being approved.

The Approval Resolution and applicable voting exclusions are set out in the Notice of Meeting in Attachment A.

OVERVIEW AND IMPLEMENTATION OF THE CWH PROPOSAL Continued

1.2 Explanation of the Amendment Resolution

The Amendment Resolution is an approval to the amendments to the Trust Constitution which is required under section 601GC(1) of the Corporations Act.

The Amendment Resolution must be approved as a special resolution and therefore will be passed if supported by at least 75% of the total number of votes cast on that Resolution at the Meeting (in person, by proxy, attorney, or in the case of corporate Unitholders, by corporate representative) by Unitholders entitled to vote on the Resolution.

Pursuant to Guidance Note 15, votes cast by CWH and its associates and MCFM and its associates on the Amendment Resolution will be disregarded. Pursuant to section 253E of the Corporations Act, MCFM and its associates are not entitled to vote on the Amendment Resolution if they have an interest in the Resolution other than as a member.

The Amendment Resolution is conditional upon:

- (a) the passing of the Approval Resolution; and
- (b) the Wind-up Resolution to wind-up the Scheme not being approved.

The Amendment Resolution and applicable voting exclusions are set out in the Notice of Meeting in Attachment A.

2. Court Hearings

MCFM has applied for judicial advice from the Supreme Court of NSW in relation to whether it may take the steps required to dispatch the Explanatory Memorandum and, if approved, amend the MIF constitution and implement the CWH Proposal.

On 25 August 2010 the Court made orders that MCFM is justified in convening a meeting of MIF Unitholders for the purpose of voting on the Resolutions.

If the Scheme Resolutions are approved by the requisite majorities (and the Wind-up Resolution is not approved) at the Meeting, MCFM will seek further judicial advice at a second court hearing to the effect that it is justified in:

- (a) proceeding on the basis that amendments to the MIF Constitution as set out in the Supplemental Deed, would be within the powers of alteration contained in the MIF Constitution and consistent with section 601GC of the Corporations Act; and
- (b) giving effect to and implementing the CWH Proposal.

3. Steps for implementing the CWH Proposal

3.1 Preliminary steps

MCFM, as responsible entity of MIF, and CWH entered into a Scheme Implementation Agreement on 3 May 2010 pursuant to which they agreed to implement the CWH Proposal. A copy of the Scheme Implementation Agreement is set out at Attachment D. MIF and CWH entered into an Amending Deed on 9 July 2010 to record their agreement in relation to an increase in the Scheme Consideration to \$0.44 per Scheme Unit and each party's rights if all Resolutions are approved. The Amending Deed is attached as Attachment E.

OVERVIEW AND IMPLEMENTATION OF THE CWH PROPOSAL Continued

3.2 Meeting

MCFM has convened the Meeting for 11:00am on 23 September 2010 for the purposes of Unitholders voting on the Scheme Resolutions.

Each person who is registered as a Unitholder at close of business on 22 September 2010 is entitled to vote at the Meeting, either in person or by proxy or attorney or, in the case of a body corporate, by corporate representative (unless otherwise noted in the Notice of Meeting).

Instructions on how to attend and vote at the Meeting in person, or to appoint a proxy to attend and vote on your behalf are set out in the Notice of Meeting which is set out in Attachment A.

3.3 Steps for implementing the Scheme

If the Scheme is approved by the appropriately constituted requisite majority of Unitholders (and the Wind-up Proposal is not approved) and the conditions to the Scheme are satisfied, then the key steps for implementing the Scheme are as follows:

- (a) The Scheme will not become Effective if the Scheme Implementation Agreement is terminated or the Scheme conditions, described in Part 11, Section 14 are not satisfied or waived.
- (b) As soon as practicable following Unitholders approving the Scheme Resolutions (and the Wind-up Resolution not being approved), but not before each condition precedent to the Scheme has been satisfied or waived in accordance with the Scheme Implementation Agreement MCFM will lodge a copy of MIF's amended Constitution with ASIC (the Constitution will be amended in accordance with the Supplemental Deed set out in Attachment F). The Scheme will become Effective on and from the date on which a copy of MIF's amended Constitution is lodged with ASIC (Effective Date). For details in relation to the conditions precedent to the Scheme, refer to Part 11, Section 14.
- (c) It is expected that suspension of trading of Units on ASX will occur from close of trading on the Effective Date.
- (d) If the Scheme becomes Effective, then on the Implementation Date, all Scheme Units held by Unitholders on the Record Date will be transferred to CWH without the need for any further act by a Unitholder, by:
 - (i) MCFM procuring the delivery to CWH of a duly completed and executed transfer form to transfer all of the Units to CWH and/or the CWH Nominee;
 - (ii) CWH and/or the CWH Nominee executing the transfer form and delivering it to MCFM for registration; and
 - (iii) MCFM, after receipt of the transfer forms executed by CWH and/or the CWH Nominee entering the name of CWH and/or the CWH Nominee in the Register as the holder of all Scheme Units transferred by MIF Unitholders.
- (e) All Unitholders who hold Scheme Units on the Record Date will be entitled to receive the Scheme Consideration.
- (f) On the Implementation Date, currently intended to be 6 October 2010, in consideration for and subject to the transfer of the Scheme Units to CWH and/or the CWH Nominee, CWH will provide to MCFM to provide to Scheme Participants the consideration of \$0.44 per Scheme Unit.
- (g) If the Scheme becomes Effective, CWH will cause MCFM to apply for termination of official quotation of Units on ASX, and removal of MIF from the official list of ASX, after the Scheme has been fully implemented, including after CWH has become the registered holder of all Units.

OVERVIEW AND IMPLEMENTATION OF THE CWH PROPOSAL Continued

3.3 Deemed action by MIF Unitholders

If the Scheme becomes Effective, each Unitholder, without the need for any further act, irrevocably appoints MCFM as its agent and attorney (with power to appoint sub-attorneys) to do all acts, matters and things which MCFM considers necessary or desirable to give effect to the Scheme including completing and signing a transfer of all Scheme Units.

3.4 Deemed warranty on transfer of Units to CWH

If the Scheme becomes Effective each Scheme Participant is deemed to have warranted to MCFM in its own right and on behalf of CWH that all of their Units (and rights attaching to those Units) will, at the date of the transfer of them to CWH and/or the CWH Nominee:

- (a) be fully paid and free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind; and
- (b) be free from any restrictions on transfer of any kind.

Each Scheme Participant is also deemed to have also warranted that they have the full power and capacity to sell and to transfer their Scheme Units to CWH pursuant to the Scheme. A copy of the Scheme Implementation Agreement is set out at Attachment D.

3.5 What Unitholders will receive

If the CWH Proposal is implemented, each Unitholder on the Register on the Record Date will be sent (either by electronic funds transfer to an account nominated by the Unitholder or by cheque sent by pre-paid post) \$0.44 per Scheme Unit within five Business Days of the Implementation Date.

4. Payment of Scheme Consideration

On the Implementation Date CWH will provide (or procure that the CWH Nominee provides) the Scheme Consideration to MCFM to hold on trust for each of the Scheme Participants.

The Scheme Consideration will be paid by MCFM making a payment within 5 Business Days of the Implementation Date to each Scheme Participant's bank account nominated with the Registry as at the Record Date.

If a Scheme Participant has not previously notified the Registry of a bank account or would like to change the existing nominated bank account, the Scheme Participant should contact the MacarthurCook Operations Team on 1300 362 117 or 1300 655 197 or fax details to 02 9281 7611 or email to mail@macarthurcook.com.au before the Record Date.

If a Scheme Participant does not have a nominated bank account with the Registry as at the Record Date, that Scheme Participant will be sent a cheque for any Scheme Consideration that the Scheme Participant is entitled to receive under the Scheme. If the Scheme Participant's whereabouts are unknown as at the Record Date, the Scheme Consideration will be paid into a separate bank account and held by MCFM on trust until claimed or applied under laws dealing with unclaimed money.

OVERVIEW AND IMPLEMENTATION OF THE CWH PROPOSAL Continued

5. Determination of persons entitled to the Scheme Consideration

5.1 Dealings on or prior to the Record Date

For the purpose of establishing the persons who are Scheme Participants, dealings in Units will only be recognised if:

- (a) in the case of dealings of the type to be effected by CHES, the transferee is registered in the Register as a holder of the relevant Units by the Record Date; and
- (b) in all other cases, registrable transfers or transmission applications in respect of those dealings are received at the registry by 7:00pm on the Record Date.

MCFM must register such transfers or transmission applications which it receives by, or as soon as practicable after, the Record Date.

5.2 Dealings after the Record Date

MCFM will not accept for registration or recognise for any purpose any transmission application or transfer in respect of Units received after the Record Date or received prior to the Record Date and not in registrable form. For the purposes of determining entitlements to Scheme Consideration, MCFM will from the Record Date until the acquisition of the Scheme Units, maintain the Register in this form, which, together with the terms of the Scheme, will determine entitlements to the Scheme Consideration.

As from the Record Date, each entry on the Register relating to Scheme Units will cease to be of any effect other than as evidence of entitlement to the Scheme Consideration in respect of Scheme Participants to the Scheme Consideration relating to that entry.

Any statements of holding in respect of Units shall, from the Record Date, cease to have any effect as documents of evidence of title in respect of such Units.

6. End Date

If the Scheme has not become Effective (for example as a result of a condition precedent as listed in Part 11, Section 14 not having been satisfied) by 30 September 2010 either party can seek to extend the End Date. In particular, CWH can extend the End Date to 31 December 2010 if it receives legal advice that the condition precedent in clause 3.1(f) of the Scheme Implementation Agreement (Final Tax Rulings) is unlikely to be satisfied by 30 September 2010. If the parties do not agree to extend the End Date or if CWH does not exercise its right to extend the End Date to 31 December 2010 as provided for in clause 3.5(c) of the Scheme Implementation Agreement, the Scheme will not proceed. If the Scheme does not proceed, Unitholders will retain their Units in MIF, which will continue to be listed and trade on the ASX.

11. ADDITIONAL INFORMATION

1. Securities held by Directors in MIF

Name	Unitholding
George Wang	As the owner of 100% of MacarthurCook Pty Limited and its subsidiaries, MCFM and MacarthurCook Real Estate Funds Limited, George Wang has a relevant interest in approximately 24.3% of the MacarthurCook Industrial Property Fund (see Part 11, Section 8 below).
Mark Thorpe-Apps	Nil
Tony Wood	Nil
Chris Langford	Nil
Mr Richard Nott	Nil

For the avoidance of doubt, no Directors will be voting on the Resolutions.

2. Other interests of Directors in MIF

Name	Unitholding
George Wang	Nil
Mark Thorpe-Apps	Nil
Tony Wood	Nil
Chris Langford	Nil
Mr Richard Nott	Nil

3. Special Board Committee

Prior to entering into discussions with CWH, a meeting of the directors of MCFM resolved that:

- a committee of the board comprising Tony Wood (Chairman), Christopher Langford and Mark Thorpe-Apps be established to engage in discussions and negotiations with CWH and facilitate due diligence by CWH;
- arrangements and governance protocols be established to manage any potential conflict of interests which may arise in respect of Mark Thorpe-Apps' participation in the committee; and
- AFG (and George Wang on behalf of AFG) be authorised to continue separate negotiations with CWH in respect of management arrangements to be agreed between AFG and CWH.

Mark Thorpe-Apps is an executive director of MCFM, and in this role he would ordinarily be involved in negotiations regarding MIF's management agreements. At this board meeting, the directors agreed to put arrangements in place so that Mark Thorpe-Apps, through his participation in the SBC, would be involved in MIF's negotiations with CWH in respect of the CWH Proposal, but would not have any involvement in, or knowledge of MIF's negotiations with CWH regarding the terms of any management agreement. Mark Thorpe-Apps was advised not to discuss the SBC's consideration and negotiation of the CWH proposal with any employees of MIF, nor to enquire about the status of the negotiations on the management agreement.

It is noted that Mark Thorpe-Apps' contract with MCFM expires on 27 August 2010 and it is not currently expected that he will remain a director of MCFM, or a member of the SBC, past this date.

ADDITIONAL INFORMATION Continued

4. Special Board Committee Voting Intentions

At the time of despatch of this Explanatory Memorandum none of the SBC members holds or has a relevant interest in any Units in MIF and they would, in any event, be excluded from voting on the Resolutions as they are an associate of MCFM.

5. Agreements or arrangements with Directors

Other than those agreements executed in the ordinary course (eg. Directors Contracts, Deeds of Indemnity, employment contracts etc) there are no other agreements or arrangements in place for the Executive Directors (George Wang and Mark Thorpe-Apps) of the Board.

In relation to the Independent Directors (Tony Wood and Chris Langford), special arrangements were implemented for their role and ongoing involvement in the Special Board Committee process. As the performance of this role was outside of the normal duties required under the Directorships, special arms length remuneration conditions were approved by the Board of MacarthurCook Fund Management Limited.

6. Payments and other benefits to directors, secretaries or executive officers of MIF

Other than what has been outlined above, or what is being paid in the ordinary course of business and employment, no other special benefits or payments exist.

7. Trading of Units

The latest sale price of Units on ASX before the date of this Explanatory Memorandum was \$0.41 per Unit.

8. MIF's substantial holders

The substantial holders of Units as at the date of this Explanatory Memorandum are as follows:

Substantial Holder	Units	%
AIMS Securities Holdings Pty Ltd	23,948,066	24.3
CWH*	23,948,066	24.3
RMR*	23,948,066	24.3
Real Estate Capital Partners EntRe Fund	19,516,566	19.8

*CWH and RMR do not have a relevant interest in the units set out in the table above and have no power to exercise, or control the exercise of, any right to vote attached to the units in the table above. By entering into the Scheme Implementation Agreement CWH and RMR are deemed by the Corporations Act to be associates of MCFM and are therefore deemed to be a substantial holder, however they do not hold any Units.

MCFM has relied on information provided to it by its Registry up to the date of this Explanatory Memorandum, to compile the above table. Further information is available on the ASX website, in regard to substantial holdings arising, changing or ceasing before this time.

9. Material changes in financial position

To the knowledge of each of the SBC members, there has been no material change in the financial position of MIF since 30 June 2010, the date of the last audited balance sheet, except as disclosed elsewhere in this Explanatory Memorandum and as disclosed to ASX.

10. Suspension of trading of Units

If Unitholders approve the Scheme at the Meeting and the Wind-up Resolution is not approved, MCFM will immediately notify ASX. It is expected that suspension of trading on ASX in Units will occur at the close of business on 28 September 2010.

ADDITIONAL INFORMATION Continued

11. Information disclosed to ASX and documents lodged with ASIC

(a) MIF continuous disclosure

MIF is a "disclosing entity" for the purposes of the Corporations Act and as such is subject to periodic reporting and continuous disclosure obligations.

Publicly disclosed information about all listed entities, including MIF, is available on the ASX website www.asx.com.au. Publicly disclosed information about MIF is also available at its website.

(b) MIF documents

In addition, MIF is also required to lodge various documents with ASIC. Copies of documents lodged with ASIC by MCFM may be obtained from, or inspected at, ASIC offices.

MCFM will provide free of charge, to any Unitholder who requests it before the Effective Date, a copy of:

- (i) the audited financial report of MIF and its controlled entities for the year ended 30 June 2010 (being the annual financial report most recently lodged with ASIC before this Explanatory Memorandum was lodged with ASIC); and
- (ii) each continuous disclosure notice given to ASX by MCFM after lodgement with ASIC of the annual report referred to above and before the Meeting.

12. Consents

The Independent Expert has given and not withdrawn its consent to the inclusion of the Independent Expert's Report in Attachment G and to the references to the Independent Expert's Report in this Explanatory Memorandum being made in the form and context in which each such reference is included in this Explanatory Memorandum.

KPMG has given and not withdrawn its consent to the inclusion of its Taxation Considerations Report in Attachment H and to the references to the Taxation Considerations Report in this Explanatory Memorandum being made in the form and context in which each such reference is included in this Explanatory Memorandum.

CWH has given and has not withdrawn its consent to the inclusion of all the information that is contained in Part 9 'Information Regarding CWH' and to the references to that information in this Explanatory Memorandum being made in the form and context in which each such reference is included in this Explanatory Memorandum. CWH has also consented to the inclusion of the undertakings it has provided in Part 11, Section 21 'Undertakings by CWH'.

13. Supplementary information

MCFM will issue a supplementary document to this Explanatory Memorandum, and provide this information to the ASX and ASIC, if it becomes aware of any of the following between the date of despatch of this Explanatory Memorandum and the date of the Meeting:

- (a) a statement in this Explanatory Memorandum is misleading or deceptive;
- (b) an omission of information required by the Corporations Act or Guidance Note 15 to be included in this Explanatory Memorandum; or
- (c) a new circumstance relevant to the CWH Proposal which, had it arisen prior to the date of despatch of this Explanatory Memorandum, would have been required to be included in this Explanatory Memorandum,

that is material from the point of view of a Unitholder.

Depending on the nature and the timing of the changed circumstances and subject to obtaining any relevant approvals, MCFM may circulate and publish any supplementary information by:

ADDITIONAL INFORMATION Continued

- (d) placing an advertisement in a prominently placed newspaper which is circulated generally throughout Australia; and/or
- (e) posting the supplementary information in an announcement on the ASX announcements platform www.asx.com.au and on MIF's website www.macarthurcook.com.au; and/or
- (f) posting the supplementary document to all Unitholders.

14. Conditions to Scheme

The Scheme and the obligations of MCFM and CWH under the Scheme are subject to the Wind-up Proposal not being approved as well as the following relevant conditions being satisfied (or waived) in accordance with the terms of the Scheme Implementation Agreement:

- (a) ASIC and ASX issuing or providing such consents, waivers, modifications, and/or approvals or doing such other acts which are necessary or which MCFM and CWH agree are reasonably desirable to implement the Scheme;
 - (b) judicial advice being obtained confirming that MCFM would be justified in convening the Scheme Meeting and proceeding on the basis that amending MIF's Constitution as set out in the Supplemental Deed would be within the powers of alteration conferred by MIF's Constitution and section 601GC of the Corporations Act;
 - (c) no order, injunction, judgment, decree or other preliminary or permanent, restraint or prohibition has been issued by a court or other Governmental Agency which remains in effect and prohibits, materially restricts or restrains the completion of the CWH Proposal;
 - (d) each of the Final Tax Rulings are obtained and there has been no change in laws which affects those Final Tax Rulings;
 - (e) the representations and warranties given respectively by MCFM and CWH as set out in the Scheme Implementation Agreement remaining true and correct in all material respects as at the date of the Scheme Implementation Agreement (being 3 May 2010) and the Effective Date;
 - (f) no MIF Material Adverse Change having occurred, meaning:
 - (i) events which individually, or when aggregated with other events has had or is reasonably likely to have an adverse effect on:
 - (A) the actual forecast annual operating income of MIF, whether now or in the future, of 5% or more; or
 - (B) the net asset value, whether now or in the future, of 5% or more,
 - (ii) the termination, or MCFM receiving notice of an intention to terminate, any lease relating to any property owned by MIF; or
 - (iii) any tenant of a property owned by MIF materially breaching or defaulting in a material payment obligation or suffering an insolvency event.
- In this context, the type of "event" which can give rise to a MIF Material Adverse Change excludes any event, occurrence or matter:
- (iv) that is required to be undertaken or is otherwise contemplated by the transaction documents;
 - (v) which MCFM and CWH agree is not a MIF Material Adverse Change; or
 - (vi) to the extent that the event, occurrence or matter was fairly disclosed by MCFM to CWH during the due diligence process.
- (g) MIF's lender having provided its consent to the CWH Proposal in a form which is satisfactory to CWH;
 - (h) MCFM, CWH and any other relevant parties must have entered into a formal agreement to document the management arrangements to apply in respect of MIF on and from the Implementation Date; and
 - (i) no MIF Regulated Event occurring (as defined in the Scheme Implementation Agreement).

ADDITIONAL INFORMATION Continued

Capitalised terms appearing in this Part 11, Section 14 and not otherwise defined in the Glossary are defined in the Scheme Implementation Agreement.

Full details of the conditions, the ability of CWH and MCFM to rely on various of the conditions and the provisions relating to the satisfaction or waiver of those conditions, are set out in the Scheme Implementation Agreement.

As at the date of this Explanatory Memorandum, the Directors are not aware of any reason why these conditions should not be satisfied except as otherwise set out in this Explanatory Memorandum. However, several of these conditions must meet the reasonable satisfaction of CWH and the SBC does not seek to present the intentions of CWH in relation to those conditions precedent.

15. Material agreements

The following material agreements have been, or will be, entered into in connection with the CWH Proposal:

- (a) Scheme Implementation Agreement – See Attachment D;
- (b) Deed Poll – See Attachment C;
- (c) Supplemental Deed – See Attachment F; and
- (d) Management Agreement – See the key terms of the Management Agreement set out in Part 9, Section 6. Given CWH is a US-based REIT, if the Scheme is implemented CWH will require an Australian-based manager to manage MIF's portfolio. Given MacarthurCook's prior experience with the portfolio and the benefits of consistent asset management, CWH has decided to continue the appointment of MCFM as the manager of the portfolio. The SBC notes that the terms of the proposed management arrangements between CWH and MCFM are less favourable than the current arrangements. In particular, the SBC notes:
 - (i) while customary in similar Australian transactions, MCFM is receiving no payment for foregoing its management of MIF in its listed form;
 - (ii) the ongoing management fee structure is less favourable for MCFM than MCFM's current arrangement with MIF – removal of performance fees, and reduced management fees; and
 - (iii) the management contract will be terminable by CWH or MCFM on 60 days notice without cause, i.e. MCFM has no certainty of future management fees.

Comparison to Existing Management Arrangements

Under the existing management agreement with MCFM, which is more favourable to MCFM than the proposed continued arrangements with MCFM for the continuing management of the portfolio, the following fee arrangements are in place:

- (i) Management Fee: MCFM is entitled to a management fee of 0.65% per annum of the Fund's "gross asset value";
- (ii) Acquisition and Promotion Fee: an acquisition and promotion fee of 1.0% of the purchase price of real property located outside Australia acquired as an asset of the Fund;
- (iii) Disposal Fee: a disposal fee of 0.5% of the net sale proceeds upon the sale of any real property located outside Australia that is an asset of the Fund, if the net sale proceeds exceed the purchase price and acquisition costs; and
- (iv) Performance Fee: MCFM is entitled to a performance fee calculated in accordance with the formula set out in section 19.2.3 of MIF's Constitution.

ADDITIONAL INFORMATION Continued

16. Future transactions

From time to time MCFM and AFG assist CWH and its associates with enquiries in relation to potential future transactions. At this time MCFM is not aware of any agreement or understanding between MCFM, CWH and its associates in relation to a future transaction between any of these parties.

17. ASIC modifications

ASIC has indicated that it will grant the following relief from certain provisions of the Corporations Act to enable the CWH Proposal to be implemented if the Scheme Resolutions are approved by the appropriately constituted requisite majorities (and the Wind-up Resolution is not approved). The effect of the relief is to allow Unitholders other than CWH and its associates (unless the associate is a custodian, nominee, trustee, responsible entity or other fiduciary which has received a specific instruction from a third party beneficiary, who is not an associate of CWH, directing the associate how to vote) to vote in favour of the Scheme for the purpose of item 7 of section 611 of the Corporations Act.

A copy of the relevant ASIC instrument of relief which have been granted to CWH will be provided to any MIF Unitholder free of charge upon request.

18. Performance fees

There will be no performance fee payable to MCFM in connection with the CWH Proposal.

19. Costs and expenses

The costs of the CWH Proposal include advisory costs, legal fees, the Independent Expert's fees and other costs. The Fund will not incur any costs in relation to the Management Agreement which will be entirely funded by MCFM. All costs incurred by MCFM on behalf of the Fund in relation to the CWH Proposal and the Wind-up Proposal will be ultimately payable from the assets of MIF.

If the CWH Proposal is implemented, MCFM's costs are estimated to be approximately \$2.9 million (inclusive of GST). If the CWH Proposal is not implemented, MCFM's costs are estimated to be \$1.9 million (inclusive of GST). This cost estimate excludes break fee costs which may be payable by MCFM to CWH in certain circumstances (see Part 7, Section 4.5).

20. Effect on material interests

Except as set out elsewhere in this agreement, in particular the Management Agreement as described in Part 9, Section 6 and Part 11, Section 15(d), the Scheme has no effect on the material interests of MCFM, its related bodies corporate or their directors, so far as that effect is different from the effect on the interests of Unitholders in general.

21. Undertakings by CWH

21.1 Scheme Consideration

Subject to the Scheme becoming Effective, CWH has undertaken for the benefit of Scheme Participants in the Deed Poll to pay the Scheme Consideration of \$0.44 per Scheme Unit.

21.2 Scheme implementation

CWH has undertaken for the benefit of Scheme Participants in the Deed Poll to do all things that it is required to do under the Scheme Implementation Agreement to implement the Scheme.

A copy of the Scheme Implementation Agreement is set out in Attachment D.

21.3 Supplementary information

CWH has undertaken in the Scheme Implementation Agreement that it will in the period from the date of despatch to Unitholders of this Explanatory Memorandum to the Implementation Date promptly inform MacarthurCook if it becomes aware that the CWH Information contains a statement that, in the form and context in which it appears in this Explanatory Memorandum, is or has become misleading or deceptive in any material respect or that contains any material omission, and provide such further or new information to MacarthurCook as is required to ensure that such information is no longer misleading or deceptive in any material respect or does not contain any material omission.

ADDITIONAL INFORMATION Continued

21.4 Acquisition of Units

CWH undertakes for the benefit of Scheme Participants that it will not, and will procure that its controlled entities will not, acquire Units other than via the Scheme until the earlier of:

- (a) the Scheme being implemented;
- (b) one or both of the Scheme Resolutions not being approved by Unitholders at the Meeting; or
- (c) the termination of the Scheme Implementation Agreement.

21.5 Compliance with various takeover provisions of the Corporations Act

CWH undertakes for the benefit of Scheme Participants that, except as disclosed elsewhere in this Explanatory Memorandum and subject to any differential treatment of Scheme Participants which is inherent in the Scheme, the Scheme will as far as practicable comply with the following sections of the Corporations Act as they would apply if CWH were making a takeover bid for MIF on similar terms:

- (a) subsection 618(1) and section 619;
- (b) subsections 621(3), (4) and (5) as modified by ASIC class order 00/2338; and
- (c) sections 622, 623, 627, 628 and 651A.

For the purposes of this clause, the date of the despatch of this Explanatory Memorandum will be:

- (a) the date of the bid for the purposes of applying subsection 621(3), (4) and (5) of the Corporations Act; and
- (b) the first date of the bid period (which will end immediately after the Scheme Meeting) for the purposes of applying section 623 of the Corporations Act.

22. Other material information

Except as disclosed elsewhere in this document, MCFM is not aware of:

- (a) any material information which would cause the Scheme not to comply in a material respect with any of the policies and protections contained in Chapter 6 of the Corporations Act, if CWH were making a takeover bid for MIF on similar terms; and
- (b) any material information about MIF that is material to a decision by a Unitholder on how to vote in relation to the Scheme and which:
 - (i) has not been available to the Independent Expert in the manner referred to above for the purpose of preparing the Independent Expert's Report;
 - (ii) is not set out or referred to in this Explanatory Memorandum; or
 - (iii) has not otherwise been made available publicly by MIF.

12. GLOSSARY

Definitions

In this Explanatory Memorandum, unless the context otherwise requires:

AFG means the AIMS Financial Group, the owner of MCFM.

AIMS means AIMS Capital Holdings Pty Ltd.

AIMS Group means AIMS and its Related Bodies Corporate.

Amending Deed means the deed dated 9 July 2010 which amends the Scheme Implementation Agreement, between MCFM and CWH, a copy of which is set out in Attachment E.

Amendment Resolution means resolutions of the Unitholders to approve amendments to the Trust Constitution to facilitate the Scheme and to authorise MCFM to execute and lodge with ASIC the Supplemental Deed effecting those amendments.

Approval Resolution means resolutions of the Unitholders to approve for all purposes, including item 7 of section 611 of the Corporations Act, the steps required to implement the Scheme.

ASA means ASA Properties Trust.

ASIC means the Australian Securities and Investments Commission.

ASX means ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market known as the Australian Securities Exchange operated by it.

ASX Listing Rules means the official listing rules, from time to time, of ASX.

Board means the board of directors of MCFM (in its capacity as responsible entity of MIF).

Business Day means a day (other than a Saturday, Sunday or public holiday) on which banks are open for general banking business in Sydney.

CHESS means the Clearing House Electronic Subregister System for the electronic transfer of securities, operated by ASX Settlement and Transfer Corporation Pty Limited (ABN 49 008 504 532).

Corporations Act means the Corporations Act 2001 (Cth) as modified in respect of MIF or the Scheme.
CWH means Commonwealth REIT, formerly known as HRPT Properties Trust.

CWH means Commonwealth REIT, formerly known as HRPT Properties Trust.

CWH Group means CWH and its related bodies corporate and **CWH Group Member** means any one of them.

CWH Information has the meaning given in the Important Notices section of this Explanatory Memorandum, beneath the sub-heading "Responsibility for information".

CWH Nominee means any wholly owned entity of CWH which is nominated by CWH to accept a transfer of some of the Scheme Units.

CWH Proposal means the Scheme.

Deed Poll means the document under which CWH covenants in favour of Scheme Participants to, amongst other things, perform its obligations under the Scheme Implementation Agreement, a copy of which is set out in Attachment C.

Director means a director on the Board as at the date of this Explanatory Memorandum.

GLOSSARY Continued

Effective means the coming into effect of the Supplemental Deed pursuant to subsection 601GC(2) of the Corporations Act.

Effective Date means the date on which MCFM lodges the Supplemental Deed with ASIC.

End Date means 30 September 2010, subject to any extension under the Scheme Implementation Agreement.

Explanatory Memorandum means this Explanatory Memorandum.

Final MIF Tax Ruling has the meaning given to that term in the Scheme Implementation Agreement.

Fund or MIF means the MacarthurCook Industrial Property Fund.

GFC means the global financial crisis.

GST means the same as in the GST Act.

GST Act means A New Tax System (Goods and Services Tax) Act 1999 (Cth).

Guidance Note 15 means Guidance Note 15: Listed Trusts and Managed Investment Scheme Mergers issued by the Takeovers Panel of Australia.

Implementation Date means the date which is the next Business Day after the Record Date or such other date as MCFM and CWH agree in accordance with the Scheme Implementation Agreement.

Independent Expert means PKF Corporate Advisory (East Coast) Pty Ltd.

Independent Expert's Report means the report prepared by the Independent Expert stating whether or not, in its opinion:

- (a) the Scheme is fair and reasonable for the Unitholders not associated with CWH; and
- (b) the Scheme is in the best interests of the Unitholders.

Initial Public Offering or IPO means the initial public offering of MIF in December 2007.

Management Agreement means the proposed management arrangements between MCFM and CWH as summarised in Paragraph 9, Section 6 'Management of MIF' and discussed in Part 11, Section 15.

MCFM means MacarthurCook Fund Management Limited in its capacity as responsible entity of MIF (unless specified otherwise).

MCFM Information means all information in this Explanatory Memorandum or otherwise provided to Unitholders in connection with the Scheme, other than the CWH Information.

Meeting means the general meeting of Unitholders held so Unitholders can consider and, if thought fit, approve the Resolutions which is to be held at 11:00am on 23 September 2010 in the Park Hyatt, 1 Parliament Square off Parliament Place, Melbourne, Victoria, the notice for which is set out at Attachment A.

Members Statement means the statement provided by the Requisitioning Unitholders and set out in Part 2 of Attachment B.

MIF or the Fund means MacarthurCook Industrial Property Fund.

Non Associated Unitholders means MIF Unitholders who are not associated with CWH or MCFM.

Notice of Meeting means the notice convening the Meeting together with proxy form for the Meeting as set out in Attachment A.

GLOSSARY Continued

NTA means net tangible assets per unit.

Record Date means 7.00pm on the date that is 5 Business Days after the Effective Date, or such other date as may be agreed in writing between MCFM and CWH.

Register means the register of members of MIF maintained by or on behalf of MIF in accordance with section 168 of the Corporations Act.

Registry means Computershare Investor Services Pty Ltd ACN 078 279 277.

REIT means a real estate investment trust.

Related Bodies Corporate has the meaning given in the Corporations Act.

Requisitioning Unitholders means those MIF Unitholders listed in Part 4 of Attachment B who have each signed the section 252L notice provided to MCFM setting out the Wind-up Resolution.

Resolutions means:

- (a) the Scheme Resolutions; and
 - (b) the Wind-up Resolution,
- which are set out in the Notice of Meeting in Attachment A.

RMR means Reit Management & Research LLC.

Scheme means the arrangement, in accordance with Guidance Note 15, under which CWH (or the CWH Nominees) acquires the Scheme Units and the Scheme Participants receive \$0.44 cash per Scheme Unit, that is facilitated by amendments to the Trust Constitution as set out in the Supplemental Deed, subject to the Scheme Resolutions being approved by the requisite majorities of Unitholders and the Wind-up Proposal not being approved.

Scheme Consideration means \$0.44 cash for each Scheme Unit which is payable by CWH under the Scheme.

Scheme Implementation Agreement means the Scheme Implementation Agreement dated 3 May 2010 between MCFM and CWH, a copy of which is set out in Attachment D, as amended by the Amending Deed.

Scheme Participant means each person registered as the holder of a Scheme Unit on the Record Date.

Scheme Resolutions means the Approval Resolution and the Amendment Resolution, each which is conditional on the Wind-up Resolution not being approved.

Scheme Units means the Units on issue as at the Record Date.

Special Board Committee or SBC or Committee means the special board committee comprising each of Tony Wood, Mark Thorpe-Apps and Chris Langford.

Supplemental Deed means a deed poll pursuant to which MCFM (in its capacity as responsible entity of MIF) will amend the Trust Constitution for the purpose of facilitating the Scheme, a copy of which is set out in Attachment F.

Trust Constitution or Constitution means the constitution establishing MIF dated 4 April 2003 (as amended from time to time).

Unit means an ordinary unit on issue in MIF.

Unitholder means a person who is registered as the holder of a Unit in the Register from time to time.

GLOSSARY Continued

VWAP means volume-weighted average price which is the ratio of the value of securities traded to total volume of securities traded over a particular timeframe.

Wind-up Proposal means the result contemplated by the resolution proposed by the Requisitioning Unitholders, for the Fund to be wound up by 31 December 2011 if the VWAP for the Units traded on the ASX for the 15 trading days up to and including 30 June 2010 is less than or equal to 85% of NTA.

Wind-up Resolution means the resolution, requested by Unitholders holding more than 5% of the Units, to amend the termination provisions contained in the Fund's constitution and set out at Attachment A and to consider approving the Wind-up Proposal.

NOTICE OF MEETING

Notice is hereby given by MacarthurCook Funds Management Limited (**MCFM**) as responsible entity for the MacarthurCook Industrial Property Fund (ARSN 104 606 573) (**MIF**) that a meeting of Unitholders will be held:

Date	23 September 2010
Registration	10:30am
Commencement	11:00am
Venue	Park Hyatt, 1 Parliament Square off Parliament Place, Melbourne, Victoria
Proxy Form Deadline	11:00am on 21 September 2010

Tony Wood has been appointed by MCFM to chair the Meeting (**Chair**).

Quorum

The quorum for the Meeting is at least two Unitholders together. If a quorum is not present, the Meeting will be adjourned to a place, time and date determined by MCFM.

Business

The business of the meeting will consist of the following:

SCHEME RESOLUTIONS

Resolution 1 – Approval of the CWH Proposal

To consider and, if thought fit, pass an ordinary resolution as follows:

Subject to Resolution 2 being passed and Resolution 3 not being passed, THAT for the purposes of item 7 of section 611 of the Corporations Act 2001 and for all other purposes, the Scheme, as described in the Explanatory Memorandum accompanying this Notice of Meeting (with or without such modifications as are approved at the Meeting), and, in particular, the acquisition by Commonwealth REIT and/or a wholly owned entity of Commonwealth REIT nominated by it, of a relevant interest in all the Scheme Units pursuant to the Scheme, be approved and MCFM as responsible entity of MIF be authorised to do all things which it considers necessary, desirable or reasonably incidental to give effect to the Scheme.

The Chair will determine that Resolution 1 will be decided on a poll and can only be passed if at least 50% of the total number of eligible Units voted on the resolution are in favour.

Voting

Pursuant to item 7 of section 611 of the Corporations Act, no votes may be cast by CWH and its associates (unless the associate is a custodian, nominee, trustee, responsible entity or other fiduciary which has received a specific instruction from a third party beneficiary, who is not an associate of CWH, directing the associate how to vote) in favour of Resolution 1.

Pursuant to section 253E of the Corporations Act, MCFM and its associates are not entitled to vote on Resolution 1 if they have an interest in the resolution other than as a member.

Recommendation

Each of the SBC members recommends that you vote in favour of Resolution 1.

NOTICE OF MEETING Continued

Resolution 2 – Amendments to Constitution

To consider and, if thought fit, pass a special resolution as follows:

*Subject to Resolution 1 being passed and Resolution 3 not being passed, THAT the constitution of MIF (**Constitution**) be amended in accordance with the provisions of the supplemental deed poll in the form tabled at the meeting and initialled by the Chair for the purposes of identification (**Supplemental Deed Poll**), and that MCFM as responsible entity of MIF be authorised to execute the Supplemental Deed Poll and lodge it with the Australian Securities and Investments Commission to give effect to the amendments to the Constitution.*

Resolution 2 will be decided on a poll and can only be passed if at least 75% of the total value of eligible Units voted on the resolution are in favour.

Voting

Pursuant to Guidance Note 15, votes cast by CWH and its associates and MCFM and its associates on Resolution 2 will be disregarded.

Pursuant to section 253E of the Corporations Act, MCFM and its associates are not entitled to vote on Resolution 2 if they have an interest in the resolution other than as a member.

Recommendation

Each of the SBC members recommends that you vote in favour of Resolution 2.

REQUESTED RESOLUTION – WIND-UP PROPOSAL

Resolution 3 – Amendments to Constitution – Wind-up Proposal

To consider, and if thought fit, pass a special resolution as follows:

That the constitution of MacarthurCook Industrial Property Fund be amended by deleting the current clauses 29.1 and 29.2 and substitute the following therefore:

29.1 Termination Event

Each of the following is a Termination Event:

- 29.1.1 the Unit Holders by Extraordinary Resolution direct the Responsible Entity to wind up the Trust;*
- 29.1.2 the Court makes an order directing the Responsible Entity to wind up the Trust;*
- 29.1.3 Unit Holders pass an Extraordinary Resolution to remove the Responsible Entity but do not, at the same meeting, pass an Extraordinary Resolution choosing a company to be the new responsible entity that consents to be the Trust's responsible entity;*
- 29.1.4 the Responsible Entity gives notice under section 601 NC of the Corporations Act and no meeting of the Unit Holders is called in accordance with that section;*
- 29.1.5 the Responsible Entity gives at least 6 months' notice of termination of the Trust to Unit Holders; or*
- 29.1.6 the volume weighted average price of the Units traded on the market for trading in securities operated by ASX Limited for the 15 Trading Days (as that term is defined in the Listing Rules published by ASX Limited) up to and including 30 June 2010 is less than or equal to 85% of the net tangible assets (NTA) per Unit reported in the half yearly audit reviewed reports for the half year ended 31 December 2009 and for the Appendix 4D for half year ended 31 December 2009.*

NOTICE OF MEETING Continued

29.2 Realisation

As soon as practicable after a Termination Event, the Responsible Entity must realise the Assets and satisfy the Liabilities. In the event that Termination Event referred to in clause 29.1.6 applies, the Responsible Entity must complete the winding up by 31 December 2011.

Resolution 3 will be decided on a poll and can only be passed if at least 75% of the total value of eligible Units voted on the resolution are in favour.

Voting

Pursuant to section 253E of the Corporations Act, MCFM and its associates are not entitled to vote on Resolution 3 if they have an interest in the resolution other than as a member.

Recommendation

Each of the SBC members recommends that you vote **AGAINST** Resolution 3.

Background Information – Explanatory Memorandum

This Notice of Meeting should be read in conjunction with the Explanatory Memorandum accompanying this Notice of Meeting. The Explanatory Memorandum contains an explanation of the Resolutions and further information about the CWH Proposal and the Wind-up Proposal to enable you to make an informed decision as to how to vote on the Resolutions.

Unless otherwise defined in this Notice of Meeting, terms used in this Notice of Meeting have the same meaning as defined in the Glossary.

Voting in person, by attorney or corporate representative

If you wish to vote in person, you must attend the Meeting.

If you cannot attend the Meeting, you may vote by proxy, attorney or, if you are a body corporate, by appointing a corporate representative.

Attorneys who plan to attend the Meeting should bring with them the original or a certified copy of the power of attorney under which they have been authorised to attend and vote at the Meeting.

A body corporate which is a Unitholder may appoint an individual to act as its corporate representative. The appointment must comply with the requirements of section 250D and 253B of the Corporations Act. The corporate representative should bring to the Meeting evidence of his or her appointment, including any authority under which it is signed.

Voting by proxy

If you wish to appoint a proxy to attend and vote at the Meeting on your behalf, please complete and sign the proxy form for the Meeting accompanying this Notice of Meeting and Explanatory Memorandum in accordance with the instructions set out on the proxy form. You may complete the proxy form in favour of the Chair of the Meeting or appoint up to two proxies to attend and vote on your behalf at each Meeting. If a member is entitled to cast two or more votes they may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise. If the member appoints two proxies and the appointment does not specify the proportion or number of the member's votes each proxy may exercise, each proxy may exercise half of the votes. If a member appoints two proxies, neither may vote on a show of hands.

NOTICE OF MEETING Continued

The proxy form, duly completed in accordance with the instructions set out on each proxy form, may be returned to the Registry by:

- (a) posting it in the reply paid envelope provided;
- (b) delivering it during business hours on a Business Day to Computershare Investor Services Pty Limited, 452 Johnston Street, Abbotsford, Victoria 3067;
- (c) faxing it to (within Australia) 1800 783 447, (outside Australia) +61 2 9281 7611; or
- (d) posting it to Computershare Investor Services Pty Limited, GPO Box 242, Melbourne, Victoria 3001, Australia.
- (e) custodian voting - for intermediary online subscribers only (custodians) please visit www.intermediaryonline.com to submit your voting intentions.

Proxy forms may also be lodged online at www.investorvote.com.au in accordance with the instructions given there.

TO BE VALID, YOUR PROXY FORMS MUST BE RECEIVED BY THE REGISTRY BY NO LATER THAN 11:00am on 21 September 2010.

By order of the board of MCFM



Ryan Rayfield
Co-Company Secretary

WIND-UP RESOLUTION

PART 1 BACKGROUND

Background

On 27 May 2010, MCFM received a notice from Unitholders collectively holding more than 5% of Units in the Fund proposing a resolution (the Wind-up Resolution) to amend the Constitution in a way that will result in the winding up of the Fund. In accordance with the Corporations Act, this resolution is included in the Notice of Meeting and will be put to Unitholders for consideration at the Meeting. MCFM is obliged to put the Wind-up Resolution to Unitholders and it has not been proposed or supported by the Board. The SBC strongly urges that Unitholders vote AGAINST the Wind-up Resolution.

If the Wind-up Resolution is passed by Unitholders a new termination event will be introduced into the Fund's Constitution such that the Fund will be wound up if the volume weighted average price of the Fund's units on ASX for the 15 trading days up to and including 30 June 2010 is less than \$0.57 (ie greater than a 15% discount to the 31 December 2009 NTA of \$0.67 per unit). If the Wind-up Proposal is approved, the wind-up will be implemented even if the CWH Proposal is passed by the requisite voting majorities (the CWH Proposal is conditional on the Wind-up Proposal not being approved).

Over the specified period to 30 June 2010, the volume weighted average price of the Fund's units on ASX was \$0.37. Therefore, if the Wind-up Proposal is implemented, the new termination provision will automatically be triggered and a wind-up process will be initiated immediately following the Unitholder Meeting. This wind-up process is required to be completed by 31 December 2011.

It should be noted that a number of REITS would be forced into a wind-up if they were to adopt a constitutional amendment in the form proposed under the Wind-up Resolution (as illustrated by the sample in the table below). This table also shows an example of the 15 day VWAP to 30 June 2010 which would have been required in order for this sample of REITs not to be required to be wound up if a constitutional amendment in the form proposed under the Wind-up Resolution was approved by unitholders of those REITs.

Trading discount to NTA as at 30 June 2010				
REIT	31 Dec 09 NTA per unit	Actual 15 day VWAP to 30 June 10	Trading dis- count to NTA	Example Only 15 day VWAP to 30 June 10 required to avoid a wind-up
EDT Retail Trust	\$0.32	\$0.05	84.0%	\$0.27
Centro Retail Group	\$0.35	\$0.19	45.5%	\$0.30
MacarthurCook Industrial Property Fund	\$0.67	\$0.37	44.8%	\$0.57
FKP Property Group	\$1.27	\$0.75	40.9%	\$1.08
Charter Hall Office REIT	\$0.44	\$0.26	39.9%	\$0.37
Valad Property Group	\$0.16	\$0.10	38.9%	\$0.14
ING Industrial Fund	\$0.60	\$0.39	35.6%	\$0.51
Abacus Property Group	\$0.60	\$0.41	32.4%	\$0.51
Australand Property Group	\$3.40	\$2.52	25.8%	\$2.89
Charter Hall Retail REIT	\$0.72	\$0.57	20.9%	\$0.61
ING Office Fund	\$0.74	\$0.59	20.7%	\$0.63
Challenger Diversified Property Group	\$0.65	\$0.54	16.8%	\$0.55

Special Board Committee's Recommendation

The SBC recommends that Unitholders VOTE AGAINST the Wind-Up Resolution

WIND-UP RESOLUTION Continued

PART 2 MEMBERS STATEMENT

PART 2 – MEMBERS STATEMENT



Dear Unitholder

Requisition for a Unitholders meeting for MacarthurCook Industrial Property Fund

We have been requested by fellow Unitholders of the MacarthurCook Industrial Property Fund (MIF) to organize Unitholder support for the calling of a meeting of Unitholders to discuss and vote on the wind-up of MIF.

The Fund trades at a very significant discount to the stated net tangible asset backing (NTA) of the units. Whilst other domestic listed REITs are now trading at a premium or relatively low discount to NTA as indicated in the table below, MIF with a share price of 38 cents per unit as at 6 May 2010 was trading at a 43% discount to the 31 December 2009 NTA of 67 cents per unit.

Name of REIT	Last Sale Price as at 6/5/2010 \$	NTA as at 31/12/2009 \$	Discount / Premium to NTA %
MacarthurCook Industrial Property Fund	\$0.38	\$0.67	43% Discount
Westfield Group	\$12.83	\$10.47	23% Premium
Stockland	\$3.92	\$3.59	9% Premium
GPT Group	\$0.57	\$0.69	17% Discount
CFS Retail	\$1.90	\$1.99	5% Discount
Mirvac Group	\$1.395	\$1.65	15% Discount
Dexus Property	\$0.805	\$0.95	15% Discount
Goodman Group	\$0.71	\$0.50	42% Premium
ING Industrial	\$0.43	\$0.60	28% Discount
Growthpoint Properties	\$1.79	\$2.03	12% Discount

The discount to NTA was recently over 60% and has only reduced due to an offer to acquire the units in MIF at an effective price of 41 cents per unit.

With the Fund's bank debt at an acceptable 40%, and the directors of the manager increasing the values of some of the properties as at 31 December 2009 we do not believe the offer of 41 cents per unit to be acceptable compared to the underlying value of the real estate which was 67 cents as at 31 December 2009.

It is worth noting that 41 cents per unit represents the acquisition of your units at a 43% discount to their underlying value. By way of comparison Mirvac Group has recently announced the proposed acquisition of the units in the Westpac Office Trust at a 2% premium to the last stated NTA figure.

Another issue the Fund is now faced with is the decline in total assets as a result of the sale of assets. Size is relevant for several reasons. First there is no prospect for the Fund to be included in the stock exchange market index. In the absence of inclusion in the index, institutional investors will not support the Fund. Secondly size has an impact on liquidity of the Units. The absence of liquidity has an adverse impact on the potential

WIND-UP RESOLUTION Continued

PART 2 MEMBERS STATEMENT

sources of buying support for the Units. Lastly the Fund has diminishing portfolio diversification again adversely impacting on support for the Units.

It is for the above reasons that a group of fellow Unitholders have requisitioned a meeting to allow Unitholders to amend the termination provisions in the Constitution such that the Fund will terminate should the volume weighted average trading price of units traded on the ASX in the three week period up to and including 30 June 2010 be less than 85% of the NTA of the Fund per Unit as at 31 December 2009.

Should the above price not be achieved the Responsible Entity will have until 31 December 2011 to sell the assets of the Fund, repay debt and distribute the proceeds to Unitholders.

We believe the above resolution if passed by Unitholders provides the following advantages:-

1. MacarthurCook is given a reasonable period of time in which to correct the current discount to NTA;
2. MacarthurCook will be provided with a further period of 18 months to sell the assets of the Fund in an orderly manner to maximise the returns to Unitholders. We note the strengthening valuations of some of the Fund's assets in the period to 31 December 2009;
3. MacarthurCook staff employed in the management of the Fund will have significant period of time to find alternative employment should MacarthurCook no longer require their services;
4. The financial benefit to Unitholders of realizing the NTA for their investment is material as shown in the table below:

Number of units held	Value based on offer of 41 cents per unit	Value based on 31/12/2009 NTA of 67 cents	Benefit to Unitholders
10,000	\$4,100	\$6,700	\$2,600
25,000	\$10,250	\$16,700	\$6,450
50,000	\$20,500	\$33,500	\$13,000
100,000	\$41,000	\$67,000	\$26,000
200,000	\$82,000	\$134,000	\$52,000
500,000	\$205,000	\$335,000	\$130,000

5. We note that the current debt facility of MIF expires in August 2010.

Should Unitholders approve the proposed resolution we believe that the upfront debt costs and interest rate margin in any debt renegotiation should be lower due to the short time frame involved, the progressive repayment of debt over the period and the increased certainty as to strategy.

WIND-UP RESOLUTION Continued

PART 2 MEMBERS STATEMENT

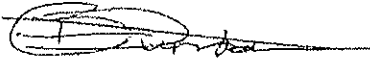
A lower debt cost would assist distributions to Unitholders.

As the founder and former Managing Director of MacarthurCook and a fellow Unitholder I feel that the proposed resolution presents the best option for Unitholders in seeing a material increase in the value of their investment.

That said in order for this initiative to be instituted and for you to benefit the resolution will require a vote of 75% of all those present at the meeting or voting by proxy.

I therefore urge you to vote in favour of the resolution and return the proxy by the nominated date.

Yours faithfully



Craig Dunstan

WIND-UP RESOLUTION Continued

PART 3 MCFM RESPONSE TO MEMBERS STATEMENT

MCFM notes the following in response to the members statement set out in Part 2 of this Attachment B:

- (a) The underlying value of the real estate at 30 June 2010 is \$0.65 per Unit.
- (b) If the Wind-up Resolution is passed MacarthurCook is given a reasonable period in which to correct the current discount to NTA – MCFM is committed to increasing Unitholder value and returns but does not consider that the 8 day period between receiving notification of the Wind-up Resolution and the commencement of the measurement period for the termination event is a reasonable period to correct the current discount to NTA.
- (c) MacarthurCook will have less than 18 months to sell the assets of the Fund in an orderly manner to maximise returns to Unitholders – for the reasons set out elsewhere in this document the SBC does not consider that completing a wind-up in a period less than 18 months will maximise returns to Unitholders.
- (d) The financial benefit to Unitholders of realising the NTA for their investment is 0.67c – Since the date of the members' statement, the Fund's properties have been independently revalued and its NTA fell 3% to \$0.65 per Unit as at 30 June 2010. The SBC does not think that Unitholders will be able to realise the NTA as at 30 June 2010 of \$0.65 per Unit for their investment and the Independent Expert agrees with this position. The costs and time associated with selling all of the Fund's assets, as stated by the Independent Expert, are likely to mean that Unitholders will receive no more than \$0.43 to \$0.49 (in today's dollars) for each of their Units over a two year period. For the reasons outlined above, the SBC believes that completing the Wind-up Proposal by 31 December 2011 will realise less than the Independent Expert's range for a wind-up.
- (e) The upfront debt costs and interest rate margin in any debt negotiation should be lower due to the short time frame involved – the SBC have commenced negotiations to renew their existing debt facility in the event that the Scheme is not approved and it is expected to be at a higher cost to the Fund. For more information see Part 8.
- (f) The statement from the Requisitioning Members likens MIF to property groups such as Westfield, GPT Group, Stockland and Mirvac Group. This is not an appropriate comparison given the differences in scale and liquidity and the fact that these groups have active management businesses (which MIF does not) which will necessarily command a premium to the tangible assets for these groups.

WIND-UP RESOLUTION Continued

PART 4 REQUISITIONING UNITHOLDERS

Allegro Pty Ltd	Mr Darryl Abotomey
Marist Missions of the Pacific	Mr Graham Starkey
Mr Robert Paddon and Mrs Karen Paddon	Mr Mark Lawrence and Mrs Patricia Lawrence
Mr Gary Miller	Mr Garret O'Brien
Dr Diane Wiesner	Mr Warren Graham
Lazsuper Pty Ltd	G M Enterprises
Karchar Nominees Pty Ltd	Mrs Fiona Dunstan
Jatabell Pty Ltd	Brancourt Super Nominees
Mr Paul Nutter and Mrs Fiona Nutter	HJ McEwen Pty Ltd
Mr Robert Fairweather and Mrs Janice Fairweather	Mr Fred Brock
City Capital Investments Pty Ltd	Mr John Kelly
Ms Anne Fluss	Metugo Pty Ltd
Mr David Lawrence	Mr Alfio and Mrs Decima Cavallaro
Mr Richard Haddock	Reedy Pastures Pty Ltd
Mrs Diane O'Connell	Mr Lloyd and Mrs Susan Earl
Quizete Pty Ltd	Mr Noel and Mrs Nola Roach
Lake House Investments Pty Ltd	Polygrove Pty Ltd
Mr Philip Petersen	Mr Antony Perkins
Mr Peter Sauerberg and Ms Heather Geddes NYE	Mandosio Nominees Pty Ltd
Mr Timothy Hannon	Mr Alan Gilbert and Mrs Marlene Gilbert
Munert Pty Ltd	

Deed Poll

By

Commonwealth REIT (formerly known as HRPT Properties Trust) (CWH)

In favour of each Scheme Participant

Gilbert + Tobin

2 Park Street
Sydney NSW 2000
Australia

GPO Box 3810
Sydney NSW 2001

T +61 2 9263 4000
F +61 2 9263 4111

DX 10348 SSE

www.gtlaw.com.au

Contents

Page

1	Defined terms and interpretation	1
1.1	Definitions	1
1.2	Rules for interpreting this deed	1
1.3	Nature of deed poll	1
2	Condition precedent and termination	2
2.1	Condition precedent	2
2.2	Termination	2
2.3	Consequences of termination	2
3	Compliance with Scheme obligations	2
4	Warranties	2
5	Continuing obligations	3
6	Further assurances	3
7	Notices	3
8	Remedies cumulative	4
9	Variation	4
10	No waiver	4
11	Costs and stamp duty	5
12	Assignment	5
13	Governing law and jurisdiction	5
	Execution page	6

Date:

Party

Commonwealth REIT (formerly known as HRPT Properties Trust) a real estate investment trust formed under the laws of the State of Maryland of 400 Centre Street, Newton MA 02458-2076, United States of America (**CWH**).

In favour of each holder of MIF Units as at the Record Date (**Scheme Participants**).

Recitals

- A On 3 May 2010, MacarthurCook Fund Management Limited (ACN 004 956 558) (in its capacity as responsible entity of the MacarthurCook Industrial Property Fund) (**MacarthurCook**) and CWH entered into a scheme implementation agreement (**Scheme Implementation Agreement**).
 - B MacarthurCook has agreed in the Scheme Implementation Agreement to propose the Scheme to MIF Unitholders, pursuant to which, subject to the satisfaction or waiver of certain conditions precedent, CWH (and/or the Nominee) will acquire all of the Scheme Securities from the Scheme Participants for the Scheme Consideration.
 - C Under the Scheme Implementation Agreement, CWH has agreed, subject to the satisfaction or waiver of certain conditions, to execute this deed poll for the purpose of covenanting in favour of the Scheme Participants that it will observe and perform its obligations under the Scheme.
-

1 Defined terms and interpretation

1.1 Definitions

Terms defined in the Scheme Implementation Agreement have the same meaning in this deed poll, unless the context makes it clear that a definition is not intended to apply.

1.2 Rules for interpreting this deed

The rules specified in Part 2 of Schedule 1 of the Scheme Implementation Agreement apply in interpreting this deed poll, unless the context makes it clear that a rule is not intended to apply.

1.3 Nature of deed poll

- (a) CWH acknowledges that this deed poll may be relied on and enforced by any Scheme Participant in accordance with its terms even though the Scheme Participants are not party to it.
- (b) Under the Scheme, each Scheme Participant appoints MacarthurCook as its agent and attorney to enforce this deed poll against CWH on behalf of that Scheme Participant.

2 Condition precedent and termination

2.1 Condition precedent

Each of CWH's obligations under this deed poll are subject to the Scheme becoming Effective.

2.2 Termination

The obligations of CWH under this deed poll will automatically terminate, and the terms of this deed poll will be of no further force or effect, if the Scheme Implementation Agreement is terminated in accordance with its terms before the Scheme becomes Effective.

2.3 Consequences of termination

If the obligations of CWH under this deed poll are terminated under clause 2.2 then, in addition and without prejudice to any other rights, powers or remedies available to it:

- (a) CWH is released from its obligations to further perform this deed poll except those obligations contained in clause 11; and
- (b) each Scheme Participant retains any rights, powers or remedies that the Scheme Participant has against CWH in respect of any breach of its obligations under this deed poll that occurred before termination of this deed poll.

3 Compliance with Scheme obligations

Subject to clause 2, in consideration of the transfer to CWH (and/or the Nominee) of the Scheme Securities in accordance with the Scheme, CWH covenants in favour of each Scheme Participant to:

- (a) do all those things which it is required to do under the Scheme or which the Scheme contemplates will be done by CWH; and
- (b) without limiting the generality of paragraph (a), provide (or procure the provision by the Nominee) to each Scheme Participant, the Scheme Consideration on the Implementation Date in accordance with the terms of the Scheme.

4 Warranties

CWH represents and warrants in favour of each Scheme Participant at the date of this deed poll:

- (a) **investment trust:** it is a real estate investment trust validly existing under the laws of its place of organisation;
- (b) **trust power:** it has the trust power to enter into and perform its obligations under this deed poll and to carry out the transactions contemplated by this deed poll;
- (c) **trust authorisations:** it has taken all necessary trust action to authorise the entry into of this deed poll and has taken or, if the condition precedent referred to in clause 2.1 is satisfied or waived, will take all necessary trust action to authorise the performance of this deed poll and to carry out the transactions contemplated by this deed poll;

- (d) **binding obligations:** this deed poll is valid and binding upon it;
- (e) **solvency:** it is solvent and no resolutions have been passed nor has any other step been taken or legal proceedings commenced or threatened against it for its winding up or dissolution or for the appointment of a liquidator, receiver, administrator or similar officer over any or all of its assets;
- (f) **regulatory action:** no regulatory action of any nature has been taken which would prevent, inhibit or otherwise have a material adverse effect on its ability to fulfil its obligations under this deed poll; and
- (g) **no default:** the execution and performance by it of this deed poll does not conflict with or result in the breach of or default under any provision of its constitution or any writ, order or injunction, judgement, law, rule or authorisation binding on it.

5 Continuing obligations

This deed poll is irrevocable and, subject to clause 3, remains in full force and effect until CWH has completely performed its obligations under this deed poll or the earlier termination of this deed poll under clause 2.

6 Further assurances

CWH will do all things and execute all deeds, instruments, transfers or other documents as may be necessary to give full effect to the provisions of this deed poll and the transactions contemplated by it.

7 Notices

- (a) A notice, consent or other communication (**Notice**) under this deed poll is only effective if it is:
 - (i) in writing, signed by or on behalf of the person giving it;
 - (ii) addressed to the person to whom it is to be given; and
 - (iii) either:
 - (A) delivered or sent by pre-paid mail to that person's address;
 - (B) sent by fax to that person's fax number and the machine from which it is sent produces a report that states that it was sent in full; or
 - (C) in the case of copies provided to CWH, sent to the email address identified in clause 7(c).
- (b) A Notice that complies with this clause 7 is regarded as given and received:
 - (i) if it is delivered or sent by fax:
 - (A) by 5.00pm (local time in the place of receipt) on a Business Day - on that day; or
 - (B) after 5.00pm (local time in the place of receipt) on a Business Day, or on a day that is not a Business Day - on the next Business Day; and

- (ii) if it is sent by mail:
 - (A) within Australia - 3 Business Days after posting; or
 - (B) to or from a place outside Australia - 7 Business Days after posting.
- (c) A person's address, email and fax number are those set out below, or as the person notifies the sender:

CWH:

Address: 400 Centre Street, Newton, MA 02458, USA
Fax number: + 1 617 928 1305
Attention: Secretary

and copied to:

Company: Gilbert + Tobin
Address: Level 37, 2 Park Street, Sydney NSW 2000
Fax number: 02 9263 4111
Attention: Marko Komadina

Company: CWH
Email: jclark@reitmr.com
Attention: Jennifer Clark

8 Remedies cumulative

- (a) The rights, powers and remedies provided to CWH and the Scheme Participants in this deed poll are in addition to, and do not exclude or limit, any right, power or remedy provided by law or equity.
- (b) Any provision of this document which is unenforceable or partly unenforceable is, where possible, to be severed to the extent necessary to make this document enforceable, unless this would materially change the intended effect of this document.

9 Variation

A provision in this deed poll may only be varied by CWH if the variation is agreed to by MacarthurCook, which agreement MacarthurCook may give or withhold in its absolute discretion without reference to or approval by any Scheme Participant being required. CWH will enter into a further deed poll in favour of the Scheme Participants giving effect to any such amendment.

10 No waiver

No failure to exercise nor any delay in exercising any right, power or remedy by a party operates as a waiver. A single or partial exercise of any right, power or remedy does not preclude any other or further exercise of that or any other right, power or remedy. A waiver is not valid or binding on the party granting that waiver unless made in writing.

11 Costs and stamp duty

All stamp duty that may be payable on or in connection with this deed poll and any instrument effected by, executed under or pursuant to this deed poll must be borne by CWH (and/or the Nominee). CWH must indemnify each Scheme Participant on demand against any liability for those costs and that stamp duty.

12 Assignment

The rights and obligations of CWH and each Scheme Participant under this deed poll are personal. They cannot be assigned, encumbered or otherwise dealt with and neither CWH nor any Scheme Participant may attempt, or purport, to do so without the prior written consent of MacarthurCook and CWH (which consent may be given or withheld in the parties' absolute discretion).

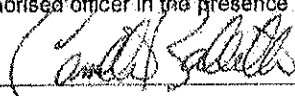
13 Governing law and jurisdiction

This deed poll is governed by the laws of New South Wales. CWH submits to the non-exclusive jurisdiction of courts exercising jurisdiction there in connection with matters concerning this deed poll.

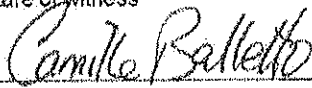
Execution page

Executed as a deed poll.

Signed for **CommonWealth REIT** (formerly known as HRRT Properties Trust) by an authorised officer in the presence of:



Signature of witness



Name of witness (print)



Signature of authorised officer



Name of authorised officer (print)

Scheme Implementation Agreement

MacarthurCook Fund Management Limited

HRPT Properties Trust

3 May 2010

Gilbert + Tobin

2 Park Street
Sydney NSW 2000
Australia

GPO Box 3810
Sydney NSW 2001

T +61 2 9263 4000
F +61 2 9263 4111

DX 10348 SSE

www.gtlaw.com.au

Contents

		Page
1	Defined terms and interpretation	1
	1.1 Definitions in the Dictionary	1
	1.2 Interpretation	1
	1.3 Capacity	1
2	Agreement to proceed with Scheme	2
	2.1 MacarthurCook to propose Scheme	2
	2.2 HRPT to assist	2
3	Conditions Precedent and Pre-Implementation Steps	2
	3.1 Conditions Precedent	2
	3.2 Benefit and waiver of Conditions Precedent	5
	3.3 Best endeavours and co-operation	5
	3.4 Notifications	6
	3.5 Failure of Conditions Precedent	6
	3.6 Regulatory Approvals	7
	3.7 Fulfillment of Conditions Precedent	8
4	Scheme and Scheme Consideration	9
	4.1 Outline of Scheme	9
	4.2 Scheme Consideration	9
	4.3 Special Distribution	9
5	Steps for Implementation	9
	5.1 MacarthurCook's obligations in respect of the Scheme	9
	5.2 HRPT's obligations in respect of the Scheme	12
	5.3 Preparation of Scheme Booklet	13
	5.4 Appeal process	14
6	Conduct of Business and Requests for Access	14
	6.1 Conduct of MIF business	14
	6.2 Access to information and co-operation	15
7	Board Recommendations and Intentions	16
	7.1 Special Board Committee recommendation	16

7.2	Special Board Committee intentions	16
8	Public Announcements, Communications and Confidentiality	17
8.1	Required announcements	17
8.2	Agreement on other Communications	17
8.3	Disclosure on termination of this agreement	18
9	Representations and Warranties	18
9.1	HRPT representations and warranties	18
9.2	MacarthurCook representations and warranties	19
9.3	Qualification	20
9.4	Reliance by parties	20
9.5	Notifications	20
9.6	Status of representations and warranties	20
9.7	MacarthurCook's awareness	21
9.8	Events occurring prior to implementation	21
10	Exclusivity	22
10.1	No shop restriction	22
10.2	No talk restriction	22
10.3	No due diligence	22
10.4	Notification by MacarthurCook	23
10.5	Normal provision of information	24
10.6	Acknowledgement	24
11	Reimbursement of costs	24
11.1	Background	24
11.2	Payment by MacarthurCook to HRPT	25
11.3	Repayment	26
11.4	Payment by HRPT to MacarthurCook	26
11.5	No amount payable if Scheme becomes Effective	26
11.6	Timing of payment	26
11.7	Compliance with law	26
11.8	Survival	27

12	Termination	27
	12.1 Termination by either party	27
	12.2 Termination by HRPT	27
	12.3 Termination by MacarthurCook	28
	12.4 Effect of termination	29
13	MacarthurCook limitation of liability	29
	13.1 Application of this clause	29
	13.2 Liability	29
	13.3 Survival	29
14	GST	30
	14.1 Definitions	30
	14.2 GST to be added to amounts payable	30
	14.3 Liability net of GST	30
	14.4 Cost exclusive of GST	30
	14.5 GST obligations to survive termination	31
15	Miscellaneous	31
	15.1 Notices	31
	15.2 No waiver	32
	15.3 Remedies cumulative	32
	15.4 Entire agreement	32
	15.5 Amendment	32
	15.6 Assignment	32
	15.7 No merger	32
	15.8 Further assurances	32
	15.9 Costs and stamp duty	32
	15.10 Severability of provisions	33
	15.11 Governing law and jurisdiction	33
	15.12 Counterparts	33
	15.13 HRPT Nominee	33
	Schedule 1 — Dictionary	34

Schedule 1 — Indicative Timetable	49
Schedule 2 — Responsibility Statement	50
Schedule 3 — MIF Closing Certificate	51
Schedule 4 — HRPT Closing Certificate	52
Execution page	53
Attachment A - Deed Poll	
Attachment B – Supplemental Deed	
Attachment C – Management terms	

Parties

- 1 **HRPT Properties Trust** a real estate investment trust formed under the laws of the State of Maryland of 400 Centre Street, Newton MA 02458-2076, United States of America (**HRPT**)
 - 2 **MacarthurCook Fund Management Limited** ACN 004 956 558 (**MacarthurCook**) in its capacity as responsible entity for the **MacarthurCook Industrial Property Fund** ARSN 104 606 573 (**MIF**)
-

Background

- A MacarthurCook is a company constituted under the Corporations Act and is the responsible entity of MIF. MIF is a managed investment scheme that has been registered under the Corporations Act. The MIF Units are quoted on the ASX under the listing code "MIF".
- B HRPT proposes to acquire all of the MIF Units pursuant to the Scheme.
- C MacarthurCook has agreed to propose the Scheme to the MIF Unitholders and to issue the Scheme Booklet to the MIF Unitholders, and HRPT and MacarthurCook have agreed to implement the Scheme, upon and subject to the terms and conditions of this agreement.

The parties agree

1 Defined terms and interpretation

1.1 Definitions in the Dictionary

A term or expression starting with a capital letter:

- (a) which is defined in the Dictionary in Schedule 1 (**Dictionary**), has the meaning given to it in the Dictionary; and
- (b) which is defined in the Corporations Act, but is not defined in the Dictionary, has the meaning given to it in the Corporations Act.

1.2 Interpretation

The interpretation clause in Schedule 1 (**Dictionary**) sets out rules of interpretation for this agreement.

1.3 Capacity

MacarthurCook enters into this agreement in its capacity as responsibility entity of MIF and all representations or warranties given by MacarthurCook and obligations incurred by MacarthurCook are given or incurred solely in its capacity as responsible entity of MIF.

2 Agreement to proceed with Scheme

2.1 MacarthurCook to propose Scheme

MacarthurCook agrees to propose and implement the Scheme upon and subject to the terms and conditions of this agreement, and to use all reasonable endeavours to do so as soon as is reasonably practicable and otherwise in accordance with the Timetable.

2.2 HRPT to assist

HRPT agrees to assist MacarthurCook to implement the Scheme upon and subject to the terms and conditions of this agreement, and to use all reasonable endeavours to do so as soon as is reasonably practicable and otherwise in accordance with the Timetable.

3 Conditions Precedent and Pre-Implementation Steps

3.1 Conditions Precedent

Subject to this clause 3, the obligations of MacarthurCook under clause 5.1(m) and HRPT's obligation to pay, or procure the payment of, the Scheme Consideration in accordance with the Deed Poll and clause 5.2(i) are subject to the satisfaction (or waiver in accordance with clause 3.2) of each of the following Conditions Precedent:

Conditions Precedent for the benefit of HRPT and MacarthurCook

(a) (Regulatory Approvals)

- (i) **(ASIC Modifications)** before 8:00am on the Meeting Date, ASIC has granted the ASIC Modifications;
- (ii) **(FIRB approval)** before 8:00am on the Effective Date, either:
 - (A) the Treasurer (or his delegate) has provided written advice that there are no objections under Australia's foreign investment policy to the proposed Scheme; or
 - (B) following notice of the proposed Scheme having been given by HRPT (and/or its nominee) to the Treasurer under the Foreign Acquisitions and Takeovers Act 1975 (Cth), the Treasurer has ceased to be empowered to make any order under Part II of that Act because of lapse of time; and
- (iii) **(ASX Waivers and Confirmations)** before 8:00am on the Meeting Date, ASX has granted the ASX Waivers and Confirmations or, in respect of any ASX Waiver and Confirmation which has not been granted, has indicated in writing that such a waiver or confirmation is not required;

- (b) **(MIF Unitholders approval)** the Scheme Resolutions are approved at the Scheme Meeting by the requisite majorities of MIF Unitholders as required under the Corporations Act (subject to the ASIC Modifications);

- (c) **(Judicial Advice)** before 8:00am on the Meeting Date, the Court grants the Judicial Advice;

- (d) **(execution and lodgement of the Supplemental Deed)** MacarthurCook executes the Supplemental Deed and lodges a copy of the executed Supplemental Deed with ASIC;
- (e) **(no restraints)** no judgment, order, decree, statute, law, ordinance, rule or regulation, or other temporary restraining order, preliminary or permanent injunction, restraint or prohibition, entered, enacted, promulgated, enforced or issued by any court or other Governmental Agency of competent jurisdiction, remains in effect as at 8:00am on the Effective Date that prohibits, materially restricts, makes illegal or restrains the completion of the Transaction or any Transaction Document;
- (f) **(Taxation Rulings)** before 8:00am on the Effective Date, each of the Final MIF Tax Ruling and the Final HRPT Tax Ruling are issued by the Australian Taxation Office in a form and substance satisfactory to each party (acting reasonably);
- (g) **(no change in laws which affect Taxation Rulings)** between the date of this agreement and 8:00am on the Effective Date, no Law has been enacted, proclaimed, announced or proposed by any Governmental Agency which, in the reasonable opinion of either HRPT or MacarthurCook, adversely affects (or, in the case of a Law announced or proposed, if enacted or proclaimed would adversely affect) the position that:
 - (i) HRPT and any Nominated Rulee would (but for that Law being enacted) enjoy under the Final HRPT Tax Ruling; or
 - (ii) MacarthurCook would (but for that Law being enacted) enjoy under the Final MIF Tax Ruling;

Conditions Precedent for the benefit of HRPT only

- (h) **(no MIF Regulated Events)** no MIF Regulated Event occurs or becomes known to HRPT between the date of this agreement and 8:00am on the Effective Date;
- (i) **(no MIF Material Adverse Change)** no MIF Material Adverse Change occurs, or is discovered, announced or disclosed or otherwise becomes known to HRPT, between the date of this agreement and 8:00am on the Effective Date;
- (j) **(no Market Disruption Event)** no Market Disruption Event occurs between the date of this agreement and 8:00am on the Effective Date;
- (k) **(AUD/USD Exchange Rate)** the AUD/USD Exchange Rate is not, at 8:00am on the Effective Date, equal to or in excess of 1.00;
- (l) **(MIF Closing Certificate)** at 8:00am on the Effective Date, MacarthurCook provides HRPT with the MIF Closing Certificate;
- (m) **(Lender consent)**: before 8:00am on the Effective Date, the Lender has:
 - (i) either:
 - (A) if the Effective Date occurs at least 10 Business Days before the Termination Date, provided to MacarthurCook in writing its consent to the Transaction for the purpose of, or a waiver of all of its rights under, each provision of the Loan Facility that is triggered by or in connection with the Transaction; or
 - (B) if the Effective Date occurs after, or less than 10 Business Days before, the Termination Date:

- (1) provided to MacarthurCook in writing its consent to the Transaction for the purpose of, or a waiver of all of its rights under, each provision of the Loan Facility that is triggered by or in connection with the Transaction; and
 - (2) agreed to extend the Termination Date to a date that occurs at least 10 Business Days after the Effective Date and on such other terms satisfactory to the parties (acting reasonably); and
- (ii) if, on the same day, the Loan Facility is to be repaid and all of the Hedge Transactions entered into in respect of MIF's financing arrangements (including under the Loan Facility) (**NAB Hedge Transactions**) are to be terminated or the amounts secured by the Security are otherwise to be fully repaid on any day so that no amounts will be actually or contingently secured by the Security (collectively, **Full Repayment and Termination**), and that day is to occur on, or within 5 Business Days before or after, the Implementation Date (each an **Available Repayment Date**), agreed (in a manner satisfactory to HRPT) that it will deliver to HRPT, on the Available Repayment Date on which Full Repayment and Termination is made or occurs (the **Actual Repayment Date**) a fully executed deed or deeds of release, an Australian Securities and Investments Commission form 312 and any other document which is required to discharge and deregister a Security Interest (including, without limitation, a mortgage over real property) and which, with effect on and from the Actual Repayment Date, among other things, release and discharge:
- (A) the property the subject of the Security (and any other property or asset of MIF) from the operation of the Security and each other Security Interest granted in favour of the Lender or a Related Body Corporate of the Lender; and
 - (B) MacarthurCook from all of its obligations under the Loan Facility, the NAB Hedge Transactions, the Security and each other Security Interest granted in favour of the Lender or a Related Body Corporate of the Lender,
- each such deed, form and document on terms satisfactory to HRPT; and
- (iii) if Full Repayment and Termination is to be made or occur on an Available Repayment Date, provided to MacarthurCook its written consent to Full Repayment and Termination being made or occurring on the Actual Repayment Date on terms satisfactory to HRPT.

Any consent or waiver and, if applicable, extension required for the purposes of this clause 3.1(m) is to be in a form and substance satisfactory to the parties (acting reasonably);

- (n) (**Net Current Assets**) before 8.00am on the Effective Date, MacarthurCook has provided HRPT with evidence in writing to HRPT's reasonable satisfaction that, as at the Effective Date, MIF has Net Current Assets of no less than \$1; and
- (o) (**management arrangements**) before 8.00am on the Effective Date, HRPT, MacarthurCook and any other applicable parties have entered into an agreement or agreements to formally document the management arrangements to apply in respect of MIF in the period on and from the Implementation Date, such arrangements to be on terms substantially in accordance with those set out in Attachment C and on such other terms as shall be acceptable to HRPT and MacarthurCook (acting reasonably); and

Conditions Precedent for the benefit of MacarthurCook only

- (p) **(HRPT Closing Certificate)** at 8.00am on the Effective Date, HRPT provides MacarthurCook with the HRPT Closing Certificate.

3.2 Benefit and waiver of Conditions Precedent

- (a) The Conditions Precedent in clauses 3.1(a) to 3.1(g) are for the benefit of each party, and (except in the cases of the Conditions Precedent in clauses 3.1(b) and 3.1(d), which cannot be waived) any breach or non-fulfilment of any of those Conditions Precedent may only be waived with the written consent of both parties.
- (b) The Conditions Precedent in clauses 3.1(h) to 3.1(o) are for the sole benefit of HRPT, and any breach or non-fulfilment of any of those Conditions Precedent may only be waived by HRPT giving its written consent.
- (c) The Condition Precedent in clause 3.1(p) is for the sole benefit of MacarthurCook, and any breach or non-fulfilment of any of that Condition Precedent may only be waived by MacarthurCook giving its written consent.
- (d) A party entitled to waive the breach or non-fulfilment of a Condition Precedent pursuant to this clause 3.2 may do so in its absolute discretion.
- (e) If a waiver by a party of a Condition Precedent is itself expressed to be conditional and the other party accepts the conditions, the terms of the conditions apply accordingly. If the other party does not accept the conditions, the relevant Condition Precedent has not been waived.
- (f) If a party waives the breach or non-fulfilment of a Condition Precedent, that waiver will not preclude it from suing the other party for any breach of this agreement constituted by the same event that gave rise to the breach or non-fulfilment of the Condition Precedent.
- (g) Waiver of a breach or non-fulfilment in respect of one Condition Precedent does not constitute:
 - (i) a waiver of breach or non-fulfilment of any other Condition Precedent resulting from the same events or circumstances; or
 - (ii) a waiver of breach or non-fulfilment of that Condition Precedent resulting from any other event or circumstance.

3.3 Best endeavours and co-operation

Without prejudice to any other obligations of the parties under this agreement:

- (a) HRPT must use its best endeavours to satisfy, or procure the satisfaction of, the Condition Precedent in clause 3.1(p);
- (b) MacarthurCook must use its best endeavours to satisfy, or procure the satisfaction of, the Conditions Precedent in clauses 3.1(d), 3.1(h), 3.1(i), 3.1(l), 3.1(m) and 3.1(n) and if the Independent Expert concludes that the Scheme is either "fair and reasonable" or "not fair but reasonable", clause 3.1(b) and ;
- (c) each of HRPT and MacarthurCook must use their respective best endeavours to satisfy, or procure the satisfaction of, the Conditions Precedent in clauses 3.1(a), 3.1(c), 3.1(e), 3.1(f) and 3.1(o), to the extent that it is within their respective control;

- (d) neither party will take any action that will or is likely to hinder or prevent the satisfaction of any Condition Precedent, except to the extent that such action is required to be done or procured pursuant to, or is otherwise permitted by, the Transaction Documents, or is required by law; and
- (e) the parties agree, in respect of the Condition Precedent in clause 3.1(m), that if any or all of the Loan Facility, the NAB Hedge Transactions, the Security or any other Security Interest granted in favour of the Lender or a Related Body Corporate of the Lender has been, or will be, prior to the Implementation Date, supplemented, amended or replaced with or by any other financing arrangement(s), they will engage in good faith discussions with a view to amending that Condition Precedent (and any associated definitions) so that it applies to all of the relevant financing arrangements then existing.

3.4 Notifications

Each party must:

- (a) keep the other party promptly and reasonably informed of the steps it has taken and of its progress towards satisfaction of the Conditions Precedent;
- (b) promptly notify the other party in writing if it becomes aware that any Condition Precedent has been satisfied, in which case the notifying party must also provide reasonable evidence that the Condition Precedent has been satisfied; and
- (c) promptly notify the other party in writing of a failure to satisfy a Condition Precedent or of any fact or circumstance that results in that Condition Precedent becoming incapable of being satisfied or that may result in that Condition Precedent not being satisfied in accordance with its terms (having regard to the obligations of the parties under clause 3.3 and the terms of clause 3.6).

3.5 Failure of Conditions Precedent

- (a) If:
 - (i) there is a breach or non-fulfilment of a Condition Precedent that is not waived in accordance with clause 3.2 before the date and time specified in this agreement for the satisfaction of that Condition Precedent;
 - (ii) a Condition Precedent becomes incapable of satisfaction, having regard to the obligations of the parties under clause 3.3 and the terms of clause 3.6 (and the breach or non-fulfilment of the Condition Precedent that would otherwise occur has not already been waived in accordance with this agreement); or
 - (iii) the Scheme has not become Effective by the End Date,

either party may serve notice on the other party, and the parties must then consult with a view to determining whether:

- (iv) the Scheme or the Transaction may proceed by way of alternative means or methods;
- (v) to extend the relevant time or date for satisfaction of the Condition Precedent; or
- (vi) to extend the End Date.

- (b) If HRPT and MacarthurCook are unable to reach agreement under clauses 3.5(a)(iv), 3.5(a)(v) or 3.5(a)(vi) within 5 Business Days after the delivery of the notice under that clause or any shorter period ending at 5:00pm on the day before the Effective Date, either party may terminate this agreement by notice in writing to the other party, provided that:
- (i) the Condition Precedent to which the notice relates is for the benefit of that party (whether or not the Condition Precedent is also for the benefit of the other party); and
 - (ii) there has been no failure by that party to comply with its obligations under this agreement, where that failure directly and materially contributed to the Condition Precedent to which the notice relates becoming incapable of satisfaction, or being breached or not fulfilled before the End Date,

in which case clause 12.4 will have effect.

3.6 Regulatory Approvals

- (a) A Regulatory Approval will be regarded as having been obtained notwithstanding that a condition or conditions may have been attached to that Regulatory Approval, if such conditions are reasonably satisfactory to the party (or parties) who have the benefit of the condition.
- (b) Without prejudice to any other obligations of the parties under this agreement:
 - (i) HRPT must apply for the FIRB approval referred to in clause 3.1(a)(ii) on or as soon as practicable after the date of this agreement;
 - (ii) HRPT must apply for the Interim HRPT Tax Ruling, and MacarthurCook must apply for the Interim MIF Tax Ruling, on or as soon as practicable after the date of this agreement. If the Proposed MIT Tax Law Amendments are enacted and/or proclaimed before the Interim MIF Tax Ruling and/or the Interim HRPT Tax Ruling are issued by the Commissioner, the parties must ensure that the applications for the Interim HRPT Tax Ruling and the Interim MIF Tax Ruling are:
 - (A) withdrawn and replaced with applications for the Final HRPT Tax Ruling and the Final MIF Tax Ruling in accordance with clause 3.6(b)(iii); or
 - (B) amended so that they become applications for the Final HRPT Tax Ruling and the Final MIF Tax Ruling in accordance with clause 3.6(b)(iii),on or as soon as practicable after the date the Proposed MIT Tax Law Amendments are enacted and/or proclaimed;
 - (iii) HRPT must apply for the Final HRPT Tax Ruling, and MacarthurCook must apply for the Final MIF Tax Ruling, on or as soon as practicable after the date the Proposed MIT Tax Law Amendments are enacted and/or proclaimed. The obligations imposed on the parties under this clause 3.6(b)(iii) shall apply, irrespective of whether the Commissioner has issued the Interim HRPT Tax Ruling and/or the Interim MIF Tax Ruling;
 - (iv) MacarthurCook must on or as soon as practicable after the date of this agreement provide a draft of its application for the Interim MIF Tax Ruling to HRPT for comment and must not lodge that application with the ATO until it has been approved by HRPT (such approval not to be unreasonably

withheld or delayed). MacarthurCook must consult with HRPT in respect of, and must keep HRPT informed in a timely manner of the status of, any discussions or negotiations with the ATO regarding the application for the Interim MIF Tax Ruling;

- (v) HRPT must on or as soon as practicable after the date of this agreement provide a draft of its application for the Interim HRPT Tax Ruling to MacarthurCook for comment and must not lodge that application with the ATO until it has been approved by MacarthurCook (such approval not to be unreasonably withheld or delayed). HRPT must consult with MacarthurCook in respect of, and must keep MacarthurCook informed in a timely manner of the status of, any discussions or negotiations with the ATO regarding the application for the Interim HRPT Tax Ruling;
- (vi) MacarthurCook must on or as soon as practicable after the date that the Proposed MIT Tax Law Amendments are enacted and/or proclaimed, provide a draft of its application for the Final MIF Tax Ruling (including any amendments to the application for the Interim MIF Tax Ruling referred to at clause 3.6(b)(ii)(B)) to HRPT for comment and must not lodge that application (or amendment as the case may be) with the ATO until it has been approved by HRPT (such approval not to be unreasonably withheld or delayed). MacarthurCook must consult with HRPT in respect of, and must keep HRPT informed in a timely manner of the status of, any discussions or negotiations with the ATO regarding the application for the Final MIF Tax Ruling;
- (vii) HRPT must on or as soon as practicable after the date that the Proposed MIT Tax Law Amendments are enacted and/or proclaimed, provide a draft of its application for the Final HRPT Tax Ruling (including any amendments to the application for the Interim HRPT Tax Ruling referred to at clause 3.6(b)(ii)(B)) to MacarthurCook for comment and must not lodge that application (or amendment as the case may be) with the ATO until it has been approved by MacarthurCook (such approval not to be unreasonably withheld or delayed). HRPT must consult with MacarthurCook in respect of, and must keep MacarthurCook informed in a timely manner of the status of, any discussions or negotiations with the ATO regarding the application for the Final HRPT Tax Ruling; and
- (viii) HRPT and MacarthurCook undertake to co-operate in communicating with any Government Agency for the purposes of satisfying all Conditions Precedent which are subject to approval by a Government Agency, including providing the relevant party with any information or documents reasonably requested and necessary for the purpose of making a submission, filing or notification to any relevant Government Agency in relation to the Scheme or the satisfaction of the relevant Conditions Precedent as soon as practicable.

3.7 Fulfillment of Conditions Precedent

Each party must provide to the other, by 10:00am on the Effective Date, a certificate confirming, to the best of the first party's knowledge as at 8.00am on the Effective Date, whether or not all of the Conditions Precedent (other than the Condition Precedent in clause 3.1(d)) have been fulfilled or waived in accordance with this agreement. A draft of the certificate referred to in this clause must be provided by each party to the other party by 5.00pm on the day that is 2 Business Days prior to the Effective Date.

4 Scheme and Scheme Consideration

4.1 Outline of Scheme

- (a) The parties agree that MacarthurCook will propose the Scheme, upon and subject to the terms of this agreement.
- (b) Subject to the Scheme becoming Effective, on the Implementation Date the general effect of the Scheme will be as follows:
 - (i) all of the Scheme Securities will be transferred to HRPT (and/or its nominee) in accordance with the terms of the Scheme; and
 - (ii) in consideration for the transfer to HRPT (and/or its nominee) of all of the Scheme Securities, HRPT will pay the Scheme Consideration to the Scheme Participants in accordance with clause 4.2 and the terms of the Supplemental Deed and Deed Poll.

4.2 Scheme Consideration

Subject to the Scheme becoming Effective, HRPT agrees in favour of MacarthurCook (as trustee on behalf of the Scheme Participants) that, in consideration of the transfer to HRPT (and/or the Nominee) of each Scheme Security under the Scheme, it will accept (and/or procure that the Nominee accepts) such transfer, and will provide (and/or procure that the Nominee provides) to each Scheme Participant A\$0.40 in cash for each Scheme Security held by them on the Record Date and transferred to HRPT (and/or the Nominee), in accordance with the terms of the Scheme. For the avoidance of doubt and despite anything to the contrary in this agreement, HRPT acknowledges and agrees that the deposit of the Scheme Consideration in cleared funds into a trust account for the purposes of providing each Scheme Participant with its entitlement in cash under the Scheme must be made before the Scheme Securities are transferred to HRPT (and/or the Nominee) under the Scheme.

4.3 Special Distribution

Subject to the Scheme becoming Effective, MacarthurCook will pay to each Scheme Participant the Special Distribution for each MIF Unit held by that Scheme Participant on the Record Date. The Special Distribution will be paid on the Special Distribution Payment Date.

5 Steps for Implementation

5.1 MacarthurCook's obligations in respect of the Scheme

MacarthurCook must take all steps reasonably necessary to propose and implement the Scheme as soon as is reasonably practicable after the date of this agreement and otherwise substantially in accordance with the Timetable, and in particular MacarthurCook must:

- (a) **(preparation of Scheme Booklet)** as soon as reasonably practicable after the date of this agreement, prepare the Scheme Booklet in accordance with clause 5.3;
- (b) **(Independent Expert)** promptly appoint the Independent Expert and provide all assistance and information reasonably requested by the Independent Expert in connection with the preparation of the Independent Expert's Report;

- (c) **(ASIC Modifications)** as soon as reasonably practicable after the date of this agreement, apply to ASIC for the ASIC Modifications;
- (d) **(ASX Waivers and Confirmations)** as soon as reasonably practicable after the date of this agreement, apply to ASX for any ASX Waivers and Confirmations;
- (e) **(approval of Scheme Booklet)** as soon as reasonably practicable after the date of this agreement, procure that a meeting of the MacarthurCook Board is convened to approve the Scheme Booklet for despatch to MIF Unitholders (and provide HRPT with a copy of an extract of the applicable resolutions from the applicable minutes of meeting, as soon as practicable after those minutes have been prepared and signed), subject to the grant of the Judicial Advice;
- (f) **(Court documents)** prepare all documents necessary for the Court proceedings (including any appeals) relating to the Scheme (including originating process, affidavits, submissions and draft minutes of Court orders) in accordance with all applicable laws, and provide HRPT with drafts of those documents for review and (acting reasonably and in good faith) take into account, for the purpose of amending those drafts, any comments from HRPT and its Representatives on those drafts;
- (g) **(Judicial Advice)** lodge all documents with the Court and take all other reasonable steps to ensure that an application is heard by the Court for the Judicial Advice;
- (h) **(Lodgement of Scheme Booklet)** prior to despatch of the first Scheme Booklet to a MIF Unitholder, lodge the Scheme Booklet with ASIC;
- (i) **(Scheme Meeting)** take all reasonable steps necessary to comply with the Trust Constitution and the Corporations Act (as applicable), including, as required, despatching the Scheme Booklet to MIF Unitholders, convening and holding the Scheme Meeting and putting the Scheme Resolutions to MIF Unitholders at the Scheme Meeting, provided that if this agreement is terminated under clause 12 it will take all steps reasonably required to ensure the Scheme Meeting is not held;
- (j) **(update Scheme Booklet)** if it becomes aware of information after the Despatch Date that is material for disclosure to MIF Unitholders in deciding whether to approve the Scheme Resolutions or that is required to be disclosed to MIF Unitholders under any applicable law, as expeditiously as practicable:
 - (i) inform MIF Unitholders of the information in an appropriate and timely manner, and in accordance with applicable law and after consultation with HRPT as to the manner of provision of that information to MIF Unitholders; and
 - (ii) to the extent it is reasonably practicable to do so, provide HRPT with drafts of any documents that it proposes to issue to MIF Unitholders under this clause 5.1(j) and (acting reasonably and in good faith) take into account, for the purpose of amending those drafts, any comments received in a timely manner from HRPT or its Representatives on those drafts;
- (k) **(execution and lodgement of Supplemental Deed)** as soon as practicable after, and in any event by no later than 4.00pm, on the later of the Meeting Date and the date on which all of the Conditions Precedent (other than the Condition Precedent in clause 3.1(d)) are satisfied or waived in accordance with this agreement, execute the Supplemental Deed and lodge with ASIC a copy of the executed Supplemental Deed;

- (l) **(provide MIF Unit Register information)** as soon as practicable after the Record Date, and in any event at least 3 Business Days before the Implementation Date, give to HRPT (or as it directs) details of the names, registered addresses and holdings of MIF Units of every MIF Unitholder as shown in the MIF Unit Register as at the Record Date, in such form as HRPT may reasonably require;
- (m) **(implementation of the Scheme)**
 - (i) use best endeavours to ensure that ASX suspends trading in MIF Units with effect from the close of trading on the Effective Date;
 - (ii) close the MIF Unit Register as at the Record Date to determine the identity of Scheme Participants and to determine their entitlements to the Scheme Consideration in accordance with the Scheme;
 - (iii) promptly execute proper instruments of transfer of, and register all transfers of, the Scheme Securities to HRPT (and/or its nominee) in accordance with the Scheme; and
 - (iv) promptly do all other things contemplated by or reasonably necessary to give effect to the Scheme and to effect the transfer of the Scheme Securities to HRPT (or its nominee);
- (n) **(information)** provide all necessary information, or have the registry of MIF provide all necessary information, to HRPT about the Scheme and (subject to compliance with privacy laws) MIF Unitholders, in each case in a form reasonably requested by HRPT and at least on a weekly basis, which HRPT reasonably requires in order to:
 - (i) canvass approval of the Scheme by, or discuss the Scheme with, MIF Unitholders (including the results of directions by MacarthurCook to MIF Unitholders under Part 6C.2 of the Corporations Act); and
 - (ii) facilitate the provision by HRPT (or its nominee) of the Scheme Consideration;
- (o) **(representation)** allow, and not oppose, any application by HRPT for leave of the Court to be represented, or the separate representation of HRPT by counsel, at the Court hearings heard for the purposes of the Judicial Advice in relation to the Scheme, provided that in making any application for representation or in appearing before the Court, HRPT acts in accordance with the Transaction Documents and does not oppose any application by MacarthurCook in exercise of its rights under the Transaction Documents;
- (p) **(ASX listing)** not do anything to cause the MIF Units to cease to be listed on ASX prior to the close of business on the Effective Date;
- (q) **(keep HRPT informed)** from the Despatch Date until the Implementation Date, promptly inform HRPT if it becomes aware that the Scheme Booklet contains a statement that is or has become misleading or deceptive in a material respect or that contains a material omission;
- (r) **(HRPT Provided Information)** during the period until the HRPT Provided Information (or any information solely derived from, or prepared solely in reliance on, the HRPT Provided Information) becomes publicly available, only use that information with the prior written consent of HRPT (not to be unreasonably withheld or delayed);

- (s) **(derivatives)** prior to 8:00am on the Implementation Date, ensure that all Hedge Transactions entered into by MacarthurCook (in its capacity as responsible entity for MIF) in respect of MIF's financing arrangements (including under the Loan Facility) or otherwise are terminated;
- (t) **(all things necessary)** do all other things contemplated by or necessary to lawfully give effect to the Scheme and the orders of the Court granting the Judicial Advice; and
- (u) **(US Internal Revenue Code)** if HRPT makes an election under United States Internal Revenue Code Section 338 in respect of the completion of the Transaction, cooperate with and do all things reasonably requested by HRPT, whether on or after the Implementation Date, to provide to US persons that were MIF Unitholder within the period specified by HRPT the notices contemplated by Treasury Regulation Section 1.338-2(e)(4) of said Code Section 338.

5.2 HRPT's obligations in respect of the Scheme

HRPT must take all steps reasonably necessary to assist MacarthurCook to propose and implement the Scheme as soon as is reasonably practicable after the date of this agreement and otherwise substantially in accordance with the Timetable, and in particular HRPT must:

- (a) **(provide information)** provide to MacarthurCook the information referred to in clause 5.3(d) which information must not be misleading or deceptive in any material respect (whether by omissions or otherwise);
- (b) **(preparation of Scheme Booklet)** provide assistance with the preparation of the Scheme Booklet in accordance with clause 5.3;
- (c) **(Independent Expert information)** provide all assistance and information reasonably requested by MacarthurCook or by the Independent Expert in connection with the preparation of the Independent Expert's Report;
- (d) **(ASIC relief)** provide reasonable assistance to MacarthurCook in applying to ASIC for the ASIC Modifications;
- (e) **(ASX waivers)** provide reasonable assistance to MacarthurCook in applying to ASX for the ASX Waivers and Confirmations;
- (f) **(approval of Scheme Booklet)** approve those sections of the Scheme Booklet that comprise the HRPT Provided Information as being in a form appropriate for despatch to MIF Unitholders and consent in writing to the despatch of that information in that form to MIF Unitholders (and provide MacarthurCook with a copy of an extract of the applicable resolutions from the applicable minutes of meeting, as soon as practicable after those minutes have been prepared and signed);
- (g) **(keep MacarthurCook informed)** from the Despatch Date until the Implementation Date, promptly inform MacarthurCook if it becomes aware (or ought reasonably to have become aware, after making all reasonable and diligent enquiries) that the HRPT Provided Information contains a statement that, in the form and context in which it appears in the Scheme Booklet, is or has become misleading or deceptive in any material respect or that contains any material omission, and provide such further or new information as is required to ensure that such information is no longer misleading or deceptive in any material respect or does not contain any material omission;
- (h) **(Deed Poll)** prior to the Despatch Date, execute the Deed Poll;

- (i) **(Scheme Consideration)** if the Scheme becomes Effective, provide, or procure the provision of, the Scheme Consideration in accordance with this agreement, the Scheme and the Deed Poll on the Implementation Date;
- (j) **(Judicial Advice)** assist with the preparation of all documents as reasonably requested by MacarthurCook and take all other reasonable steps to assist MacarthurCook to obtain the Judicial Advice;
- (k) **(MIF Provided Information)** during the period until the MIF Provided Information becomes publicly available, only use the MIF Provided Information with the prior written consent of MacarthurCook (not to be unreasonably withheld or delayed);
- (l) **(Loan Facility)** if Full Repayment and Termination is to be made or is to occur on an Available Repayment Date, and subject to the satisfaction or waiver of the Conditions Precedent in clause 3.1(m), ensure that Full Repayment and Termination (insofar as it relates to the Loan Facility only) is made or occurs on the Actual Repayment Date; and
- (m) **(all things necessary)** to the extent within the control of HRPT, do all other things contemplated by or necessary to implement the Scheme and the orders of the Court granting the Judicial Advice.

5.3 Preparation of Scheme Booklet

- (a) **(MacarthurCook to prepare)** Subject to HRPT complying with its obligations under clause 5.3(d), MacarthurCook must prepare the Scheme Booklet as soon as is reasonably practicable after the date of this agreement and otherwise substantially in accordance with the Timetable.
- (b) **(Compliance requirements)** MacarthurCook must ensure that the Scheme Booklet complies with all applicable laws, in particular the requirements of the Corporations Act and the ASX Listing Rules, except that the obligation to do so in respect of the HRPT Provided Information is subject to HRPT complying with its obligations under clause 5.3(d).
- (c) **(Content of Scheme Booklet)** Without limiting clause 5.3(b), the Scheme Booklet will include or be accompanied by:
 - (i) the Notice of Meeting;
 - (ii) a copy of this agreement (without the schedules and annexures) or a summary of it;
 - (iii) a copy of the executed Deed Poll;
 - (iv) the Independent Expert's Report;
 - (v) if the Independent Expert concludes that the Scheme is either "fair and reasonable" or "not fair but reasonable":
 - (A) a statement that the Special Board Committee unanimously recommends that MIF Unitholders approve the Scheme Resolutions, in the absence of a Superior Proposal; and
 - (B) a statement that each member of the Special Board Committee who has a Relevant Interest in and is able to control voting rights in relation to MIF Units intends to vote those MIF Units, or procure that those MIF Units are voted, in favour of the Scheme Resolutions, in the absence of a Superior Proposal; and

- (vi) the Responsibility Statement.
- (d) **(HRPT Provided Information)** HRPT must provide the HRPT Provided Information to MacarthurCook as soon as is reasonably practicable after the date of this agreement and otherwise substantially in accordance with the Timetable, in a form that includes all information regarding HRPT that is required by, all applicable Laws including the Corporations Act and the ASX Listing Rules and must provide to MacarthurCook such assistance as MacarthurCook may reasonably require in order to adapt such information for inclusion in the Scheme Booklet.
- (e) **(Review by HRPT)** MacarthurCook must make available to HRPT drafts of the Scheme Booklet (including any draft of the Independent Expert's Report), consult with HRPT in relation to the content of those drafts (including the inclusion of any HRPT Provided Information and any information solely derived from, or prepared solely in reliance on, the HRPT Provided Information), and (acting reasonably and in good faith) take into account, for the purpose of amending those drafts, any comments from HRPT and its Representatives on those drafts.
- (f) **(Consent of HRPT)** HRPT must provide written consent to MacarthurCook in relation to the form and context in which any HRPT Provided Information (and any information solely derived from, or prepared solely in reliance on, the HRPT Provided Information) is included in the Scheme Booklet.
- (g) **(Verification)** MacarthurCook must undertake appropriate verification processes in relation to the MacarthurCook Provided Information included in the Scheme Booklet, and HRPT must undertake appropriate verification processes in relation to the HRPT Provided Information included in the Scheme Booklet.
- (h) **(Responsibility Statement)** MacarthurCook and HRPT each represents to the other that the Responsibility Statement is to be included in the Scheme Booklet.

5.4 Appeal process

If the Court refuses to make any orders to grant the Judicial Advice, MacarthurCook must appeal the Court's decision to the fullest extent possible (except to the extent that the parties agree otherwise, or an independent barrister with at least 10 years' experience advises that, in his/her view, an appeal would have no reasonable prospect of success before the End Date).

6 Conduct of Business and Requests for Access

6.1 Conduct of MIF business

During the period from the date of this agreement up to and including the earlier of the Implementation Date, the date that this agreement is terminated and the End Date, MacarthurCook must:

- (a) ensure that the business and operations of MIF are conducted only in the ordinary course and consistently with the manner in which each such business and operation has been conducted in the period prior to the date of this agreement;
- (b) to the extent consistent with the obligation imposed under clause 6.1(a), use its best endeavours to preserve intact MIF's current business organisation and to preserve its relationship with Governmental Agencies, customers (including current, potential and future tenants), suppliers, licensors, licensees and others having business dealings with it;

- (c) use its best endeavours to ensure that the condition of all assets of MIF (including, without limitation, the Properties) are, to the extent that it is within the control of MacarthurCook, maintained in accordance with past practice of MIF;
- (d) use best endeavours to not do, or not omit to do, anything that will, or is reasonably likely to, result in:
 - (i) the occurrence of a MIF Regulated Event; or
 - (ii) any representation or warranty in clause 9.2 being untrue, inaccurate or otherwise breached at any time when those representations and warranties are given or made; and
- (e) use its best endeavours to ensure that:
 - (i) a MIF Regulated Event does not occur; and
 - (ii) no representation or warranty in clause 9.2 is or becomes inaccurate, untrue or otherwise breached at any time when those representations and warranties are given or made, in each case to the extent that such event or occurrence is within the control of MacarthurCook,

except to the extent required to be done or to not be done or procured or ensured by MacarthurCook pursuant to, or that is otherwise expressly permitted or prohibited by, the Transaction Documents, or the undertaking of which HRPT has approved in writing, such approval not to be unreasonably withheld or delayed, provided that nothing in this clause 6.1 shall prevent MacarthurCook from taking any proposed course of action the details of which have been fairly disclosed to HRPT in this agreement or the Management Responses.

6.2 Access to information and co-operation

- (a) **(Provision of access and information)** During the period from the date of this agreement up to and including the earlier of the Implementation Date, the date of termination of this agreement and the End Date, MacarthurCook must respond to reasonable requests from HRPT and its Representatives for information concerning the MIF businesses and operations, and give HRPT and its Representatives reasonable access to its Representatives and records, and otherwise provide reasonable co-operation to HRPT and its Representatives, in each case for the purposes of:
 - (i) the implementation of the Scheme and the Transaction;
 - (ii) the integration of MIF and HRPT following the implementation of the Transaction; or
 - (iii) any other purpose that is agreed in writing between the parties,
 subject to the proper performance by the directors and officers of MacarthurCook of their fiduciary duties with respect to MIF Unitholders.
- (b) **(Monthly management accounts)** Without limiting clause 6.2(a), during the period from the date of this agreement up to and including the earlier of the Implementation Date, the date of termination of this agreement and the End Date, MacarthurCook must provide to HRPT a copy of the monthly management accounts of MIF in each case no later than 5 Business Days after the end of the month in respect of which accounts have been prepared.

- (c) **(Limits on MacarthurCook obligations)** Without limiting clause 9.2(d), the obligations in clauses 6.2(a) and 6.2(b) do not require MacarthurCook to:
 - (i) provide information to HRPT concerning the MacarthurCook Board's consideration of the Transaction;
 - (ii) provide any commercially sensitive or competitive information; or
 - (iii) breach an obligation of confidentiality that is owed by MacarthurCook (in its capacity as responsible entity of MIF) to any person.
 - (d) The parties acknowledge that all information that is provided pursuant to this clause 6.2 will be provided subject to the terms of the Confidentiality Deed.
-

7 Board Recommendations and Intentions

7.1 Special Board Committee recommendation

- (a) The Agreed Public Announcement to be issued by MacarthurCook following the execution of this agreement must state (on the basis of written statements or resolutions made by the Special Board Committee) that the Special Board Committee considers the Scheme is worthy of consideration by MIF Unitholders and will, in the Scheme Booklet, if the Independent Expert concludes that the Scheme is either "fair and reasonable" or "not fair but reasonable", unanimously recommend that MIF Unitholders approve the Scheme Resolutions, in the absence of a Superior Proposal.
- (b) MacarthurCook must use its best endeavours to procure that the Special Board Committee and each member of the Special Board Committee:
 - (i) does not withdraw the statements set out in the Agreed Public Announcement issued by MacarthurCook;
 - (ii) in the Scheme Booklet, if the Independent Expert concludes that the Scheme is either "fair and reasonable" or "not fair but reasonable", states that the Special Board Committee unanimously recommends the Scheme and that MIF Unitholders approve the Scheme Resolutions, in the absence of a Superior Proposal, and does not withdraw those statements or recommendations once made; and
 - (iii) does not make any public statement to the effect, or take any other action that suggests, that the Scheme is no longer so recommended,

unless the Special Board Committee determines in accordance with clause 10.4 that a Competing Proposal constitutes a Superior Proposal.

7.2 Special Board Committee intentions

- (a) The Agreed Public Announcement to be issued by MacarthurCook must state that each Special Board Committee member who holds MIF Units, or who has a Relevant Interest in and control over voting rights attaching to MIF Units (**Applicable Units**), intends, if the Independent Expert concludes that the Scheme is either "fair and reasonable" or "not fair but reasonable", to vote the Applicable Units in favour of the Scheme Resolutions, or procure that the Applicable Units are voted in favour of the Scheme Resolutions, in the absence of a Superior Proposal.
- (b) If the Independent Expert concludes that the Scheme is either "fair and reasonable" or "not fair but reasonable", the Scheme Booklet despatched to MIF

Unitholders, must state that each Special Board Committee member who holds MIF Units, or who has a Relevant Interest in and control over voting rights attaching to MIF Units (**Applicable Units**), intends to vote the Applicable Units in favour of the Scheme Resolutions, or procure that the Applicable Units are voted in favour of the Scheme Resolutions, in the absence of a Superior Proposal.

- (c) If the Independent Expert concludes that the Scheme is either “fair and reasonable” or “not fair but reasonable”, MacarthurCook must use its best endeavours to ensure that each Special Board Committee member who holds MIF Units, or who has a Relevant Interest in and control over voting rights attaching to MIF Units (**Applicable Units**):
- (i) intends to vote the Applicable Units in favour of the Scheme Resolutions, or procure that the Applicable Units are voted in favour of the Scheme Resolutions; and
 - (ii) does not change that voting intention,

unless the Special Board Committee determines in accordance with clause 10.4 that a Competing Proposal constitutes a Superior Proposal.

8 Public Announcements, Communications and Confidentiality

8.1 Required announcements

- (a) On the Announcement Date, HRPT and MacarthurCook must each release the Agreed Public Announcements, which in the case of the Agreed Public Announcement to be issued by MacarthurCook has attached to it either this agreement or a summary of the key terms of this agreement.
- (b) Subject to clause 8.3, where MacarthurCook is required by applicable law, the ASX Listing Rules or any other applicable stock exchange regulation to make any announcement or to make any disclosure in connection with this agreement (including its termination), the Scheme, the Transaction or any other transaction or event contemplated by this agreement or the Scheme or the Transaction, it may do so only after it has given HRPT as much notice as is reasonably practicable in the context of any deadlines imposed by law or applicable requirement, but in any event, if reasonably practicable, prior notice, and to the extent reasonably practicable has consulted with HRPT as to (and has given the other party a reasonable opportunity to comment on) the form and content of that announcement or disclosure. Nothing in this clause requires the giving of prior notice or the taking of any action if doing so would lead to a party breaching an applicable law, the ASX Listing Rules or any other stock exchange regulation.
- (c) Subject only to clauses 8.1(a) and 8.1(b), MacarthurCook must not, without the prior written consent of HRPT, make any public statement which identifies or refers to HRPT.

8.2 Agreement on other Communications

Except in relation to Communications regulated by clause 8.1 and to the extent permitted by applicable law:

- (a) HRPT and MacarthurCook must in good faith and on a timely and pragmatic basis consult with each other and agree in advance any material aspect (including the timing, form, content and manner) of any Communications with any Governmental Agency in relation to the implementation of the Scheme, whether or not such Communications are for the purposes of satisfying a Condition Precedent;

- (b) each of HRPT and MacarthurCook is entitled to be represented and to make submissions in any meeting with any Governmental Agency relating to any Regulatory Approval;
- (c) each party must provide copies to the other party of any written Communications sent to or received from a person referred to in clause 8.2(a) promptly upon despatch or receipt (as the case may be); and
- (d) each party will have the right to be present and make submissions at or in relation to any proposed meeting with any Governmental Agency in relation to the Scheme.

8.3 Disclosure on termination of this agreement

The parties agree that, if this agreement is terminated under clause 12, either party may disclose by way of announcement to ASX (or any other applicable stock exchange) the fact that this agreement has been terminated provided, where reasonably practicable, that party consults with the other party as to (and gives the other party a reasonable opportunity to comment on) the form and content of the announcement prior to its disclosure.

9 Representations and Warranties

9.1 HRPT representations and warranties

HRPT represents and warrants to MacarthurCook that (except as consented to in writing by MacarthurCook) on the date of this agreement, on the Despatch Date, at the time of giving its certificate under clause 3.7 and on the Implementation Date:

- (a) HRPT is a real estate investment trust validly existing under the laws of its place of organisation;
- (b) HRPT has the power to enter into and perform its obligations under this agreement and to carry out the transactions contemplated by this agreement in accordance with and subject to its terms;
- (c) HRPT has taken all necessary corporate and trust action to authorise its entry into this agreement and has taken or will take all necessary corporate and trust action to authorise the performance of this agreement in accordance with and subject to its terms;
- (d) this agreement is HRPT's valid and binding obligation enforceable in accordance with its terms;
- (e) HRPT is not affected by an Insolvency Event; and
- (f) the execution and performance by HRPT of this agreement and each transaction contemplated by this agreement, subject to the satisfaction or, as appropriate, waiver of each Condition Precedent, does not and will not violate in any respect a provision of:
 - (i) a law or treaty or a judgment, ruling, order or decree binding on it or any of its Related Bodies Corporate;
 - (ii) any declaration of trust or its constituent documents; or
 - (iii) any other document or agreement that is binding on HRPT or HRPT's assets.

9.2 MacarthurCook representations and warranties

MacarthurCook in its capacity as responsible entity of MIF and only in that capacity represents and warrants to HRPT that, except as consented to in writing by HRPT:

- (a) on the date of this agreement, on the Despatch Date, at the time of giving its certificate under clause 3.7 and on the Implementation Date:
 - (i) **(incorporation)**
 - (A) MacarthurCook is a corporation validly existing under the laws of its place of incorporation; and
 - (B) MIF is validly established and registered under Part 5C of the Corporations Act;
 - (ii) MacarthurCook has the power to enter into and perform its obligations under this agreement and, subject to the satisfaction or, as appropriate, waiver of each Condition Precedent, to carry out the transactions contemplated by this agreement;
 - (iii) MacarthurCook has taken all necessary corporate action to authorise its entry into this agreement and has taken or will take all necessary corporate action to authorise the performance of this agreement in accordance with and subject to its terms;
 - (iv) this agreement is MacarthurCook's valid and binding obligation enforceable in accordance with its terms;
 - (v) neither it nor MIF is affected by an Insolvency Event;
 - (vi) the execution and performance by MacarthurCook of this agreement and each transaction contemplated by this agreement, subject to the satisfaction or, as appropriate, waiver of each Condition Precedent, in each case in accordance with and subject to the terms of this agreement did not and will not violate in any respect a provision of:
 - (A) a law or treaty or a judgment, ruling, order or decree binding on it or any of its Related Bodies Corporate;
 - (B) its constitution or the Trust Constitution; or
 - (C) any other document or agreement that is binding on it or on any of its or MIF's assets;
 - (vii) it is the current responsible entity of MIF;
 - (viii) MIF has been validly constituted under the Trust Constitution;
 - (ix) there are 98,468,806 MIF Units on issue and no other MIF Units have been or are required to be issued (either contingently or otherwise) and no other securities or instruments are still outstanding (or may become outstanding) and that may convert into MIF Units except for securities to be issued under MIF's distribution reinvestment plan;
- (b) on the date of this agreement other than as fairly disclosed in writing in the MIF Disclosed Information, the Management Responses are, so far as MacarthurCook is aware, true, complete and accurate in all material respects;

- (c) the MIF Disclosed Information was prepared in good faith and, so far as MacarthurCook is aware, on the date of this agreement:
 - (i) the MIF Disclosed Information is not false, misleading or deceptive (whether by omission or otherwise) in any material respect; and
 - (ii) no information that was requested in writing of MacarthurCook or its Representatives by or on behalf of HRPT as part of HRPT's due diligence investigations or that is material for the purpose of any representations and warranties in this clause 9.2 has been knowingly or recklessly omitted from the MIF Disclosed Information or the Management Responses;
- (d) on the date of this agreement, at the time of giving its certificate under clause 3.7, on the Meeting Date and on the Implementation Date, following the making by MacarthurCook of its Agreed Public Announcement, MIF (acting through its responsible entity MacarthurCook):
 - (i) so far as MacarthurCook is aware, is not in breach of its continuous disclosure obligations under ASX Listing Rule 3.1; and
 - (ii) is not withholding any information from HRPT that is being withheld from public disclosure in reliance on ASX Listing Rule 3.1A; and
- (e) so far as MacarthurCook is aware, on the Despatch Date, at the time of giving its certificate under clause 3.7 and on the Meeting Date, the Scheme Booklet (other than the HRPT Information and the Independent Expert's Report) is not misleading or deceptive (including by the omission of information) in any material respect and will comply with applicable laws and the terms of this agreement as they apply to such information.

9.3 Qualification

MacarthurCook is not liable in respect of any claim for breach of a representation or warranty set out in clause 9.2, if the fact, matter or circumstance giving rise to the claim was fairly disclosed in writing in the MIF Disclosed Information or the Management Responses prior to the execution of this agreement.

9.4 Reliance by parties

Each party (**Representor**) acknowledges that in entering into this agreement the other party has relied on the representations and warranties provided by the Representor under this clause 9.

9.5 Notifications

Each party will promptly advise the other party in writing if it becomes aware of any fact, matter or circumstance that constitutes or may constitute a breach of any of the representations or warranties given by it under this clause 9.

9.6 Status of representations and warranties

Each representation and warranty in this clause 9:

- (a) is severable;
- (b) will survive the termination of this agreement; and

- (c) is given with the intent that liability under it will not be confined to breaches that are discovered prior to the date of termination of this agreement.

9.7 MacarthurCook's awareness

For the purposes of this agreement, the Management Responses, the MIF Disclosed Information and the MIF Closing Certificate, references to "so far as MacarthurCook is aware" or to MacarthurCook's knowledge or similar expressions are references to the actual knowledge and awareness of each member of the Special Board Committee and Russell Bullen and, in the case of Russell Bullen, the knowledge and awareness that he has after making, or would have had if he made, reasonable enquiry of his direct reports.

9.8 Events occurring prior to implementation

- (a) MacarthurCook must immediately disclose in writing to HRPT any fact, matter or circumstance which arises, or becomes known to MacarthurCook in the period between the date of this agreement up to and including the Implementation Date (**Relevant Period**) which:
 - (i) makes any of the Management Responses not true, incomplete or inaccurate in a material respect; or
 - (ii) results in any of the representations and warranties given by MacarthurCook in clause 9.2 being breached, or makes any of them untrue or inaccurate, in a material respect,

or which would:

- (iii) make any of the Management Responses not true, incomplete or inaccurate in a material respect; or
- (iv) result in any of the representations and warranties given by MacarthurCook in clause 9.2 being breached, or make any of them not true or inaccurate, in a material respect,

at any time during the Relevant Period, if each of those Management Responses, representations and warranties was provided, made or repeated, with any necessary modification to a date reference in the Management Questions, representations and warranties, at all times during the Relevant Period having regard to the facts, matters and circumstances then existing.

- (b) HRPT must immediately disclose in writing to MacarthurCook any fact, matter or circumstance which arises, or becomes known to HRPT in the period between the date of this agreement up to and including the Implementation Date (**Relevant Period**) which would result in any of the representations and warranties given by HRPT in clause 9.1 being breached, or make any of them not true or inaccurate, in a material respect if those representations and warranties were repeated, with any necessary modification to a date reference in the representations and warranties, at all times during the Relevant Period having regard to the facts, matters and circumstances then existing.
- (c) For the purposes of clause 9.8(a), MacarthurCook must, on an ongoing basis, in the Relevant Period, make due enquiries into:
 - (i) the continuing truth, completeness and accuracy of the Management Responses; and
 - (ii) any breach of, and the continuing truth and accuracy of, the representations and warranties given by MacarthurCook in clause 9.2,

in each case including as if those Management Responses, representations and warranties were provided, made or repeated, with any necessary modification to a date reference in the Management Questions, representations and warranties, at all times during the Relevant Period having regard to the facts, matters and circumstances then existing.

- (d) For the purposes of clause 9.8(b), HRPT must, on an ongoing basis, in the Relevant Period, make due enquiries into the continuing truth and accuracy of the representations and warranties given by HRPT in clause 9.1, including as if each of those representations and warranties was provided or repeated, with any necessary modification to a date reference in the representations and warranties, at all times during the Relevant Period having regard to the facts, matters and circumstances then existing.

10 Exclusivity

10.1 No shop restriction

During the Exclusivity Period, MacarthurCook must not, and must ensure that each of its Representatives does not, except with the prior written consent of HRPT, directly or indirectly solicit, invite, facilitate, encourage or initiate any Competing Proposal or any enquiries, negotiations or discussions with any Third Party in relation to, or that may reasonably be expected to lead to, a Competing Proposal, or communicate any intention to do any of those things.

10.2 No talk restriction

During the Exclusivity Period, MacarthurCook must not, and must ensure that each of its Representatives does not, except with the prior written consent of HRPT, enter into, continue or participate in negotiations or discussions with, or enter into any agreement, arrangement or understanding with, any Third Party in relation to, or that may reasonably be expected to lead to, a Competing Proposal, even if:

- (a) the Competing Proposal was not directly or indirectly solicited, invited, facilitated, encouraged or initiated by MacarthurCook or any of its Representatives; or
- (b) the Competing Proposal has been publicly announced,

unless the Special Board Committee, acting in good faith and in order to satisfy what the Special Board Committee reasonably considers to be its fiduciary or statutory duties, determines that, where there is a Competing Proposal, the Competing Proposal is a Superior Proposal.

10.3 No due diligence

Without limiting the general nature of clause 10.2, during the Exclusivity Period, MacarthurCook must not, and must ensure that each of its Representatives do not, except with the prior written consent of HRPT, make available to any Third Party (other than to HRPT or any of its Representatives) or permit any such Third Party to receive any non-public information relating to MIF in connection with such Third Party formulating, developing or finalising, or assisting in the formulation, development or finalisation of, a Competing Proposal, unless:

- (a) the Special Board Committee, acting in good faith and in order to satisfy what the Special Board Committee reasonably considers to be its fiduciary or statutory duties, determines that, where there is a Competing Proposal, the Competing Proposal is a Superior Proposal; and

- (b) if MacarthurCook proposes to provide any confidential information to a Third Party, before MacarthurCook provides such information to the Third Party the Third Party has entered into a written agreement (the terms of which being no less onerous on the Third Party than the terms of the Confidentiality Deed are on HRPT) in favour of MacarthurCook regarding the use and disclosure of the confidential information by the person.

10.4 Notification by MacarthurCook

- (a) During the Exclusivity Period, MacarthurCook must promptly notify HRPT if:
 - (i) it is approached by any Third Party to take any action of a kind that would breach its obligations under clause 10.2 or 10.3 (or that would breach its obligations under clause 10.2 or 10.3 if it were not for the provisos to the relevant clause); or
 - (ii) it proposes to take any action of a kind that would breach its obligations under clause 10.2 or 10.3 (or that would breach its obligations under clause 10.2 or 10.3 if it were not for the provisos to the relevant clause),unless (and only to the extent that) the Special Board Committee, acting reasonably and in good faith, determines that it would be a breach of its fiduciary or statutory duties to so notify HRPT.
- (b) If MacarthurCook receives a Superior Proposal, and as a result the Special Board Committee proposes to either publicly recommend that MIF Unitholders approve or accept that Superior Proposal and/or change or withdraw its recommendation that MIF Unitholders approve the Scheme Resolutions, MacarthurCook must (unless the Special Board Committee, acting reasonably and in good faith, determines that it would be a breach of its fiduciary or statutory duties to do so) give HRPT 4 clear Business Days notice (such notice to be in writing) of such proposed recommendation, change or withdrawal, and provide to HRPT all material terms of the applicable Competing Proposal, including details of the proposed price or implied value (including details of the consideration if not simply cash), conditions, timing and break fee (if any). MacarthurCook will use its reasonable endeavours to ask the person who has made the applicable Competing Proposal (the **Competing Party**) for their consent to their name being provided by MacarthurCook to HRPT on a confidential basis. For the avoidance of doubt, MacarthurCook will have no obligation to disclose the identity of the Competing Party to HRPT if the Competing Party does not consent to such disclosure. If information is withheld pursuant to this clause 10.4(b), MacarthurCook must immediately notify HRPT. Any information provided pursuant to this clause 10.4(b) will be provided subject to the terms of the Confidentiality Deed.
- (c) During the period of 4 clear Business Days referred to in clause 10.4(b), HRPT will have the right to offer to amend the terms of the Scheme or the Transaction (a **HRPT Counterproposal**) so that the terms of the Scheme or the Transaction (as amended) would provide a superior outcome for the MIF Unitholders than the applicable Competing Proposal.
- (d) MacarthurCook must procure that the Special Board Committee considers any such HRPT Counterproposal and if the Special Board Committee, acting in good faith, determines that:
 - (i) the HRPT Counterproposal would provide on equivalent or superior outcome for the MIF Unitholders than the applicable Competing Proposal (it being acknowledged that the price or value implied by the HRPT Counterproposal does have to be above, but does not have to be materially above, the price or value implied by the applicable Competing Proposal for the Special Board

Committee to consider the HRPT Counterproposal in relation to price to be superior); and

- (ii) the other terms and conditions of the HRPT Counterproposal taken as a whole are not less favourable than those in the applicable Competing Proposal,

then MacarthurCook and HRPT must use their best endeavours to agree the amendments to the Transaction Documents that are reasonably necessary to reflect the HRPT Counterproposal (including amendments to the Scheme Consideration that are reasonably necessary to reflect the HRPT Counterproposal), and to enter into one or more appropriate amended agreements to give effect to those amendments and to implement the HRPT Counterproposal, in each case as soon as reasonably practicable.

- (e) Any material modification to any Competing Proposal (which will include any modification relating to the price or value of the Competing Proposal) will be taken to make that proposal a new Competing Proposal in respect of which the Target must comply with its obligations under clause 10.4.

10.5 Normal provision of information

Nothing in this clause 10 prevents a party from:

- (a) providing information to its Representatives;
- (b) providing information to any Governmental Agency;
- (c) providing information to its auditors, Advisers, customers, joint venturers and suppliers acting in that capacity in the ordinary course of business;
- (d) providing information required to be provided by law or any Governmental Agency; or
- (e) making presentations to brokers, portfolio investors, analysts and other third parties in the ordinary course of business.

10.6 Acknowledgement

HRPT has required MacarthurCook to agree to the obligations set out in this clause 10 in consideration of it proceeding with the Scheme and incurring significant costs in doing so. In the absence of obtaining these obligations from MacarthurCook, HRPT would not have entered into this agreement.

11 Reimbursement of costs

11.1 Background

This clause 11 has been agreed in circumstances where:

- (a) the Special Board Committee believes that the Transaction is worthy of consideration by MIF Unitholders, and MacarthurCook and HRPT acknowledge that, if they enter into this agreement and the Transaction is subsequently not implemented, HRPT and MIF will both incur significant costs;
- (b) HRPT requested that provision be made for the payment outlined in clause 11.2, without which HRPT would not have entered into this agreement;

- (c) MacarthurCook requested that provision be made for the payment outlined in clause 11.4, without which MacarthurCook would not have entered into this agreement;
- (d) both the MacarthurCook Board and HRPT Board believe that it is appropriate for both parties to agree to the payments referred to in this clause 11 to secure each party's participation in the Transaction; and
- (e) both parties have received legal advice on this agreement and the operation of this clause 11.

11.2 Payment by MacarthurCook to HRPT

MacarthurCook as responsible entity for MIF agrees to pay to HRPT the HRPT Break Fee, being a genuine pre-estimate of HRPT's actual costs and expenses, and those of its Related Bodies Corporate incurred in respect of the proposed Transaction, (including but not limited to advisory costs (including costs of advisers other than success fees), costs of management and directors' time, out-of-pocket expenses and reasonable opportunity costs incurred by HRPT in pursuing the Transaction or in not pursuing other alternative acquisitions or strategic initiatives which HRPT could have developed to further its business and objectives) if:

- (a) during the Exclusivity Period, a Competing Proposal is announced or made and is publicly recommended, promoted or otherwise endorsed by the MacarthurCook Board or by any of the members of the Special Board Committee;
- (b) during the Exclusivity Period, a Competing Proposal is announced or is open for acceptance and within 12 months of the date of this agreement:
 - (i) pursuant to that Competing Proposal, a Third Party acquires a Relevant Interest and/or economic interest in at least 50% of all MIF Units and the Competing Proposal completes, is unconditional or has become unconditional; or
 - (ii) the Competing Proposal is approved by a requisite majority of MIF Unitholders or votes attaching to MIF Units;
- (c) any member of the Special Board Committee:
 - (i) fails to recommend the Transaction (including in the Scheme Booklet) where the Independent Expert has concluded that the Scheme is either "fair and reasonable" or "not fair but reasonable"; or
 - (ii) changes (including by attaching qualifications to) or withdraws (including by abstaining) his or her recommendation of the Transaction where the Independent Expert has concluded that the Scheme is either "fair and reasonable" or "not fair but reasonable";
- (d) HRPT terminates this agreement in accordance with:
 - (i) clause 12.1(b);
 - (ii) clause 12.2(a)(i); or
 - (iii) clause 12.2(b).

Notwithstanding anything to the contrary in this agreement, if MacarthurCook is liable to and makes full payment to HRPT pursuant to clause 11.2, MacarthurCook has no further

liability to HRPT under this agreement or at law or in equity including, without limitation, for or in respect of any breach of this agreement or any breach of a representation or warranty in this agreement.

11.3 Repayment

Despite any event in clause 11.2 occurring, if HRPT ultimately acquires beneficial ownership of 50.1% or more of MIF Units, HRPT must repay to MacarthurCook any amount received under this clause 11.2 which has not already been refunded under clause 11.7.

11.4 Payment by HRPT to MacarthurCook

- (a) If MacarthurCook terminates this agreement in accordance with clause 12.1(b), HRPT agrees to pay to MacarthurCook the MacarthurCook Break Fee, being a genuine pre-estimate of MacarthurCook's actual costs and expenses, and those of its Related Bodies Corporate incurred in respect of the proposed Transaction, (including but not limited to advisory costs (including costs of advisers other than success fees), costs of management and directors' time, out-of-pocket expenses and reasonable opportunity costs incurred by MacarthurCook in pursuing the Transaction or in not pursuing other alternative acquisitions or strategic initiatives which MacarthurCook could have developed.
- (b) Notwithstanding anything to the contrary in this agreement, if HRPT is liable to and makes full payment to MacarthurCook pursuant to clause 11.4(a), HRPT has no further liability to MacarthurCook under this agreement or at law or in equity including, without limitation, for or in respect of any breach of this agreement or any breach of a representation or warranty in this agreement.

11.5 No amount payable if Scheme becomes Effective

Notwithstanding the occurrence of any event under clause 11.2 or 11.4(a), no amount is payable under clause 11.2 or 11.4(a) if the Scheme becomes Effective.

11.6 Timing of payment

- (a) MacarthurCook must pay HRPT the amount referred to in clause 11.2 within 5 Business Days of receipt by MacarthurCook of a demand for payment from HRPT. The demand may only be made after the occurrence of an event referred to in clause 11.2(a), 11.2(b), 11.2(c) or 11.2(d).
- (b) HRPT must pay to MacarthurCook the amount referred to in clause 11.4(a) within 5 Business Days of receipt by HRPT of a demand for payment from MacarthurCook. The demand may only be made after the occurrence of an event referred to in clause 11.4(a).

11.7 Compliance with law

If it is determined following the exhaustion of all reasonable avenues of appeal to the Takeovers Panel or a Court that all or any part of the amount payable under clause 11.2 or 11.4:

- (a) is unlawful;
- (b) involves a breach of the duties of the MacarthurCook Board or the board of trustees of HRPT (as applicable); or
- (c) constitutes unacceptable circumstances within the meaning of the Corporations Act,

then MacarthurCook's or HRPT's obligation to pay the amount payable under clause 11.2 or 11.4 (as the case may be) does not apply to the extent the amount is found to be unlawful, involve a breach of duties of the MacarthurCook Board or the board of trustees of HRPT or constitute unacceptable circumstances and if MacarthurCook or HRPT has received any part of the payment due under clause 11.2 or 11.4 (as applicable) it must, to the extent the amount is found to be unlawful, involve a breach of duties of the MacarthurCook Board or the board of trustees of HRPT or constitute unacceptable circumstances, refund it within ten Business Days of such final determination.

11.8 Survival

Any accrued obligations under this clause 11 survive termination of this agreement.

12 Termination

12.1 Termination by either party

Either party (**terminating party**) may terminate this agreement by notice to the other:

- (a) in accordance with clause 3.5; or
- (b) at any time before Scheme becomes Effective if the other party is in breach of this agreement in a material respect (including a breach of a representation or warranty given by HRPT under clause 9.1(e) or MacarthurCook under clause 9.2(a)(v) or 9.2(d)), provided that (except, where HRPT is the terminating party, in the case of a material breach by MacarthurCook of clause 7 or 10) the terminating party has given notice to the other party setting out the relevant circumstances and stating an intention to terminate this agreement, and the relevant circumstances have continued to exist for five Business Days (or any shorter period ending at the scheduled time for implementation of the Scheme on the Implementation Date) from the time such notice is given.

12.2 Termination by HRPT

HRPT may terminate this agreement at any time before the Scheme becomes Effective by notice in writing to MacarthurCook:

- (a) if
 - (i) a MIF Regulated Event;
 - (ii) a MIF Material Adverse Change; or
 - (iii) a Market Disruption Event,

occurs, provided that HRPT has given notice to MacarthurCook setting out the relevant circumstances and stating an intention to terminate this agreement, and the relevant circumstances have continued to exist for five Business Days (or any shorter period ending immediately prior to the scheduled time for implementation of the Scheme on the Implementation Date) from the time such notice is given;

- (b) if the Independent Expert concludes that the Scheme is either "fair and reasonable" or "not fair but reasonable" and any Special Board Committee member fails, in the Scheme Booklet, to recommend the Scheme and that MIF Unitholders approve the Scheme in the absence of a Superior Proposal;

- (c) if at any time after the Independent Expert has concluded that the Scheme is either "fair and reasonable" or "not fair but reasonable", any member of the Special Board Committee publicly states that they do not, or qualifies a statement to the effect that they, recommend that MIF Unitholders approve the Scheme in the absence of a Superior Proposal;
- (d) if any Special Board Committee member publicly recommends a Competing Proposal, whether or not in accordance with clause 7.1(b);
- (e) if the Independent Expert concludes that the Scheme:
 - (i) is neither "fair and reasonable" or "not fair but reasonable"; or
 - (ii) is not in the best interest of MIF Unitholders; or
- (f) if MacarthurCook notifies HRPT, or HRPT otherwise becomes aware, of any fact, matter or circumstance which :
 - (i) makes any of the Management Responses not true, incomplete or inaccurate in a material respect; or
 - (ii) results in any of the representations or warranties given by MacarthurCook in clause 9.2 being breached, or makes any of them not true or inaccurate, in a material respect,

or which would:

 - (iii) make any of the Management Responses not true, incomplete or inaccurate in a material respect; or
 - (iv) result in any of the representations or warranties given by MacarthurCook in clause 9.2 being breached, or make any of them not true or inaccurate, in a material respect,

at any time during the Relevant Period, if each of those Management Responses, representations and warranties was provided, made or repeated, with any necessary modification to a date reference in the Management Question, representation or warranty, at all times during the Relevant Period having regard to the facts, matters and circumstances then existing.

12.3 Termination by MacarthurCook

MacarthurCook may terminate this agreement at any time before the Scheme becomes Effective by notice in writing to HRPT if:

- (a) the Special Board Committee publicly changes a unanimous recommendation of the Scheme, or publicly recommends, promotes or otherwise endorses a Superior Proposal and the Scheme Meeting has been validly cancelled;
- (b) if the Independent Expert concludes that the Scheme is neither "fair and reasonable" or "not fair but reasonable"; or
- (c) if HRPT notifies MacarthurCook, or MacarthurCook otherwise becomes aware, of any fact, matter or circumstance which is materially inconsistent with any of the representations or warranties given by HRPT in clause 9.1 or which would be materially inconsistent with any of those representations or warranties if each of those representations or warranties was provided or repeated, with any necessary modification to a date reference in the representation or warranty, at all times

during the Relevant Period having regard to the facts, matters and circumstances then existing.

12.4 Effect of termination

In the event of termination of this agreement by either HRPT or MacarthurCook pursuant to clause 12.1, 12.2 or 12.3, this agreement will have no further force or effect and the parties will have no further obligations under this agreement, provided that:

- (a) this clause 12 and clauses 1, 8.3, 11, 13 and 15 will survive termination; and
- (b) each party will retain any accrued rights and remedies, including any rights and remedies it has or may have against the other party in respect of any past breach of this agreement.

13 MacarthurCook limitation of liability

13.1 Application of this clause

This clause 13 applies notwithstanding any other provision of this agreement.

13.2 Liability

- (a) Any liability arising under or in connection with this agreement can be enforced against MacarthurCook only to the extent to which it can be satisfied out of the assets and property of MIF out of which MacarthurCook is actually indemnified for the liability.
- (b) The limitations on MacarthurCook's liability contained in this clause 13 extend to all liabilities of MacarthurCook in any way connected with any representation, warranty, conduct, omission, agreement or transaction under this agreement.
- (c) No party to this agreement may claim against the personal assets of MacarthurCook or against MacarthurCook in its personal capacity or seek the appointment of a liquidator, administrator, receiver (except in relation to the assets and property of MIF) or similar person to MacarthurCook or prove in any liquidation, administration or arrangement of or affecting MacarthurCook (except in relation to the assets and property of MIF).
- (d) The provisions of this clause 13 shall not apply to any obligation or liability of MacarthurCook to the extent that it is not satisfied because under the Trust Constitution or by operation of law there is a reduction in the extent of, or a disentitlement of, MacarthurCook's indemnification out of the assets and property of MIF as a result of MacarthurCook's failure to properly perform or exercise any of its powers or duties in relation to MIF, fraud, negligence, breach of trust or breach of duty that it has as responsible entity of MIF.

13.3 Survival

The provisions of this clause 12 shall survive termination of this document.

14 GST

14.1 Definitions

In this clause 14:

Consideration has the meaning given by the GST Law.

GST has the meaning given by the GST Law.

GST Amount means in relation to a Taxable Supply the amount of GST payable in respect of that Taxable Supply.

GST Group has the meaning given by the GST Law.

GST Law has the meaning given by *A New Tax System (Goods and Services Tax) Act 1999* (Cth), or, if that Act does not exist means any Act imposing or relating to the imposition or administration of a goods and services tax in Australia and any regulation made under that Act.

Input Tax Credit has the meaning given by the GST Law and a reference to an Input Tax Credit entitlement of a party includes an Input Tax Credit for an acquisition made by that party but to which another member of the same GST Group is entitled under the GST Law.

Recipient has the meaning given by the GST Law.

Tax Invoice has the meaning given by the GST Law.

Taxable Supply has the meaning given by the GST Law excluding the reference to section 84 5 of *A New Tax System (Goods and Services Tax) Act 1999* (Cth).

14.2 GST to be added to amounts payable

If GST is payable on a Taxable Supply made under, by reference to or in connection with this agreement, the party providing the Consideration for that Taxable Supply must also pay the GST Amount as additional Consideration. This clause does not apply to the extent that the Consideration for the Taxable Supply is expressly stated to be GST inclusive. Payment of the GST Amount is conditional upon the prior delivery to the Recipient of the supply of a valid Tax Invoice.

14.3 Liability net of GST

Any reference in the calculation of Consideration or of any indemnity, reimbursement or similar amount to a cost, expense or other liability incurred by a party, must exclude the amount of any Input Tax Credit entitlement of that party in relation to the relevant cost, expense or other liability. A party will be assumed to have an entitlement to a full Input Tax Credit unless it demonstrates otherwise prior to the date on which the Consideration must be provided.

14.4 Cost exclusive of GST

Any reference in this agreement (other than in the calculation of Consideration) to cost, expense or other similar amount (**Cost**), is a reference to that Cost exclusive of GST.

14.5 GST obligations to survive termination

This clause 14 will continue to apply after expiration or termination of this agreement.

15 Miscellaneous

15.1 Notices

Any notice, demand, consent or other communication (a **Notice**) given or made under this agreement:

- (a) must be in writing and signed by a person duly authorised by the sender;
- (b) must be delivered to the intended recipient by prepaid post or by hand or fax to the address, fax number or email address below or the address, fax number or email address last notified by the intended recipient to the sender:

- (i) to HRPT:

Attention: Jennifer Clark, Secretary
Address: 400 Centre Street, Newton, MA 02458, USA
Facsimile: +1 617 928 1305
Email: jclark@reitmr.com

with a copy to Gilbert + Tobin:

Address: Level 37, 2 Park Street, Sydney NSW 2000
Attention: Marko Komadina
Facsimile: +61 2 9263 4111

- (ii) to MacarthurCook:

Attention: Ryan Rayfield
Address: Level 16, 323 Castlereagh St, Sydney NSW 2000
Facsimile: +61 2 9215 2833;

with a copy to Blake Dawson

Address: Level 36, 225 George Street, Sydney NSW 2000
Attention: David Ryan
Facsimile: +61 2 9258 6999; and

- (c) will be taken to be duly given or made:
 - (i) in the case of delivery in person, when delivered;
 - (ii) in the case of delivery by post, two Business Days after the date of posting (if posted to an address in the same country); and
 - (iii) in the case of fax, on receipt by the sender of a transmission control report from the dispatching machine showing the relevant number of pages and the correct destination fax machine number or name of recipient and indicating that the transmission has been made without error,

but if the result is that a Notice would be taken to be given or made on a day that is not a business day in the place to which the Notice is sent or is later than 4pm

(local time) it will be taken to have been duly given or made at the commencement of business on the next business day in that place.

15.2 No waiver

No failure to exercise nor any delay in exercising any right, power or remedy by a party operates as a waiver. A single or partial exercise of any right, power or remedy does not preclude any other or further exercise of that or any other right, power or remedy. A waiver of any right, power or remedy on one or more occasions does not operate as a waiver of that right, power or remedy on any other occasion, or of any other right, power or remedy. A waiver is not valid or binding on the party granting that waiver unless made in writing.

15.3 Remedies cumulative

The rights, powers and remedies provided to each party in this agreement are in addition to, and do not exclude or limit, any right, power or remedy provided by law or equity or by any agreement.

15.4 Entire agreement

This agreement and the Confidentiality Deed contain the entire agreement between the parties as at the date of this agreement with respect to its subject matter and supersedes all prior agreements and understandings between the parties in connection with it.

15.5 Amendment

No amendment or variation of this agreement is valid or binding on a party unless made in writing executed by HRPT and MacarthurCook, which may so make an amendment or variation notwithstanding that one or more other parties or persons may be entitled to the benefit of all or any of the provisions of this agreement.

15.6 Assignment

The rights and obligations of each party under this agreement are personal. They cannot be assigned, encumbered or otherwise dealt with and no party may attempt, or purport, to do so without the prior consent of the other party.

15.7 No merger

The rights and obligations of the parties will not merge on the completion of any transaction contemplated by this agreement. They will survive the execution and delivery of any assignment or other document entered into for the purpose of implementing a transaction.

15.8 Further assurances

Each party agrees to do all things and execute all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the provisions of this agreement and the transactions contemplated by it.

15.9 Costs and stamp duty

Except as provided below, each party must bear its own costs, charges and expenses arising out of or incidental to the negotiations leading to or the preparation of this agreement and the proposed, attempted or actual implementation of this agreement. HRPT must pay any stamp duty that is payable on the transfer to HRPT of the Scheme Securities pursuant to the Scheme.

15.10 Severability of provisions

Any provision of this agreement that is prohibited or unenforceable in any jurisdiction is ineffective as to that jurisdiction to the extent of the prohibition or unenforceability. That does not invalidate the remaining provisions of this agreement nor affect the validity or enforceability of that provision in any other jurisdiction.

15.11 Governing law and jurisdiction

This agreement is governed by the laws of New South Wales. Each party submits to the non exclusive jurisdiction of courts exercising jurisdiction there in connection with matters concerning this agreement.

15.12 Counterparts

This agreement may be executed in any number of counterparts. All counterparts together will be taken to constitute one instrument.

15.13 HRPT Nominee

Despite anything else in this agreement, HRPT may by notice to MacarthurCook not later than 5 Business Days before the Scheme Booklet is lodged with ASIC, nominate a wholly owned entity of HRPT (**Nominee**) to pay the Scheme Consideration and/or to which some or all of the Scheme Securities will be transferred if the Scheme is implemented.

Despite the above, HRPT will continue to be bound by all of the obligations of HRPT under this agreement and will not be released from any obligations or liabilities under this agreement following the date of nomination of a Nominee. However, MacarthurCook agrees that HRPT will not be in breach of this agreement for failing to discharge the obligation of HRPT under this agreement if the Nominee fully discharges that obligation.

Schedule 1 — Dictionary

1 Dictionary

In this agreement:

Actual Repayment Date has the meaning given in clause 3.1(m)(ii).

Adviser means, in relation to an entity, a financier, financial adviser, corporate adviser, legal adviser, or technical or other expert adviser or consultant who provides advisory services in a professional capacity to the market in general and who has been engaged by that entity.

Agreed Public Announcements means the public announcements to be made by each of HRPT and MacarthurCook in the form agreed by those parties.

Announcement Date means:

- (a) the date on which this agreement is executed; or
- (b) if this agreement is executed on a day that is not a Trading Day, the first Trading Day immediately following the day of execution.

ASIC means the Australian Securities and Investments Commission.

ASIC Modifications means a modification by ASIC of item 7 of section 611 of the Corporations Act, allowing MIF Unitholders to vote in favour of the Scheme for the purpose of item 7 of section 611 of the Corporations Act or ASIC indicating in writing that such a modification is not required, and any other modifications, exemptions or approvals from ASIC as MacarthurCook reasonably considers necessary to enable the transactions contemplated by this agreement to be implemented.

ASX means ASX Limited (ABN 98 008 624 691) or, as the context requires, the financial market known as the Australian Securities Exchange operated by it.

ASX Listing Rules means the official listing rules of ASX.

ASX Waivers and Confirmations means such waivers and confirmations from ASX as MacarthurCook considers necessary to implement the Scheme.

ATO means the Australian Taxation Office.

AUD/USD Exchange Rate means the spot rate of exchange of one Australian dollar into US dollars as published on the WM/Reuters screen from time to time.

Available Repayment Date has the meaning given in clause 3.1(m)(ii).

Business Day means any day which is each of the following:

- (a) a Business Day within the meaning of the ASX Listing Rules; and
- (b) a day on which banks are open for business excluding Saturdays, Sundays and public holidays in Sydney, New South Wales.

Commissioner means the Commissioner of Taxation.

Communications means all forms of communications, whether written, oral, in electronic format or otherwise, and whether direct or indirect via agents or Representatives.

Competing Proposal means any expression of interest, proposal, offer, transaction or arrangement (other than the Transaction) by or with any person pursuant to which, if the expression of interest, proposal, offer, transaction or arrangement is entered into or completed substantially in accordance with its terms:

- (a) a Third Party will (other than as custodian, nominee or bare trustee):
 - (i) acquire an interest in, or a Relevant Interest in, or become the holder of, 50% or more of the MIF Units;
 - (ii) directly or indirectly acquire, obtain a right to acquire, or otherwise obtain an economic interest in all, or a substantial part of, the assets or business of MIF;
 - (iii) otherwise acquire control (within the meaning of section 50AA of the Corporations Act) of MIF; or
 - (iv) otherwise directly or indirectly acquire, merge or amalgamate with, or acquire a significant economic interest in, MIF or in all or a substantial part of its assets or business, whether by way of takeover offer, trust scheme, unitholder approved acquisition, capital reduction, unit buy-back or repurchase, sale or purchase of assets, reverse takeover, dual-listed company structure, recapitalisation, establishment of a new holding company for MIF or other synthetic merger or any other transaction or arrangement; or
- (b) MacarthurCook or MIF would be required to abandon or otherwise fail to proceed with the Scheme or the Transaction, by whatever means.

Conditions Precedent means the conditions precedent set out in clause 3.1.

Confidentiality Deed means the deed of that name between HRPT and MacarthurCook (in its capacity as responsible entity of MIF).

Control has the meaning given in section 50AA of the Corporations Act.

Corporations Act means *Corporations Act 2001* (Cth).

Court means the Supreme Court of New South Wales or such other court of competent jurisdiction as MacarthurCook and HPRT may agree in writing.

Data Room means the electronic data room that has been established by or on behalf of MacarthurCook in connection with the Transaction.

Deed Poll means a document substantially in the form of Attachment A under which HRPT covenants in favour of Scheme Participants to perform its obligations under this agreement.

Despatch Date means the first date on which the Scheme Booklet is sent to MIF Unitholders.

Effective means the coming into effect, pursuant to section 601GC(2) of the Corporations Act of the Supplemental Deed.

Effective Date means the date on which MacarthurCook lodges the Supplemental Deed with ASIC.

Encumbrance means any mortgage, lien, charge, pledge, assignment by way of security, encumbrance, title retention, preferential right or trust arrangement, claim, covenant, profit a prendre, easement or any other security arrangement or any other arrangement having the same effect or any agreement to create any of them.

End Date means 30 September 2010, or such later date as HRPT and MacarthurCook may agree in writing.

Exclusivity Period means the period commencing on the date of this agreement and ending on the earlier of:

- (c) the termination of this agreement in accordance with its terms;
- (d) the Implementation Date; and
- (e) the End Date.

Final MIF Tax Ruling means a private ruling or rulings of the Commissioner under Division 359 of Schedule 1 to the TAA confirming to the effect, taking into account the Final MIT Tax Law, that:

- (a) in relation to the year ended 30 June 2010 and all future income years (subject to the maximum period allowed by the Commissioner), MIF will continue to be a MIT;
- (b) where the amounts paid by MacarthurCook (in its capacity as responsible entity of MIF) to HRPT and its related entities consist of Fund Payments, that such Fund Payments will be subject to withholding pursuant to Subdivision 12-H to Schedule 1 of the TAA at rates not greater than:
 - (i) in relation to the income year ending 30 June 2010 – 15%;
 - (ii) in relation to the income year commencing 1 July 2010 and all subsequent income years – 7.5%;
- (c) in relation to the year ended 30 June 2010 and all future income years (subject to the maximum period allowed by the Commissioner), MacarthurCook will not be subject to taxation in respect of amounts referred to at paragraph (b), because of the operation of any other provision of the Tax Acts (or because of any related legislation or regulations which have the effect of imposing tax); and
- (d) in relation to the year ended 30 June 2010 and all future income years (subject to the maximum period allowed by the Commissioner), no anti-avoidance rule applies or will apply, nor would the Commissioner seek to apply any anti-avoidance rule (including Part IVA of the ITAA 1936), having regard to the facts and circumstances relied upon by the Commissioner in issuing the ruling or rulings.

Final MIT Tax Law means the MIT Tax Law as amended by all Laws giving effect to the Proposed MIT Tax Law Amendments.

Full Repayment and Termination has the meaning given in clause 3.1(m)(ii).

Governmental Agency means any government or representative of a government or any governmental, semi-governmental, administrative, fiscal, regulatory or judicial body, department, commission, authority, tribunal, agency, competition authority or entity whether foreign, federal, state, territorial or local and includes any minister (including, for

the avoidance of doubt, the Commonwealth Treasurer), ASIC, ASX and any regulatory organisation established under statute or any stock exchange.

Heads of Agreement means the lease proposal in respect of 16 Rodborough Road, Frenchs Forest, dated 31 March 2010 and signed on behalf of the proposed lessee on 7 April 2010.

Hedge Transactions means any contract, agreement or arrangement settling out the terms and conditions of a derivative, swap, forward contract, futures contract or hedging transaction. It includes:

- (a) any master agreement as published by the International Swaps and Derivatives Association, Inc. from time to time, and any schedule to, and any derivative, transaction or confirmation under or as defined in, such a master agreement; and
- (b) any interest rate swap transactions, arrangements or agreements entered into by MacarthurCook in connection with the Loan Facility.

HRPT Board means the board of trustees of HRPT.

HRPT Break Fee means an amount of \$800,000.

HRPT Closing Certificate means a certificate to be given by HRPT in the form of Schedule 4.

HRPT Group means HRPT and its Related Bodies Corporate.

HRPT Provided Information means all information that is provided by or on behalf of HRPT to MacarthurCook or any of its Representatives to enable the Scheme Booklet to be prepared and completed in accordance with clause 5.1 (and that is specifically identified as such by HRPT or any of its Representatives), and any updates to that information provided by or on behalf of HRPT to MacarthurCook or any of its Representatives in accordance with clause 5.2(g).

Final HRPT Tax Ruling means a private ruling or rulings of the Commissioner under Division 359 of Schedule 1 to the TAA confirming to the effect, taking into account the Final MIT Tax Law, that:

- (a) in relation to the year ended 30 June 2010 and all future income years (subject to the maximum period allowed by the Commissioner), MIF will continue to be a MIT;
- (b) HRPT and any Nominated Rulee will be liable to pay income tax (imposed under the *Income Tax (Managed Investment Trust Withholding Tax) Act 2008*) on the Fund Payment Part of any distributions which it receives in relation to MIF, because of section 840-805 of the ITAA 1997 and that such tax will be levied at rates not greater than:
 - (i) in relation to the income year ending 30 June 2010 – 15%; and
 - (ii) in relation to the income year commencing 1 July 2010 and all subsequent income years – 7.5%;
- (c) in relation to the year ended 30 June 2010 and all future income years (subject to the maximum period allowed by the Commissioner), HRPT and any Nominated Rulee will obtain a credit pursuant to section 18-32 of Schedule 1 to the TAA, for the tax withheld by MacarthurCook (as responsible entity of MIF) and any such credit will be applied in accordance with Division 3 of Part IIIB of the TAA;

- (d) in relation to the year ended 30 June 2010 and all future income years (subject to the maximum period allowed by the Commissioner), the amounts subject to tax referred to at paragraph (b) of this definition, will represent non-assessable non-exempt income of HRPT and any Nominated Rulee in accordance with section 840-815 of the ITAA 1997 and will not be subject to taxation because of any other provision of the Tax Acts (or because of any related legislation or regulations which have the effect of imposing tax); and
- (e) in relation to the year ended 30 June 2010 and all future income years (subject to the maximum period allowed by the Commissioner), that no anti-avoidance rule applies or will apply, nor would the Commissioner seek to apply any anti-avoidance rule (including under Part IVA of the ITAA 1936), having regard to the facts and circumstances relied upon by the Commissioner in issuing the ruling or rulings.

Implementation Date means the date that is the next Business Days after the Record Date, or such other date as MacarthurCook and HRPT may agree in writing or as may be required by ASX.

Independent Expert means an independent expert to be engaged by MacarthurCook to prepare the Independent Expert's Report and express an opinion on the Scheme.

Independent Expert's Report means the report from the Independent Expert commissioned by MacarthurCook for inclusion in the Scheme Booklet, which includes a statement by the Independent Expert on whether, in its opinion the terms of the Scheme are fair and reasonable for MIF Unitholders and includes any update of that report by the Independent Expert.

Insolvency Event means in relation to a person:

- (a) **(insolvency official)** the appointment of a liquidator, provisional liquidator, administrator, receiver, receiver and manager or other insolvency official (whether under an Australian law or a foreign law) to the person or to the whole or a substantial part of the property or assets of the person;
- (b) **(arrangements)**
 - (i) the entry by the person into a compromise or arrangement with its creditors generally or, if it is a trustee, the creditors of its trust generally; or
 - (ii) the person executes a deed of company arrangement;
- (c) **(winding up)**
 - (i) a court makes an order for the winding up of the person; or
 - (ii) the making of an application or order for the winding up or dissolution of the person, other than where the application or order (as the case may be) is set aside within 14 days;
- (d) **(statutory demand)** being taken under section 459F(1) of the Corporations Act to have failed to comply with a statutory demand;
- (e) **(suspends payments)** the person suspends or threatens to suspend payment of its debts or, if it is a trustee, the debts of the trust;
- (f) **(insolvency)** the person is or becomes unable to pay its debts or, if it is a trustee, the debts of its trust, as and when they fall due within the meaning of the Corporations Act or is (or if it is a trustee, its trust is) otherwise presumed to be insolvent under the Corporations Act; or

- (g) **(analogous event)** any analogous event occurring in relation to that person under the laws of another jurisdiction.

provided that any event or circumstance referred to above in respect of a person which is fairly disclosed to HRPT in writing in the MIF Disclosed Information or Management Responses will not constitute an Insolvency Event in respect of that person for the purposes of this document.

Interim HRPT Tax Ruling has the same meaning given to Final HRPT Tax Ruling except that the words ",taking into account the Final MIT Tax Law," are to be disregarded for the purpose of this definition.

Interim MIF Tax Ruling has the same meaning given to Final MIF Tax Ruling except that the words ",taking into account the Final MIT Tax Law," are to be disregarded for the purpose of this definition.

ITAA 1936 means the *Income Tax Assessment Act 1936* (Cth).

ITAA 1997 means the *Income Tax Assessment Act 1997* (Cth).

Judicial Advice means confirmation from the Court under section 63 of the Trustee Act 1925 (NSW) that MacarthurCook would be justified in convening the Scheme Meeting and proceeding on the basis that amending the Trust Constitution as set out in the Supplemental Deed would be within the powers of alteration conferred by the Trust Constitution and section 601GC of the Corporations Act.

Law includes:

- (a) any law, regulation, authorisation, ruling, judgment, order, decree or policy of any Governmental Agency; and
- (b) any statute, regulation, proclamation, ordinance or by-law in:
 - (i) Australia; or
 - (ii) any other jurisdiction.

Lender means National Australia Bank Limited.

Loan Facility means the Multicurrency Loan Facility Agreement between MacarthurCook (in its capacity as responsible entity for MIF) and the Lender dated 25 July 2008, as amended.

MacarthurCook Board means the board of directors of MacarthurCook (in its capacity as responsible entity of MIF).

MacarthurCook Break Fee means an amount of \$800,000.

Management Questions means the questions submitted, and confirmations sought, by or on behalf of HRPT in the Management Questionnaire.

Management Responses means the responses provided to the Management Questions in the Management Questionnaire by MacarthurCook.

Management Questionnaire means the document of that name dated the same date as this agreement which contains the Management Questions and the Management Responses.

Market Disruption Event means, during the period from the date of this agreement to 5:00pm on the day before the Meeting Date, either of the All Ordinaries Index published by the ASX or the Dow Jones Industrial Average closes for four or more consecutive days at a level which is 10% or more below the level at which those indexes closed on the last trading day before the date of this agreement.

Material Contract means any agreement, arrangement or understanding to which MacarthurCook (acting in its capacity as responsible entity of MIF) is party that:

- (a) is not terminable on 30 days or less notice without payment of penalty or premium;
- (b) requires or may result in expenditure by MacarthurCook (acting in its capacity as responsible entity of MIF) of \$100,000 or more in any year; and
- (c) is material to the business or operations of MIF.

Meeting Date means the date on which the Scheme Meeting is held.

MIF Closing Certificate means a certificate to be given by MacarthurCook in the form of Schedule 3.

MIF Disclosed Information means all information provided by MacarthurCook or its Representatives to HRPT and its Representatives prior to the date of this agreement pursuant to the Confidentiality Deed and the Due Diligence Protocols that is disclosed in the Data Room.

MIF Material Adverse Change means:

- (a) any event, occurrence or matter that individually or when aggregated with all such events, occurrences or matters has had or is reasonably likely to have an adverse effect on :
 - (i) the actual or forecast annual operating income of MIF, whether now or in the future, of 5% or more; or
 - (ii) the Net Assets, whether now or in the future, of 5% or more;
- (b) the termination of, or MacarthurCook receiving from a Third Party any notice of an intention to terminate, any Property lease which relates to any Property; or
- (c) any tenant of a Property:
 - (i) materially breaching or defaulting any material payment obligation owed by it in respect of the Property; or
 - (ii) suffering an Insolvency Event,

other than, in each case, an event, occurrence or matter:

- (d) that is required to be undertaken or procured by MacarthurCook pursuant to, or otherwise as contemplated by, the Transaction Documents (or that involves payment of transaction and advisory costs in relation to the Scheme or other transactions contemplated by this agreement of an amount in aggregate of no more than the amount that has been disclosed to HRPT or its Representatives prior to the date of this agreement, provided that HRPT must consider and, where reasonably incurred, consent to the payment of, any additional advisory costs which are directly referable to any regulatory intervention which occurs in

connection with the Scheme or other transactions contemplated by this agreement);

- (e) which HRPT and MacarthurCook agree is not a MIF Material Adverse Change; or
- (f) to the extent that event, occurrence or matter was fairly disclosed in writing in the MIF Disclosed Information or Management Responses prior to the date of this agreement.

MIF Provided Information means all information included in the Scheme Booklet, and any updates to that information prepared by or on behalf of MacarthurCook in accordance with clause 5.1(j), other than:

- (a) the HRPT Provided Information and any information solely derived from, or prepared solely in reliance on, the HRPT Provided Information; and
- (b) the Independent Expert's Report.

MIF Regulated Event means the occurrence of any of the following events, except as consented to in writing by HRPT:

- (a) MacarthurCook (acting in its capacity as responsible entity of MIF) converts all or any of MIF's securities into a larger or smaller number of securities;
- (b) MacarthurCook (acting in its capacity as responsible entity of MIF) reduces or resolves to reduce MIF's capital in any way;
- (c) MacarthurCook (acting in its capacity as responsible entity of MIF):
 - (i) enters into a buy-back agreement; or
 - (ii) resolves to approve the terms of a buy-back agreement;
- (d) MacarthurCook (acting in its capacity as responsible entity of MIF) issues securities, or grants an option over or to subscribe for securities, or agrees to make such an issue or grant such an option;
- (e) MacarthurCook (acting in its capacity as responsible entity of MIF) issues, or agrees to issue, convertible notes or any other security or instrument convertible into securities;
- (f) MacarthurCook (acting in its capacity as responsible entity of MIF) agrees to pay, declares, pays or makes, or incurs a liability to pay or make, a dividend, distribution of income, profits, assets or capital, with the exclusion of any distributions for the quarters ending 31 March 2010 or 30 June 2010, provided in the case of those distributions that the amount per MIF Unit of the distributions is materially consistent with the amount per MIF Unit of the distribution for the quarter ending 31 December 2009;
- (g) any change is made to the MIF Constitution;
- (h) MacarthurCook (acting in its capacity as responsible entity of MIF):
 - (i) acquires, leases or disposes of (including by grant of an Encumbrance);
 - (ii) agrees to acquire, lease or dispose of (including by grant of an Encumbrance); or

(iii) offers, proposes or announces a bid or tenders for,

any entity, business or asset (including by grant of an Encumbrance) with a value of more than \$100,000, other than as legally committed in any contract fairly disclosed to HRPT in writing in the MIF Disclosed Information or Management Responses before the execution of this agreement;

- (i) MacarthurCook (acting in its capacity as responsible entity of MIF) creates, or agrees to create, any mortgage, charge, lien or other Encumbrance over the whole, or a substantial part, of its business or assets other than in the ordinary course of its business;
- (j) other than as legally committed in any contract fairly disclosed in writing to HRPT in the MIF Disclosed Information or Management Responses before the date of this agreement, MacarthurCook (acting in its capacity as responsible entity of MIF) enters into any contract or commitment (or any series of related contracts or commitments) that:
 - (i) is not terminable on 30 days or less notice without payment of penalty or premium; or
 - (ii) requires or may result in expenditure by MacarthurCook (acting in its capacity as responsible entity of MIF) of \$100,000 or more in any year; or
 - (iii) MacarthurCook (acting in its capacity as responsible entity of MIF) undertakes capital expenditure in excess of \$100,000;
- (k) MacarthurCook (acting in its capacity as responsible entity of MIF) incurs any financial indebtedness or issues any indebtedness or debt securities other than unsecured trade payables arising under contracts for goods and services in the ordinary course;
- (l) MacarthurCook (acting in its capacity as responsible entity of MIF) makes any loans, advances or capital contributions to, or investments in, any other person;
- (m) MacarthurCook (acting in its capacity as responsible entity of MIF):
 - (i) changes the terms of any Material Contract;
 - (ii) pays, discharges or satisfies any claims, liabilities or obligations under any Material Contract other than the payment, discharge or satisfaction consistent with past practice and in accordance with its terms; or
 - (iii) waives any claims or rights under, or waives the benefit of any provision of, any Material Contract;
- (n) an Insolvency Event occurs in respect of MacarthurCook or MIF;
- (o) an obligation to pay any amount under the Loan Facility, or in respect of any of the NAB Hedge Transactions, is accelerated or a step is taken to enforce the Security or any other Security Interest granted in favour of the Lender or a Related Body Corporate of the Lender;

provided that a MIF Regulated Event will not include:

- (p) a matter that is required to be undertaken or procured by MacarthurCook pursuant to, or otherwise as contemplated by, the Transaction Documents (or that involves payment of transaction and advisory costs in relation to the Scheme or other

transactions contemplated by this agreement of an amount in aggregate of no more than the amount that has been disclosed to HRPT or its Representatives prior to the date of this agreement, provided that HRPT must consider and, where reasonably incurred, consent to the payment of, any additional advisory costs which are directly referable to any regulatory intervention which occurs in connection with the Scheme or other transactions contemplated by this agreement);

- (q) a matter to the extent that HRPT has provided its prior written consent, such consent not to be unreasonably withheld or delayed;
- (r) any actions required to enter into the lease for 16 Rodborough Road, Frenchs Forest, on terms consistent in all material respects with those documented in the Heads of Agreement (including as to the identity of the lessee); and
- (s) renewal of MIF's insurance arrangements on terms materially consistent with those described in document number 10.21 in the Data Room and otherwise in a manner consistent with the Management Responses.

MIF Unit means a unit on issue in MIF.

MIF Unitholder means a holder of a MIF Unit.

MIF Unit Register means the register of holders of MIF Units from time to time, as administered by MacarthurCook.

MIT means a Managed Investment Trust in relation to an income year for the purpose of section 12-400 of Schedule 1 to the TAA.

MIT Tax Law means each of the following:

- (a) Subdivision 12-H of Schedule 1 to the TAA;
- (b) Division 840 of the ITAA 1997;
- (c) the *Income Tax (Managed Investment Trust Withholding Tax) Act 2008* (Cth); and
- (d) any related Law.

NAB Hedge Transactions has the meaning given in clause 3.1(m)(ii).

Net Assets means total assets minus total liabilities of MIF.

Net Current Assets means the net amount given by deducting:

- (a) the aggregate of
 - the total liabilities (excluding the principal loan balance under the Loan Facility but only to the extent to which that balance is not more than \$46,400,000) of MIF and, to the extent not included in the total liabilities of MIF, any transactions costs relating to the Transaction, any Special Distribution or any other distributions permitted to be paid to MIF Unitholders under this agreement and all fees, charges and other costs payable by or on behalf of MacarthurCook (in its capacity as responsible entity for MIF) to Lender in connection with the satisfaction of the Condition Precedent in clause 3.1(m); from
- (b) the total assets of MIF (excluding Properties).

Net Income means net income as defined by section 95 of the ITAA 1936.

Nominated Rulee means any person who is a co-applicant in relation to the Final HRPT Tax Ruling and who acquires or is issued MIF Units under the Scheme or after the Implementation Date.

Nominee has the meaning given to that term in clause 15.13.

Non-Property Asset means any class or type of asset other than real property (or an interest in real property).

Notice of Meeting means the notice convening the Scheme Meeting, together with the proxy form for the Scheme Meeting.

Officer means, in relation to an entity, any of its directors, officers and senior employees.

Proposed MIT Tax Law Amendments means any proposed amendment to the MIT Tax Law relating to:

- (a) the announcement by the Assistant Treasurer in press release No 20 titled "Key Amendment to The Withholding Tax Definition Of A Managed Investment Trust" issued on 10 February 2010 (**Press Release**);
- (e) the exposure draft legislation released by the Treasury on 16 April 2010 titled "Exposure Draft - Tax Laws Amendment (2010 Measures No. 3) Bill 2010: Managed Investment Trusts (MIT)" (**ED**); or
- (f) any other announcements, pronouncements, statements, exposure draft legislation, bills or press releases of any Governmental Agency, whether retrospective or prospective, which in each instance relate to the MIT Tax Laws or the subject matter of the Press Release or ED.

Properties means each property the freehold interest of which is owned or held by or on behalf of MIF.

Record Date means 7pm on the date that is 5 Business Days after the Effective Date, or such other date as may be agreed in writing between HRPT and MacarthurCook or as may be required by ASX.

Regulatory Approval means each of the ASIC Modifications, the FIRB approval referred to in clause 3.1(a)(ii), the ASX Waivers and Confirmations, the Interim MIF Tax Ruling, the Final MIF Tax Ruling, the Interim HRPT Tax Ruling and the Final HRPT Tax Ruling.

Related Body Corporate has the meaning given in the Corporations Act.

Relevant Interest has the meaning given in sections 608 and 609 of the Corporations Act.

Representative means, in relation to a person:

- (a) a Related Body Corporate of the person; or
- (b) an Officer of the person or any of the person's Related Bodies Corporate; or
- (c) an Adviser to the person or any of the person's Related Bodies Corporate.

Responsibility Statement means a statement that is included in the Scheme Booklet in the form set out in Schedule 2 or in such other form as the parties reasonably agree.

Scheme means the arrangement under which HRPT acquires all of the MIF Units held by Scheme Participants, that is facilitated by amendments to the Trust Constitution as set out in the Supplemental Deed, subject to the Scheme Resolutions being approved by the requisite majorities of MIF Unitholders.

Scheme Booklet means the explanatory memorandum to be prepared in respect of the Scheme in accordance with the terms of this agreement and to be despatched to MIF Unitholders, including the Independent Expert's Report, the Notice of Meeting, the Deed Poll and the Supplemental Deed.

Scheme Consideration means the consideration to be provided to Scheme Participants under the terms of the Scheme for the transfer to HRPT (and/or its nominee) of their Scheme Securities.

Scheme Meeting means the meeting of MIF Unitholders that is convened to consider resolutions to approve the Scheme.

Scheme Participant means each person who is a MIF Unitholder on the Record Date.

Scheme Resolutions means resolutions of the MIF Unitholders to approve the Scheme, and the other transactions contemplated by this agreement, including:

- (a) an ordinary resolution for the purpose of item 7 of section 611 of the Corporations Act to approve the acquisition by HRPT of all of the Scheme Securities;
- (b) a special resolution for the purpose of section 601GC(1) of the Corporation Act to approve the amendments to the Trust Constitution as set out in the Supplemental Deed and to authorise MacarthurCook to execute and lodge with ASIC the Supplemental Deed to give effect to those amendments;
- (c) unless the parties agree otherwise, an ordinary resolution for the purpose of section 208 of the Corporations Act to approve the management arrangements contemplated by the condition precedent in clause 3.1(o) and Attachment C; and
- (d) such other resolutions as the parties consider reasonably necessary to give effect to the transactions contemplated by this agreement.

Scheme Securities means the MIF Units on issue as at the Record Date.

Security means the fixed and floating charge dated 28 October 2004 granted by MacarthurCook in favour of National Australia Bank Limited registered with the Australian Securities and Investment Commission as number 1100114.

Security Interest includes any guarantee, mortgage, pledge, lien or charge or any security or preferential interest or arrangement of any kind. It includes:

- (a) anything which gives a creditor priority to other creditors with respect to any asset; and
- (b) retention of title other than in the ordinary course of day-to-day trading and a deposit of money by way of security but it excludes a charge or lien arising in favour of a government agency by operation of statute unless there is default for more than 30 days in payment of moneys secured by that charge or lien.

Special Board Committee means the special board committee comprising each of Tony Wood, Mark Thorpe-Apps and Chris Langford.

Special Distribution means a distribution of not less than \$0.01 per MIF Unit.

Special Distribution Payment Date means the date on which the Scheme Consideration is paid to Scheme Participants in accordance with the Scheme.

Subsidiary has the meaning given in the Corporations Act.

Superior Proposal means a bona fide Competing Proposal that the Special Board Committee determines, acting in good faith and in order to satisfy what the Special Board Committee considers to be their fiduciary or statutory duties (and after having taken advice from its financial and legal advisers):

- (a) is capable of being valued and completed, taking into account all aspects of the Competing Proposal; and
- (b) would, if completed substantially in accordance with its terms, be more favourable to the MIF Unitholders than the Transaction, taking into account all the terms and conditions of the Competing Proposal,

after taking into account a qualitative assessment of the identity, reputation and financial standing of the party making the Competing Proposal.

Supplemental Deed means a document substantially in the form of Attachment B, pursuant to which MacarthurCook (in its capacity as responsible entity of MIF) will amend the Trust Constitution.

TAA means the *Taxation Administration Act 1953* (Cth).

Tax means a tax, levy, charge, impost, fee, deduction, withholding or duty of any nature, including, without limitation, stamp and transaction duty or any goods and services tax (including GST), value added tax or consumption tax, which is imposed or collected by a Government Agency, except where the context requires otherwise. This includes, but is not limited to, any interest, fine, penalty, charge, fee or other amount imposed in addition to those amounts.

Tax Acts means the TAA, ITAA 1936 and ITAA 1997.

Tax Law means any Law relating to Tax.

Tax Return means any return relating to Tax including any document which must be lodged with a Government Agency administering a Tax or which a taxpayer must prepare and retain under a Tax Law (such as an activity statement, amended return, schedule or election and any attachment).

Termination Date has the meaning given to that term in the Loan Facility.

Third Party means any of the following:

- (a) a person other than HRPT or a member of the HRPT Group; or
- (b) a consortium, partnership, limited partnership, syndicate or other group in which no member of the HRPT Group has agreed to be a participant.

Timetable means the indicative timetable in relation to the Scheme set out in Schedule 1, or such other indicative timetable as HRPT and MacarthurCook may agree in writing or as may be required by ASX.

Trading Day has the meaning given in the ASX Listing Rules.

Transaction means the proposed transaction pursuant to which HRPT will acquire all of the Scheme Securities under the Scheme, in consideration for the provision of the Scheme Consideration.

Transaction Documents means:

- (a) this agreement;
- (b) the Supplemental Deed; and
- (c) the Deed Poll.

Treasurer means the Treasurer of the Commonwealth of Australia.

Trust Constitution means the deed poll establishing MIF, as amended from time to time.

2 Interpretation

In this agreement the following rules of interpretation apply unless the contrary intention appears:

- (a) headings are for convenience only and do not affect the interpretation of this agreement;
- (b) the singular includes the plural and vice versa;
- (c) words that are gender neutral or gender specific include each gender;
- (d) where a word or phrase is given a particular meaning, other parts of speech and grammatical forms of that word or phrase have corresponding meanings;
- (e) the words 'such as', 'including', 'particularly' and similar expressions are not used as, nor are intended to be, interpreted as words of limitation;
- (f) a reference to:
 - (i) a person includes a natural person, partnership, joint venture, government agency, association, corporation or other body corporate;
 - (ii) a thing (including, but not limited to, a chose in action or other right) includes a part of that thing;
 - (iii) a party includes its successors and permitted assigns;
 - (iv) a document includes all amendments or supplements to that document;
 - (v) a clause, term, party, schedule or attachment is a reference to a clause or term of, or party, schedule or attachment to this agreement;
 - (vi) this agreement includes all schedules and attachments to it;
 - (vii) a law includes a constitutional provision, treaty, decree, convention, statute, regulation, ordinance, by-law, judgment, rule of common law or equity and is a reference to that law as amended, consolidated or replaced;
 - (viii) an agreement other than this agreement includes an undertaking, or legally enforceable arrangement or understanding, whether or not in writing; and

- (ix) a monetary amount is in Australian dollars;
- (g) an agreement on the part of two or more persons binds them jointly and severally;
- (h) when the day on which something must be done is not a Business Day, that thing must be done on the following Business Day;
- (i) in determining the time of day, where relevant to this agreement, the relevant time of day is:
 - (i) for the purposes of giving or receiving notices, the time of day where a party receiving a notice is located; or
 - (ii) for any other purpose under this agreement, the time of day in the place where the party required to perform an obligation is located;
- (j) no rule of construction applies to the disadvantage of a party because that party was responsible for the preparation of this agreement or any part of it;
- (k) a reference to "best endeavours" does not include payment of a sum of money which is not commercially reasonable in the reasonable opinion of the party who would be required to make that payment or undertake that obligation; and
- (l) a reference to "fair disclosure" or "fairly disclosed" means disclosure in sufficient detail to allow HRPT to identify the nature and effect of the matter disclosed; and
- (m) a reference to the Independent Expert concluding that the Scheme is either "fair and reasonable" or "not fair but reasonable" includes a reference to such a conclusion regardless of whether the Independent Expert also concludes that the Scheme is or is not in the best interests of MIF Unitholders or makes no conclusion as to whether the Scheme is or is not in the best interests of MIF Unitholders.

**Schedule 1 —
Indicative Timetable**

Event	Date
MacarthurCook lodges draft Scheme Booklet with ASIC	Monday, 11 June 2010
Despatch of Scheme Booklet completed	Monday, 5 July 2010
Scheme Meeting	Thursday, 29 July 2010
Effective Date	Tuesday, 3 August 2010
Record Date	Tuesday, 10 August 2010
Implementation Date	Wednesday, 11 August 2010

Schedule 2 — Responsibility Statement

- (a) Except as provided in paragraphs (b) and (c) the information in this Scheme Booklet has been provided by MacarthurCook as responsible entity for MIF and is the responsibility of MacarthurCook as responsible entity for MIF. HRPT and its directors, officers and advisors do not assume any responsibility for the accuracy or completeness of any such MIF Provided Information.
- (b) HRPT has provided and is responsible for information contained in sections [insert] of this Scheme Booklet, including information as to the funding arrangements it has made to provide the Scheme Consideration, and information as to HRPT's opinions, views, intentions and decisions in relation to MIF (collectively the **HRPT Information**). MacarthurCook and its directors, officers and advisors do not assume any responsibility for the accuracy or completeness of the HRPT Information.
- (c) The Independent Expert, [insert], has provided and is responsible for the information contained in section [insert] of this Scheme Booklet. Neither MacarthurCook nor HRPT assumes any responsibility for the accuracy or completeness of the information contained in section [insert]. The Independent Expert does not assume any responsibility for the accuracy or completeness of the information contained in this Scheme Booklet other than that contained in section [insert].

Schedule 3 — MIF Closing Certificate

This MIF Closing Certificate is given pursuant to clause 3.1(i) of the Scheme Implementation Agreement dated 3 May 2010 between MacarthurCook Fund Management Limited as responsible entity for MacarthurCook Industrial Property Fund and HRPT Properties Trust (the **SIA**).

Terms in this certificate have the same meaning as those terms in the SIA.

After due and careful enquiry, so far as MacarthurCook is aware:

- (a) no fact, matter or circumstance has arisen that makes any representation or warranty of MacarthurCook contained in clause 9.2 of the SIA false or inaccurate or otherwise qualifies any such representation or warranty as at the time such representation or warranty is taken as being given; and
- (b) as at the time of giving this certificate, MacarthurCook has no reason to believe that MIF's Net Current Assets on the Implementation Date will be less than \$1.

Dated [#]

[insert name]
Director
MacarthurCook Fund Management Limited as responsible entity of MacarthurCook Industrial Property Fund.

Schedule 4 —
HRPT Closing Certificate

This HRPT Closing Certificate is given pursuant to clause 3.1(p) of the Scheme Implementation Agreement dated 3 May 2010 between MacarthurCook Fund Management Limited as responsible entity for the MacarthurCook Industrial Property Fund and HRPT Properties Trust (the **SIA**).

Terms in this certificate have the same meaning as those terms in the SIA.

After due and careful enquiry, to the best of the knowledge and belief of HRPT, no fact, matter or circumstance has arisen that makes any representation or warranty of HRPT contained in clause 9.1 of the SIA false or inaccurate or otherwise materially qualifies any such representation or warranty as at the time such representation or warranty is taken as being given.

Dated [#]

[insert name]
Officer
HRPT Properties Trust

Execution page

Executed as an agreement.

Signed for **HRPT Properties Trust** by an authorised officer in the presence of:

Signature of witness

Signature of authorised officer

Name of witness (print)

Name of authorised officer (print)

Signed for **MacarthurCook Fund Management Limited** in its capacity as responsible entity of **MacarthurCook Industrial Property Fund**:

Signature of director

Signature of director/secretary

Name of director (print)

Name of director/secretary (print)

**Attachment A —
Deed Poll**

**Attachment B —
Supplemental Deed**

**Attachment C —
Management terms**

This page has been left blank intentionally

Amending Deed

Scheme Implementation Agreement

MacarthurCook Fund Management Limited

CommonWealth REIT

Gilbert+Tobin

2 Park Street
Sydney NSW 2000
Australia

GPO Box 3810
Sydney NSW 2001

T +61 2 9263 4000
F +61 2 9263 4111

DX 10348 SSE

www.gtlaw.com.au

Contents	Page
1 Background	2
2 Defined terms and interpretation	2
2.1 Definitions	2
2.2 Interpretation	2
3 Amendments to the Principal Agreement	2
3.1 Amendments	2
3.2 Effective date	5
3.3 Amendments not to affect validity, rights, obligations	5
3.4 Confirmation	5
4 Waiver and consent	5
4.1 Waiver	5
4.2 HRPT consent	5
5 MacarthurCook limitation of liability	5
5.1 Application of this clause	5
5.2 Liability	5
5.3 Survival	6
6 General	6
6.1 Governing law and jurisdiction	6
6.2 Counterparts	6
6.3 Further action	6
6.4 Costs and stamp duty	6
Execution page	7

Parties

- 1 **CommonWealth REIT**, formerly known as **HRPT Properties Trust**, a real estate investment trust formed under the laws of the State of Maryland of 400 Centre Street, Newton MA 02458-2076, United States of America (**HRPT**)
 - 2 **MacarthurCook Fund Management Limited** ACN 004 956 558 (**MacarthurCook**) in its capacity as responsible entity for the **MacarthurCook Industrial Property Fund** ARSN 104 606 573 (**MIF**)
-

1 Background

- (a) The parties entered into a scheme implementation agreement on 3 May 2010 (**Principal Agreement**).
- (b) Clause 15.5 of the Principal Agreement provides that an amendment of any term of the Principal Agreement must be in writing and executed by HRPT and MacarthurCook.
- (c) The parties wish to amend the Principal Agreement in the manner set out in this deed.

The parties agree

2 Defined terms and interpretation

2.1 Definitions

A term or expression starting with a capital letter that is not defined in this deed, but which is defined in the Principal Agreement, has the same meaning as in the Principal Agreement.

2.2 Interpretation

Clause 2 of Schedule 1 of the Principal Agreement applies to this deed.

3 Amendments to the Principal Agreement

3.1 Amendments

The Principal Agreement is amended by:

- (a) In clause 3.1(c) deleting the words "*Meeting Date*" and replacing those words with "*Effective Date*".
- (b) Inserting a new clause 3.5(c) as follows:

"If HRPT receives written advice from its Australian tax attorneys, Gilbert & Tobin, that the Condition Precedent in clause 3.1(f) will not be satisfied by 30 September 2010, then (unless HRPT intends to waive that Condition Precedent in accordance with clause 3.2(a)) HRPT may, in its absolute discretion, extend the End Date to 31 December 2010 by giving notice in writing to MacarthurCook no more than 10

Business Days and no less than 5 Business Days before 30 September 2010, provided that when such notice is given HRPT has complied with its obligations under this agreement (and in particular its obligations under clause 3.3) in all material respects."

(c) In clause 4.2, deleting the reference to "A\$0.40" and replacing it with "A\$0.44".

(d) Deleting clause 4.3.

(e) Inserting a new clause 6.2(e) as follows:

"Without limitation to any provision of this agreement, and subject only to clause 6.2(c), during the period from 9 July 2010 up to and including the earlier of the Implementation Date, the date of termination of this agreement and the End Date, MacarthurCook must keep HRPT informed about all material matters concerning the financial and operating position of MIF."

(f) Inserting a new clause 6.2(f) as follows:

"During the period from the Despatch Date to the Meeting Date, MacarthurCook must upon request by HRPT (which HRPT may make from time to time) provide HRPT with details of the number of MIF Units and MIF Unitholders in respect of which MacarthurCook has received proxy forms for the Scheme Meeting and the manner in which the proxies in those forms have been directed for each of the Scheme Resolutions."

(g) Inserting a new clause 12.4A as follows:

"12.4A Requested Resolution

(a) *If, at the Scheme Meeting, both the Scheme Resolutions and the Requested Resolution are approved by the requisite majorities of MIF Unitholders, then, notwithstanding any other provision in this agreement:*

(i) *HRPT may terminate this agreement at any time prior to 3.00pm on the third Business Day after the conclusion of the Scheme Meeting (**Termination Deadline**) by notice in writing to MacarthurCook (**HRPT Notification**);*

(ii) *Subject to clause 12.4A(a)(iii), MacarthurCook must not lodge the Supplemental Deed with ASIC before receiving notification from HRPT that HRPT waives its right to terminate this agreement under clause 12.4A(a)(i);*

(iii) *If HRPT does not provide the HRPT Notification to MacarthurCook prior to the Termination Deadline, HRPT will be deemed to have waived its right to terminate this agreement under clause 12.4A(a)(i) and (subject to the satisfaction or waiver in accordance with this agreement of all Conditions Precedent other than the Condition Precedent in clause 3.1(d)) MacarthurCook will lodge the Supplemental Deed with ASIC; and*

(b) *MacarthurCook and HRPT acknowledge that if the Requested Resolution is approved by the requisite majority of MIF Unitholders and the MIF Constitution is amended in accordance with the Requested Resolution, HRPT will not become entitled to the HRPT Break Fee."*

(h) In clause 12.4, after the words "clause 12.1, 12.2 or 12.3," inserting the words "or termination of this agreement under clause 12.4A".

- (i) In Schedule 1:
- (i) deleting the definition of "End Date" and replacing it with "**End Date** means 30 September 2010, subject to extension in accordance with clause 3.5(c), or such later date as HRPT and MacarthurCook may agree in writing";
 - (ii) in the definition of "Market Disruption Event", deleting the expression "10%" and replacing that expression with "15%";
 - (iii) in paragraph (f) of the definition of "MIF Regulated Event", deleting the words "materially consistent with the amount per MIF Unit of the distribution for the quarter ending 31 December 2009" and replacing those words with "not greater than \$0.005";
 - (iv) inserting a new definition of "Requested Resolution" as follows:

"Requested Resolution means the resolution requested by MIF Unitholders holding more than 5% of the MIF Units, to amend the termination provisions contained in the Trust Constitution, as referred to in MIF's announcement to ASX of 3 June 2010."
 - (v) deleting the definitions of "Special Distribution" and "Special Distribution Payment Date"; and
 - (vi) deleting the words "Special Distribution or any other" from paragraph (a) of the definition of Net Current Assets.
- (j) In clause 3(a) of Attachment B:
- (i) amending the definition of "Distribution" by inserting after the word "distribution" the words "in an amount not greater than \$0.005 per Unit";
 - (ii) amending the definition of "Nominee" so that it reads "**Nominee** means ASA Properties Trust, a real estate investment trust formed under the laws of the State of Maryland, United States of America";
 - (iii) amending the definition of "Scheme Consideration" by:
 - (A) deleting each reference to "A\$0.40" and replacing them with "A\$0.44"; and
 - (B) deleting each reference to "[*(other than the Distribution or the Special Distribution)*]" and replacing them with "*(other than the Distribution)*";
 - (iv) deleting the definition of "Special Distribution";
- (k) In clause 3(b) of Attachment B, deleting the words:
- "37.2A Special Distribution**
- If the Scheme becomes Effective, the Responsible Entity will pay to each Scheme Participant the Special Distribution for each of the Scheme Units registered in the name of that Scheme Participant. The Special Distribution will be paid to Scheme Participants at the same time as the Scheme Consideration is paid to Scheme Participants."*

3.2 Effective date

The amendments to the Principal Agreement under clause 3.1 of this deed take effect from the date of this deed.

3.3 Amendments not to affect validity, rights, obligations

- (a) The amendments to the Principal Agreement under clause 3.1 of this deed do not affect the validity or enforceability of the Principal Agreement.
- (b) Nothing in this deed:
 - (i) prejudices or adversely affects any right, power, authority, discretion or remedy arising under the Principal Agreement before the date of this deed; or
 - (ii) discharges, releases or otherwise affects any liability or obligation arising under the Principal Agreement before the date of this deed.

3.4 Confirmation

Each party is bound by the Principal Agreement as amended by this deed.

4 Waiver and consent

4.1 Waiver

Each party agrees to waive any rights it has under the Principal Agreement in connection with any Market Disruption Event which occurred prior to the date of this deed.

4.2 HRPT consent

HRPT consents to the waiver of the Condition Precedent in clause 3.1(j) in connection with any Market Disruption Event which has occurred prior to the date of this deed.

5 MacarthurCook limitation of liability

5.1 Application of this clause

This clause 5 applies notwithstanding any other provision of this agreement.

5.2 Liability

- (a) Any liability arising under or in connection with this agreement can be enforced against MacarthurCook only to the extent to which it can be satisfied out of the assets and property of MIF out of which MacarthurCook is actually indemnified for the liability.
- (b) The limitations on MacarthurCook's liability contained in this clause 5 extend to all liabilities of MacarthurCook in any way connected with any representation, warranty, conduct, omission, agreement or transaction under this agreement.
- (c) No party to this agreement may claim against the personal assets of MacarthurCook or against MacarthurCook in its personal capacity or seek the appointment of a liquidator, administrator, receiver (except in relation to the assets and property of MIF) or similar person to MacarthurCook or prove in any liquidation,

administration or arrangement of or affecting MacarthurCook (except in relation to the assets and property of MIF).

- (d) The provisions of this clause 5 shall not apply to any obligation or liability of MacarthurCook to the extent that it is not satisfied because under the Trust Constitution or by operation of law there is a reduction in the extent of, or a disentitlement of, MacarthurCook's indemnification out of the assets and property of MIF as a result of MacarthurCook's failure to properly perform or exercise any of its powers or duties in relation to MIF, fraud, negligence, breach of trust or breach of duty that it has as responsible entity of MIF.

5.3 Survival

The provisions of this clause 4 shall survive termination of this document.

6 General

6.1 Governing law and jurisdiction

This deed is governed by the laws of New South Wales and each party irrevocably and unconditionally:

- (a) submits to the non-exclusive jurisdiction of the courts of New South Wales; and
- (b) waives any:
 - (i) claim or objection based on absence of jurisdiction or inconvenient forum; or
 - (ii) immunity in relation to this agreement in any jurisdiction for any reason.

6.2 Counterparts

This deed may be executed in counterparts. All executed counterparts constitute one document.

6.3 Further action

Each party must do, at its own expense, everything reasonably necessary (including executing documents) to give full effect to this deed.

6.4 Costs and stamp duty

Each party must bear its own costs, charges and expenses arising out of or incidental to the negotiations leading to or the preparation of this agreement and the proposed, attempted or actual implementation of this agreement. HRPT must pay any stamp duty that is payable on the transfer to HRPT of the Scheme Securities pursuant to the Scheme.

Execution page

Executed as a deed.

Signed for **CommonWealth REIT**, formerly known as **HRPT Properties Trust**, by an authorised officer in the presence of:

Signature of witness

Signature of authorised officer

Name of witness (print)

Name of authorised officer (print)

Signed for **MacarthurCook Fund Management Limited** in its capacity as responsible entity of **MacarthurCook Industrial Property Fund**:

Signature of director

Signature of director/secretary

Name of director (print)

Name of director/secretary (print)

Supplemental Deed

MacarthurCook Industrial Property Fund (ARSN 104 606 573)

MacarthurCook Fund Management Limited (ACN 004 956 558)

Gilbert + Tobin

2 Park Street
Sydney NSW 2000
Australia

GPO Box 3810
Sydney NSW 2001

T +61 2 9263 4000
F +61 2 9263 4111

DX 10348 SSE

www.gtlaw.com.au

Contents

	Page
1 Recitals	1
2 Defined terms & interpretation	2
2.1 Defined terms	2
2.2 Interpretation	2
3 Amendments to the Constitution	2
4 No resettlement or redeclaration	8
5 Governing law	8

Date:

Party

MacarthurCook Fund Management Limited (ACN 004 956 558) (Trustee) in its capacity as trustee of the **MacarthurCook Industrial Property Fund (ARSN 104 606 573) (Trust)**

1 Recitals

- A The Trustee is a public company limited by shares, incorporated in Australia and registered in Victoria. Its registered office is at Level 16, 323 Castlereagh Street, Sydney, New South Wales, Australia 2000.
- B The Trustee is the responsible entity of the MacarthurCook Industrial Property Fund (ARSN 104 606 573) (**Trust**) established under the constitution dated 4 April 2003 (as amended from time to time) (**Constitution**).
- C The Trust has been registered by the Australian Securities and Investments Commission (**ASIC**) as a managed investment scheme pursuant to section 601EB of the Corporations Act 2001 (Cth) (**Corporations Act**).
- D Units are Officially Quoted and, as at the date of this deed, 98,468,806 Units were on issue.
- E HRPT Properties Trust is a real estate investment trust formed under the laws of the State of Maryland of 400 Centre Street, Newton MA 02458-2076, United States of America (**HRPT**).
- F The Trustee (acting in its capacity as responsible entity of the Trust) and HRPT agreed, by executing an implementation agreement dated 3 May 2010, to propose and implement the Scheme.
- G The Constitution must be amended to facilitate the Scheme.
- H Clause 23 of the Constitution provides that, subject to the Corporations Act, the Trustee may by deed or as otherwise permitted by the Corporations Act amend the Constitution.
- I Section 601GC(1)(a) of the Corporations Act provides that the Constitution may be modified by special resolution of the Unit Holders.
- J At a meeting of Unit Holders held on [•] 2010 convened in accordance with the Corporations Act and the Constitution, Unit Holders approved the Scheme Resolutions, including a special resolution to modify the Constitution to make the amendments to the Constitution now set out in this deed.
- K The Scheme was subject to satisfaction or waiver in accordance with the SIA of all of the Conditions Precedent.
- L All of the Conditions Precedent (other than the Condition Precedent in clause 3.1(d) of the SIA, being the Condition Precedent requiring lodgement of this deed by Trustee with ASIC pursuant to section 601GC(2) of the Corporations Act) have been satisfied or waived in accordance with the SIA.
- M Pursuant to section 601GC(2) of the Corporations Act, the Trustee must lodge a copy of the modifications to the Constitution made by special resolution of Unit

Holders which are now set out in this deed with ASIC and the amendments to the Constitution cannot take effect until a copy is lodged with ASIC.

2 Defined terms & interpretation

2.1 Defined terms

Terms used in this deed have the same meaning as in the Constitution unless otherwise defined in this deed or the context requires otherwise.

Conditions Precedent has the same meaning given to it in the SIA.

Effective means the coming into effect, pursuant to section 601GC(2) of the Corporations Act, of the modifications to the Constitution set out in this deed.

Effective Date means the date on which the Scheme becomes Effective.

Meeting Date means the date on which the Scheme Meeting is held.

Scheme means an arrangement facilitated by the amendments to the Constitution contained in this deed under which HRPT (and/or the Nominee) acquires Units from Unit Holders.

Scheme Meeting means the meeting of Unit Holders that is convened to consider the Scheme Resolutions.

Scheme Resolutions means the resolutions of the Unit Holders to approve the Scheme set out in the notice of meeting of Unit Holders dated [•] 2010.

SIA means the scheme implementation agreement dated 3 May 2010 entered into between the Trustee (acting in its capacity as responsible entity of the Trust) and HRPT.

2.2 Interpretation

Clause 36.2.1 of the Constitution applies to this deed as if set out in this deed.

3 Amendments to the Constitution

With effect on and from the Effective Date, the Constitution is amended as follows:

(a) in clause 36.1, by inserting the following definitions in alphabetical order:

Aggregate Scheme Consideration means the amount equal to the Scheme Consideration multiplied by the number of Scheme Units.

CHES means the Clearing House Electronic Subregister System for the electronic transfer of securities and other financial products operated by ASX Settlement and Transfer Corporation Pty Ltd ABN 49 008 504 532.

Control has the meaning given in section 50AA of the Corporations Act.

Deed Poll means the deed poll dated [•] executed by HRPT in favour of Scheme Participants.

Distribution means the distribution in an amount not greater than \$0.005 per Unit that is, or may be, paid to Unit Holders in accordance with clause 14 in respect of the 3 month period ending 30 June 2010.

Effective means the coming into effect, pursuant to section 601GC(2) of the Corporations Act, of the amendments to this Constitution to facilitate the Scheme, including the insertion of clause 37.

Effective Date means the date on which the amendments to this constitution to facilitate the Scheme, including the insertion of clause 37, came into effect pursuant to section 601GC(2) of the Corporations Act.

Entity has the meaning given in section 64A of the *Corporations Act*.

HRPT means HRPT Properties Trust of 400 Centre Street, Newton MA 02458-2076, United States of America.

Implementation Date means the date that is the next Business Days after the Scheme Record Date, or such other date as the Responsible Entity and HRPT may agree in writing or as may be required by ASX.

Managing Trustee means a managing trustee of HRPT.

Nominee means ASA Properties Trust, a real estate investment trust formed under the laws of the State of Maryland, United States of America.

Registry means Computershare Investor Services Pty Limited.

Scheme means an arrangement facilitated by the amendments to this Constitution, including the insertion of clause 37, under which HRPT (and/or the Nominee) acquires all of the Scheme Units from Scheme Participants for the Scheme Consideration.

Scheme Consideration means A\$0.44 cash for each Scheme Unit held by a Scheme Participant, but if the Trust declares or pays any distribution (other than the Distribution) after 3 May 2010 and before the Scheme is implemented, it means A\$0.44 cash for each Scheme Unit held by a Scheme Participant less the total amount per Scheme Unit of all such distributions and all such dividends (other than the Distribution), the record date for which is a date occurring after 3 May 2010 and on or before the Implementation Date.

Scheme Meeting means the meeting of Unit Holders, held on [•] and convened in accordance with the Corporations Act and the SIA, to consider the Scheme Resolutions.

Scheme Participant means each person who is registered in the Register as a Unit Holder as at the Scheme Record Date.

Scheme Record Date means 7:00pm on the date that is 5 Business Days after the Effective Date, or such other date as may be agreed in writing between HRPT and the Responsible Entity or as may be required by ASX.

Scheme Resolutions means the resolutions of the Unit Holders set out in the notice of meeting of Unit Holders dated [•].

Scheme Transfer means, for each Scheme Participant, a proper instrument of transfer of their Scheme Units for the purpose of section 1071B of the Corporations Act, which may be a master transfer of all Scheme Units.

Scheme Units means all of the Units on issue as at the Scheme Record Date.

SIA means the scheme implementation agreement dated 3 May 2010 entered into between the Responsible Entity (acting in its capacity as responsible entity of the Trust) and HRPT.

- (b) by inserting a new clause 37 as set out below:

“37 Scheme

37.1 Dealings in Units

- (a) For the purpose of establishing the persons who are Scheme Participants, dealings in Units will only be recognised if:
- (i) in the case of dealings of the type to be effected using CHESS, the transferee is registered in the Register as the holder of the relevant Units by the Scheme Record Date; and
 - (ii) in all other cases, registrable transfers or transmission applications in respect of those dealings are received at the Registry by 7:00pm on the Scheme Record Date.
- (b) The Responsible Entity will register registrable transfers or transmission applications of the kind referred to in clause 37.1(a)(ii) by, or as soon as practicable after, the Scheme Record Date.
- (c) The persons shown in the Register, and the number of Units shown as being held by them, after registration of transfer and transmission applications of the kind referred to in clause 37.1(a), will be taken to be the Scheme Participants, and the number of Units held by them, on the Scheme Record Date.
- (d) The Responsible Entity will not accept for registration, nor recognise for the purpose of establishing the persons who are Scheme Participants, any transfer or transmission application in respect of Units received after the Scheme Record Date (or received prior to the Scheme Record Date not in registrable form) and prior to registration of HRPT (and/or the Nominee) as the holder of all Scheme Units under clause 37.3(iii).
- (e) The Responsible Entity will, until HRPT (and/or the Nominee) has been entered into the Register as the holder of all the Scheme Units, maintain or procure the maintenance of the Register in accordance with this clause 37.1. The Register immediately after registration of registrable transfers or transmission applications of the kind referred to in clause 37.1(a) will solely determine the persons who are Scheme Participants and their entitlements to the Scheme Consideration.
- (f) From the Scheme Record Date and until registration of HRPT (and/or the Nominee) as the holder of all Scheme Units under clause 37.3(iii), no Unit Holder may deal with Units in any way except as set out in this clause 37 and any attempt to do so will have no effect.
- (g) As from the Scheme Record Date (and, other than for HRPT (and/or the Nominee), following the Implementation Date):
- (i) all unit certificates and holding statements for Scheme Units will cease to have effect as documents of title in respect of those Scheme Units; and

- (ii) each entry in the Register as at the Scheme Record Date relating to the Scheme Units will cease to have any effect other than as evidence of the entitlements of Scheme Participants to the Scheme Consideration in respect of the Scheme Units.
- (h) As soon as practicable after the Scheme Record Date and in any event at least 3 Business Days before the Implementation Date, the Responsible Entity must give to HRPT details of the names and addresses shown in the Register of all Scheme Participants and of the number of Scheme Units held by each of them on the Scheme Record Date in such form as HRPT may reasonably require.

37.2 Scheme Consideration

- (a) On or before 12:00pm on the Implementation Date, in consideration for the transfer of the Scheme Units to HRPT (and/or the Nominee), HRPT must satisfy its obligations to pay (or procure the payment of) each Scheme Participant the Scheme Consideration in respect of each Scheme Unit registered in the name of that Scheme Participant by depositing (or procuring the deposit of) in cleared funds an amount equal to the Aggregate Scheme Consideration into an account in the name of the Responsible Entity.
- (b) The Responsible Entity is to procure that the Aggregate Scheme Consideration be held by the Responsible Entity on trust for the Scheme Participants (except that any interest on the amount will be for the account of HRPT (and/or the Nominee)) for the purpose of sending the Scheme Consideration to the relevant Scheme Participants within five Business Days after the Implementation Date by dispatching or procuring the dispatch to each relevant Scheme Participant by pre-paid post to their registered address a cheque in an Australian bank in the name of that Scheme Participant for an amount (rounded down to the nearest whole cent) equal to the total amount of cash to which they are entitled.

37.3 Transfers to HRPT

On the Implementation Date, subject to HRPT satisfying its obligations to pay (or procure the payment of) the Scheme Consideration in the manner contemplated by clause 37.2(a), all of the Scheme Units, together with all rights and entitlements attaching to those Scheme Units as at the Implementation Date, will be transferred to HRPT (and/or the Nominee) without the need for any further act by any Scheme Participant (other than acts performed by the Responsible Entity (or its directors or officers) as attorney or agent of the Scheme Participants under clause 37.4) by:

- (i) the Responsible Entity delivering to HRPT for execution duly completed Scheme Transfers to transfer all of the Scheme Units to HRPT (and/or the Nominee), duly executed by the Responsible Entity (or any of its directors or officers) as attorney or agent of the Scheme Participants under clause 37.4;
- (ii) HRPT (and/or the Nominee) executing the Scheme Transfers as transferee and delivering them to the Responsible Entity for registration; and
- (iii) the Responsible Entity, immediately after receipt of the executed Scheme Transfers under clause 37.3(ii), entering, or procuring the entry of, the name and address of HRPT (and/or the Nominee) in the Register as the holder of all the Scheme Units.

37.4 Covenants by Responsible Entity and Unit Holders

- (a) Each Scheme Participant and the Responsible Entity must do all things and execute all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the Scheme and the transactions contemplated by it.
- (b) Each Scheme Participant, without the need for any further act, irrevocably:
 - (i) agrees to the transfer of all of their Scheme Units to HRPT (and/or the Nominee) in accordance with this clause 37;
 - (ii) agrees to the modification or variation (if any) of the rights attaching to their Scheme Units arising from this clause 37;
 - (iii) appoints the Responsible Entity and each of its directors and officers, jointly and severally, as that Scheme Participant's attorney and agent for the purpose of executing any document or doing any other act necessary to give full effect to the Scheme, this clause 37, and the transactions contemplated by them, including providing to HRPT (and/or the Nominee) on behalf of that Scheme Participant a warranty by the Scheme Participant in the terms of the deemed warranty in clause 37.5(a);
 - (iv) consents to the Responsible Entity and HRPT (and/or the Nominee) doing all things and executing all deeds, instruments, transfers or other documents as may be necessary or desirable to give full effect to the Scheme, this clause 37 and the transactions contemplated by them; and
 - (v) appoints the Responsible Entity to enforce the Deed Poll against HRPT on behalf of and as agent and attorney for the Scheme Participant.
- (c) The Responsible Entity, as agent and attorney for each Scheme Participant, may sub delegate its functions, authorities or powers under this clause 37.4 to all or any of its directors and officers (jointly, severally, or jointly and severally).
- (d) From the Implementation Date until the Responsible Entity registers HRPT (and/or the Nominee) as the holder of all Scheme Units in the Register, each Scheme Participant is deemed to have appointed the Responsible Entity as its attorney and agent (and directed the Responsible Entity in such capacity) to appoint each Managing Trustee of HRPT (or other nominee of HRPT) severally as its sole proxy and, where applicable, corporate representative to attend Unit Holder meetings, exercise the votes attaching to the Scheme Units of which they are the registered holder and sign any Unit Holders' resolution, and no Scheme Participant may attend or vote at any of those meetings or sign or vote on any resolutions (whether in person, by proxy or by corporate representative) other than pursuant to this clause 37.4(c). The Responsible Entity undertakes in favour of each Scheme Participant that it will appoint each Managing Trustee of HRPT (or other nominee of HRPT) severally as the Scheme Participant's proxy or, where applicable, corporate representative in accordance with this clause 37.4(c).

37.5 Status of Scheme Units

- (a) Each Scheme Participant is deemed to have warranted to the Responsible Entity in its own right and on behalf of HRPT (and/or the Nominee) that all

their Scheme Units (including any rights and entitlements attaching to those Units) which are transferred to HRPT (and/or the Nominee) under this clause 37 or otherwise pursuant to the Scheme will, at the date of the transfer of them to HRPT (and/or the Nominee), be fully paid and free from all mortgages, charges, liens, encumbrances and interests of third parties of any kind, whether legal or otherwise, and restrictions on transfer of any kind, and that they have full power and capacity to sell and to transfer their Scheme Units (including any rights and entitlements attaching to those Units) to HRPT (and/or the Nominee) pursuant to the Scheme.

- (b) HRPT (and/or the Nominee) will be beneficially entitled to the Scheme Units transferred to it under this clause 37 or otherwise pursuant to the Scheme pending registration by the Responsible Entity of the name and address of HRPT (and/or the Nominee) in the Register as the holder of those Scheme Units.

37.6 Effect of clause 37

This clause 37:

- (a) binds the Responsible Entity and all Scheme Participants, including those who do not attend the Scheme Meeting, those who do not vote at that meeting and those who vote against the Scheme Resolutions at that meeting; and
- (b) overrides the other provisions of this Constitution to the extent of any inconsistency.

37.7 Responsible Entity's limitation of liability

Subject to the Corporations Act, the Responsible Entity will not have any liability of any nature whatsoever beyond the assets of the Trust to Unit Holders arising, directly or indirectly, from the Responsible Entity doing or refraining from doing any act (including the execution of a document), matter or thing pursuant to or in connection with the implementation of the Scheme.

37.8 Implementation of Scheme

- (a) The Responsible Entity may do any act, matter or thing pursuant to this clause 37 notwithstanding that it has an interest in the act, matter or thing or any consequence thereof.
- (b) The Responsible Entity may amend the terms of the Scheme if:
 - (i) such amendment is not inconsistent with the approval given by the Scheme Participants or such amendment does not adversely affect the rights of Scheme Participants whose Units are to be transferred under the Scheme; and
 - (ii) such amendment is approved in writing by HRPT.

This clause 37 shall apply to the Scheme as amended.”

- (c) ***[other amendments as agreed by the parties]***

4 No resettlement or redeclaration

The Trustee confirms that it is not by this deed:

- (a) resettling or redeclaring the Trust; or
- (b) effecting or causing the transfer, vesting or accruing of any property comprising the assets of the Trust to or in any person.

5 Governing law

This deed will be governed by the laws of the State of Victoria.

Executed as a deed poll.

Sealed and delivered by **MacarthurCook
Fund Management Limited** as responsible
entity of the **MacarthurCook Industrial
Property Fund** by:

Signature of director

Signature of director/secretary

Name of director (print)

Name of director/secretary (print)

This page has been left blank intentionally

MacarthurCook Industrial Property Fund

Independent Expert's Report
in relation to a Proposal for
CommonWealth REIT (previously known as HRPT
Properties Trust) to acquire all of the Units in the
MacarthurCook Industrial Property Fund

24 August 2010

This Financial Services Guide is issued in relation to an independent expert's report ("**Report**") prepared by PKF Corporate Advisory (East Coast) Pty Limited (ABN 70 050 038 170) ("**PKFCA**") at the request of the Special Board Committee ("**Directors**") of MacarthurCook Fund Management Limited ("**MCFM**") in relation to the proposed acquisition of all the units in MacarthurCook Industrial Property Fund ("**MIF**") by Commonwealth REIT (previously known as HRPT Property Trust) ("**Proposal**"). The Report is intended to accompany an Explanatory Memorandum ("**Document**") that is to be provided by the Directors to unitholders of MIF to assist them in deciding how to vote on the Proposal.

Engagement

PKFCA has been engaged by the Directors to prepare the Report expressing our opinion as to whether or not the Proposal is fair and reasonable and in the best interests of non-associated unitholders of MIF under the Corporations Act 2001.

Financial Services Guide

PKFCA holds an Australian Financial Services Licence (License No: 247420) ("**Licence**"). As a result of our Report being provided to you PKFCA is required to issue to you, as a retail client, a Financial Services Guide ("**FSG**"). The FSG includes information on the use of general financial product advice and is issued so as to comply with our obligations as holder of an Australian Financial Services Licence.

Financial services PKFCA is licensed to provide

The Licence authorises PKFCA to provide reports for the purposes of acting for and on behalf of clients in relation to proposed or actual mergers, acquisitions, takeovers, corporate restructures or share issues, to carry on a financial services business to provide general financial product advice for securities and certain derivatives (limited to old law securities, options contracts and warrants) to retail and wholesale clients.

PKFCA provides financial product advice by virtue of an engagement to issue the Report in connection with the issue of securities of another person.

Our Report includes a description of the circumstances of our engagement and identifies the party who has engaged us. You have not engaged us directly but will be provided with a copy of our Report (as a retail client) because of your connection with the matters on which our Report has been issued.

Our Report is provided on our own behalf as an Australian Financial Services Licensee authorised to provide the financial product advice contained in the Report.

General financial product advice

Our Report provides general financial product advice only, and does not provide personal financial product advice, because it has been prepared without taking into account your particular personal circumstances or objectives (either financial or otherwise), your financial position or your needs.

Some individuals may place a different emphasis on various aspects of potential investments.

An individual's decision in relation to the Proposal described in the Document may be influenced by their particular circumstances and, therefore, individuals should seek independent advice.

Benefits that PKFCA may receive

PKFCA has charged fees for providing our Report. The basis on which our fees will be determined has been agreed with, and our fees will be paid by, the person who engaged us to provide the Report. Our fees have been agreed on either a fixed fee or time cost basis. Our fees are disclosed in our Report.

Remuneration or other benefits received by our employees

All our employees receive a salary. Employees may be eligible for bonuses based on overall productivity and contribution to the operation of PKFCA or related entities but any bonuses are not directly connected with any assignment and in particular are not directly related to the engagement for which our Report was provided.

Referrals

PKFCA does not pay commissions or provide any other benefits to any parties or person for referring customers to us in connection with the reports that PKFCA is licensed to provide.

Associations and relationships

PKFCA is the licensed corporate advisory arm of PKF (East Coast Practice), Chartered Accountants and Business Advisers. The directors of PKFCA may also be partners in PKF New South Wales, Chartered Accountants and Business Advisers.

PKF (East Coast Practice), Chartered Accountants and Business Advisers is comprised of a number of related entities that provide audit, accounting, tax and financial advisory services to a wide range of clients.

PKFCA's contact details are as set out on our letterhead.

Complaints resolution

As the holder of an Australian Financial Services Licence, we are required to have a system for handling complaints from persons to whom we provide financial product advice. All complaints must be in writing, addressed to The Complaints Officer, PKF Corporate Advisory (East Coast) Pty Limited, Level 10, 1 Margaret Street, Sydney NSW 2000.

On receipt of a written complaint we will record the complaint, acknowledge receipt of the complaint and seek to resolve the complaint as soon as practical. If we cannot reach a satisfactory resolution, you can raise your concerns with the Financial Ombudsman Service Limited ("**FOS**"). FOS is an independent body established to provide advice and assistance in helping resolve complaints relating to the financial services industry. PKFCA is a member of FOS. FOS may be contacted directly via the details set out below.

Financial Ombudsman Service Limited
GPO Box 3
Melbourne VIC 3001

Toll free: 1300 78 08 08
Email: info@fos.org.au



24 August 2010

The Special Board Committee
MacarthurCook Fund Management Limited
as responsible entity for
MacarthurCook Industrial Property Fund
Level 16, Central Square
323 Castlereagh Street
SYDNEY NSW 2000

Dear Sirs

INDEPENDENT EXPERT'S REPORT IN RELATION TO A PROPOSAL FOR COMMONWEALTH REIT (PREVIOUSLY KNOWN AS HRPT PROPERTIES TRUST) TO ACQUIRE ALL OF THE UNITS IN THE MACARTHURCOOK INDUSTRIAL PROPERTY FUND

INTRODUCTION

PKF Corporate Advisory (East Coast) Pty Limited ("**PKFCA**") has been engaged by MacarthurCook Fund Management Limited ("**MCFM**") in its capacity as Responsible Entity of MacarthurCook Industrial Property Fund ("**MIF**") to prepare an Independent Expert's Report ("**the Report**" or "**IER**") in relation to the proposed acquisition of all the issued units in MIF by Commonwealth REIT (previously known as HRPT Properties Trust), a listed Real Estate Investment Trust ("**REIT**") in the USA ("**CWH**").

Under the proposed acquisition, consideration of \$0.44 cash per unit in MIF will be offered by CWH to MIF unitholders, along with changes to MIF's Constitution to facilitate this acquisition process ("**the Proposal**").

The Report has been commissioned by the Special Board Committee of MCFM to assist them in complying with the requirements of Item 7 of Section 611 of the Corporations Act 2001 ("**the Act**") and the Takeovers Panel Guidance Note 15 ("**GN15**").

The Report provides our opinion as to whether or not the Proposal is fair and reasonable when considered in the context of the interests of the unitholders of MIF not associated to MCFM or CWH ("**the Non-Associated Unitholders**").

The Report also provides our opinion as to whether or not the Proposal is in the best interests of those Non-Associated Unitholders.

Tel: 61 2 9251 4100 | Fax: 61 2 9240 9821 | www.pkf.com.au
PKF Corporate Advisory (East Coast) Pty Limited | Australian Financial Services Licence 247420 | ABN 70 050 038 170
Level 10, 1 Margaret Street | Sydney | New South Wales 2000 | Australia
DX 10173 | Sydney Stock Exchange | New South Wales

The PKF East Coast Practice is a member of the PKF International Limited network of legally independent member firms. The PKF East Coast Practice is also a member of the PKF Australia Limited national network of legally independent firms each trading as PKF. PKF East Coast Practice has offices in NSW, Victoria and Brisbane. PKF East Coast Practice does not accept responsibility or liability for the actions or inactions on the part of any other individual member firm or firms.

EXECUTIVE SUMMARY AND OPINION

We have considered the terms of the Proposal as outlined in Section 1 of this Report and have concluded that the Proposal is not fair but on balance, is reasonable for Non-Associated Unitholders, in the absence of a superior offer emerging.

We believe that there are sufficient reasons for Non-Associated Unitholders to vote in favour of the Proposal, despite offsetting disadvantages.

We therefore also conclude that on balance, the Proposal is in the best interests of Non-Associated Unitholders, in the absence of a superior offer emerging.

In arriving at these opinions we have considered the factors set out below:

The Proposal is Not Fair

In Section 9 we determined that the Proposal consideration compares to the value of MIF as follows:

Table 1: Proposal consideration compared to the value of MIF

	Section	Value Per Unit	
		Low \$	High \$
Value of MIF (on a control basis)	8.4	0.63	0.64
Consideration Offered	1	0.44	0.44

Source: PKFCA

The value of MIF has been determined using net tangible assets on a going concern basis.

The cash consideration offered is below our estimate of fair value of a MIF unit (on a control basis). The Proposal represents consideration at a 31% discount to our valuation range midpoint. Accordingly, we have concluded that the Proposal is not fair to Non-Associated Unitholders.

However the Proposal is Reasonable

In accordance with RG111 an offer is reasonable if it is fair. An offer might also be reasonable if, despite being "not fair", the expert believes that there are sufficient reasons for Non-Associated Unitholders to accept the offer in the absence of a superior offer.

Whilst the Proposal is not fair, we have assessed the reasonableness of the Proposal by considering whether the advantages of the Proposal sufficiently outweigh the disadvantages.

In our opinion, the position of Non-Associated Unitholders if the Proposal is accepted is more advantageous than the position if it is not. Accordingly, we believe that the Proposal on balance, is reasonable for Non-Associated Unitholders. Other alternatives to the Proposal have also been considered.

This assessment is summarised as follows:

Advantages of accepting the Proposal

Table 2: Summary of advantages of accepting the Proposal

Advantages	Section
<ul style="list-style-type: none"> Proposal represents a 47% premium over the 1 month trading VWAP of \$0.30 for MIF units, immediately prior to the announcement of the Proposal to the market. 	8.2
<ul style="list-style-type: none"> Decline of 7.11% in the ASX All Ordinaries Index since the Proposal announcement, with a corresponding 6.16% fall in the ASX Property Index 300, up to 16 August 2010, which have made the Proposal's offer of \$0.44 appear relatively more attractive. 	10.1.1
<ul style="list-style-type: none"> Avoid downside of debt maturity risk as well as significantly higher cost of debt and tighter covenants in refinancing. 	10.1.2
<ul style="list-style-type: none"> Significant vacancy issues with occupancy levels at 83%. 	10.1.3
<ul style="list-style-type: none"> Need for MIF to fund significant capital expenditure in short to medium term. 	10.1.4
<ul style="list-style-type: none"> Credit risk regarding the sole tenant in two properties. This tenant contributes 11% of MIF rental income. 	10.1.5
<ul style="list-style-type: none"> Avoidance of potential performance fee payable to MCFM in future years. 	10.1.6
<ul style="list-style-type: none"> Gearing of MIF still at levels above those of the more secure, better performing, larger listed REITs. However, MIF has limited options in raising capital in order to reduce gearing further. 	10.1.7
<ul style="list-style-type: none"> The discount to NTA under the Proposal is relatively more favourable than similar recent REIT transaction activity, while the premium over market price is comparable to these similar recent REIT transactions. 	10.1.8
<ul style="list-style-type: none"> While MIF's WALE profile of approximately 5 years (as at 31 December 2009), is comparable to those of other listed industrial sector REITs (as at 31 December 2009), the credit risk underlying the longer term lease of the sixth largest tenant of MIF may lead to a significant reduction in this WALE. 	10.3.1
<ul style="list-style-type: none"> Capital loss for tax purposes (if applicable). 	10.4.1

Source: PKFCA

Disadvantages of accepting the Proposal

Table 3: Summary of disadvantages of accepting the Proposal

Disadvantages	Section
<ul style="list-style-type: none"> Forgoing any upside that may occur in the value of the industrial properties forming the MIF portfolio. 	10.2.1
<ul style="list-style-type: none"> Forgoing the benefits of a well balanced geographic diversification profile in the portfolio, with some exposure to Western Australia's strong economic conditions. 	10.2.2
<ul style="list-style-type: none"> Forgoing the benefits of a well diversified tenant base where no one tenant contributes to greater than 17% of MIF's rental income. 	10.2.3
<ul style="list-style-type: none"> No distribution for the period ending 30 September 2010. 	10.2.4
<ul style="list-style-type: none"> Capital gain for tax purposes (if applicable). 	10.4.2

Source: PKFCA

Other alternatives available to Non-Associated Unitholders

Table 4: Summary of other alternatives available to Non-Associated Unitholders

Alternative	Section
<ul style="list-style-type: none"> Should the Proposal be rejected then MIF may continue in its current form. There are in our view limited options for growth available to MIF in this case. Access to both debt and equity is still very tight and prohibitively expensive and dilutive for smaller listed REITs such as MIF. Further, Non-Associated Unitholders would then continue to be exposed to the downside risks outlined in Section 10, which in our opinion outweigh positive attributes within MIF at present. 	10
<ul style="list-style-type: none"> The "wind-up" option is still open to Unitholders, and our assessment of this scenario is that the value returned to Unitholders may represent a premium (on average) over the cash offer in the Proposal, even after taking into account the time value of money. However, in our view, the commercial and execution risks under a "wind-up" scenario counteract the extent of this premium when considering Non-Associated Unitholders as a whole. Timing of cash payments to Unitholders is an important consideration in this regard, particularly for those Unitholders seeking an early exit and cash payout. 	10.5.1
<ul style="list-style-type: none"> Based on market evidence post Proposal announcement and up to the date of this Report we are not aware of any other offer that may emerge. 	10.5.2
<ul style="list-style-type: none"> We do not believe that the sale of further assets (while remaining as a listed entity on the ASX) would be in the Non-Associated Unitholders' best interests, as such further sales may have an adverse impact on the liquidity of MIF Units and potentially result in unfavourable ASX price re-rating. 	10.5.3
<ul style="list-style-type: none"> We do not believe that a capital raising in MIF is a commercially viable option for Non-Associated Unitholders as any capital raising undertaken by MIF is likely to be at a significant discount to MIF's market price, prior to announcement of the Proposal, in part due to the small size of the Fund. Non-Associated Unitholders would experience dilution in their current Unit holding under these circumstances. 	10.5.4

Source: PKFCA

OTHER MATTERS

The Executive Summary should be read in conjunction with the following Report that sets out in full the purpose, scope, basis of evaluation, limitations, analysis and our findings.

PKFCA holds an Australian Financial Services Licence which authorises us to provide reports for the purposes of action for and on behalf of clients in corporate and trust restructures or share issues. A financial services guide is attached at the front of this Executive Summary.

This Report is general financial product advice only and PKFCA has not considered the objectives, financial situation or needs of individual Non-Associated Unitholders, or taken into account the effect of the Proposal on the particular circumstances of individual Non-Associated Unitholders. Individual Non-Associated Unitholders may be influenced by their particular circumstances and place a different emphasis on various aspects of the Proposal from that adopted in this Report.

Accordingly, individual Non-Associated Unitholders may reach different conclusions as to whether or not the Proposal is fair and reasonable and hence "in their best interest" given their individual circumstances.

Before acting in relation to the Proposal, Non-Associated Unitholders should consider the appropriateness of the advice in this Report having regard to their own objectives, financial situation, risk profile, liquidity preference or need and tax position. Non-Associated Unitholders are advised to read the Explanatory Memorandum issued by the Directors in full and seek their own independent advice.

Current conditions in the listed REIT market are particularly volatile with access to debt or equity funding for the smaller listed REITs still very limited following the Global Financial Crisis ("GFC"). Such conditions can change significantly over relatively short periods of time and such changes may result in our opinion becoming outdated and in need of revision. PKFCA reserves the right to revise any opinion in light of material information existing at the date of this Report that subsequently becomes known to PKFCA.

Under the terms of PKFCA's engagement, MCFM has agreed to indemnify the partners, directors and staff (as appropriate) of PKFCA and PKF East Coast Practice and their associated entities against any claim liability, loss or expense, cost or damage, arising out of reliance on any information or documentation provided by the Directors which is false, misleading or omits and material particulars or arising from failure to supply relevant information.

Yours faithfully

A handwritten signature in black ink, appearing to read "E. Psaltis". The signature is written in a cursive, flowing style.

Ed Psaltis
Director

TABLE OF CONTENTS

INTRODUCTION.....	4
EXECUTIVE SUMMARY AND OPINION	5
OTHER MATTERS	7
1 OVERVIEW OF PROPOSAL.....	10
1.1 THE SCHEME RESOLUTIONS	10
1.2 THE REQUESTED RESOLUTION	10
2 REPORT REQUIREMENTS	10
3 BASIS OF EVALUATION.....	10
3.1 FAIRNESS	11
3.2 REASONABLENESS	12
3.3 BEST INTERESTS	12
4 LIMITATIONS AND RELIANCE ON INFORMATION.....	12
5 ECONOMIC AND SECTOR SPECIFIC OVERVIEW.....	14
5.1 ECONOMIC OVERVIEW	14
5.2 AUSTRALIAN LISTED REITS.....	15
5.3 INDUSTRIAL PROPERTY SUB-SECTOR.....	17
6 PROFILE OF MIF	20
6.1 HISTORY	20
6.2 KEY MANAGEMENT	21
6.3 RECENT PROPERTY DISPOSAL.....	21
6.4 CAPITAL STRUCTURE.....	22
6.5 HISTORICAL STATEMENTS OF FINANCIAL PERFORMANCE.....	23
6.6 HISTORICAL STATEMENTS OF FINANCIAL POSITION	24
6.7 DEBT STRUCTURE	25
6.8 OUTLOOK OF DEBT REFINANCING AND COVENANTS	27
7 VALUATION APPROACH.....	28
7.1 VALUATION METHODOLOGIES AVAILABLE	28
7.2 VALUATION OF MIF.....	29
8 VALUATION OF MIF.....	30
8.1 NTA ON A GOING CONCERN BASIS	30
8.2 QUOTED MARKET PRICE OF MIF.....	35
8.3 COMPARISON TO SIMILAR REITS (ASX MARKET METRICS)	38
8.4 CONCLUSION ON VALUATION	39
9 FAIRNESS ASSESSMENT	40
9.1 VALUE VERSUS OFFER.....	40
9.2 VALUE SENSITIVITY VERSUS OFFER	41
10 REASONABLENESS ASSESSMENT.....	42
10.1 ADVANTAGES OF ACCEPTING THE PROPOSAL	42
10.2 DISADVANTAGES OF ACCEPTING THE PROPOSAL	50
10.3 OTHER CONSIDERATIONS.....	51
10.4 TAXATION IMPLICATIONS	54
10.5 ALTERNATIVES	55
11 OVERALL OPINION.....	61
12 QUALIFICATIONS, DECLARATIONS AND CONSENTS.....	62
12.1 QUALIFICATIONS.....	62
12.2 INDEPENDENCE	62
12.3 DISCLAIMER.....	62
APPENDIX 1 GLOSSARY.....	63
APPENDIX 2 COMPARABLE REIT INFORMATION.....	64
APPENDIX 3 SOURCES OF INFORMATION.....	65

1 OVERVIEW OF PROPOSAL

The Notice of Meeting for MIF in relation to a unitholders meeting to be held on in September 2010 contains three Resolutions.

1.1 The Scheme Resolutions

The Proposal considered in this Report will be implemented should Non-Associated Unitholders vote in favour of Resolutions 1 and 2. These Resolutions (also termed the "Scheme Resolutions") in combination provide for the following.

Under Resolution 1, CWH acquires all units in MIF for a consideration of \$0.44 cash per MIF unit. This acquisition of units is facilitated by amendments to the Trust Constitution as detailed in Resolution 2.

Resolution 1 can only be passed if at least 50% of the total number of eligible units voted on this resolution are in favour.

Resolution 2 can only be passed if at least 75% of the total number of eligible units voted on this resolution are in favour.

1.2 The Requested Resolution

The third Resolution (also termed the "Requested Resolution") proposes amendments to MIF's Constitution, with the practical effect of enforcing a wind-up of MIF by 31 December 2011, subject to certain conditions.

Resolution 3 can only be passed if at least 75% of the total number of eligible units voted on the resolution are in favour.

This Report considers the Proposal, under Resolutions 1 and 2. While the terms of Resolution 3 fall outside of the scope of our engagement, we have assessed the alternative to the Proposal of winding up MIF, in Section 10.5 of this Report.

2 REPORT REQUIREMENTS

The Proposal will require approval by Non-Associated Unitholders. As part of this approval, the Directors have requested that PKFCA prepare this Report for the purposes of item 7 of Section 611 of the Act and GN15.

GN15.25 notes, "*The Scheme Notice should also contain a report by an independent expert that states whether, in the expert's opinion, the terms of the Trust Scheme are fair and reasonable for the unitholders of the target trust, gives the expert's reasons for forming that opinion... and sets out the particulars required by subsection 648A (3) [of the Corporations Act 2001]*".

3 BASIS OF EVALUATION

The basis of evaluation selected by the expert must be appropriate for the nature of the specific transaction at hand. The Proposal is in substance a takeover offer by CWH for all units in MIF. Regulatory Guidelines pertaining to takeover offers are therefore relevant.

Sections 636(2) and 640 of the Act require an independent expert's report in connection with a takeover offer in certain circumstances. The Sections require the independent expert's report to state whether, in the expert's opinion, the takeover offer is fair and reasonable. GN15 requires that the form of analysis used by the expert should be substantially the same as for a takeover bid.

To assess whether the Proposal is "in the best interests of" Non-Associated Unitholders we have adopted the test of whether the Proposal is either:

- fair and reasonable;
- not fair but reasonable; or
- neither fair nor reasonable,

as set out in Australian Securities and Investments Commission ("ASIC") Regulatory Guide 111 ("RG 111").

In the context of takeovers, RG111 draws a distinction between the meaning of the terms "fair" and "reasonable". An offer is fair if the value of the consideration is equal to or greater than, the value of the securities subject to the offer. The comparison must be made assuming 100% ownership of the target entity, irrespective of the percentage holding of the bidder or its associates in the target.

RG111 considers an offer to be reasonable if:

- the offer is "fair"; or
- despite not being fair, the expert believes that there are sufficient reasons for unitholders to accept the offer in the absence of any higher offer.

The following three paragraphs are particularly relevant.

RG111.17 provides that if an expert would conclude that a scheme was "fair and reasonable" if it was in the form of a takeover bid, it will also be able to conclude that the scheme is in the best interests of unitholders.

RG111.18 provides that if an expert would conclude that a scheme was "not fair but reasonable" if it was in the form of a takeover bid, it is still open to the expert to also conclude that the scheme is "in the best interests" of unitholders. In this case the expert should clearly state that the consideration is not equal to or greater than the value of the units the subject of the scheme, but there are sufficient reasons for unitholders to vote in favour of the scheme in the absence of a higher offer.

RG111.19 provides that if an expert concludes that a scheme is "not fair and not reasonable" then the expert would conclude that the scheme is not in the best interests of unitholders.

3.1 Fairness

ASIC policy intent on the appropriate interpretation for "fair" and "reasonable" tests in RG111 has been evidenced in recent REIT transactions. In complying with ASIC's policy intent in this regard, we note the following:

- in assessing the fairness of the Proposal, we have not had regard to any entity specific shorter term issues such as excess gearing which may temporarily impair an entity's ability to realise full fair market value for its assets, but which may reflect in the current market pricing of the entity's securities. Instead, in assessing fairness an orderly market for the underlying assets should be assumed; and
- entity specific factors are however still very relevant and may be taken into account when assessing the reasonableness of the Proposal.

Taking the above ASIC policy intent and applying it to the Proposal, when assessing fairness, we have not considered the impact on current market pricing of a unit in MIF of such factors as:

- MIF's existing capital structure;
- MIF's high gearing level in a REIT environment where investors are demanding significantly lower levels of debt compared to gross assets;

- potential re-financing issues that may be affecting MIF's market pricing in an environment where access to debt for REITs is limited; and
- banking covenant constraints in this current environment.

Instead, we have considered these and other factors in the reasonableness assessment in our Report.

3.2 Reasonableness

Apart from the factors above, we have considered:

- the current position of MIF in the REIT sector and its future prospects;
- alternatives that may be available to Non-Associated Unitholders should they not approve the Proposal;
- any existing unitholding in MIF that MCFM or its associates hold;
- other significant security holding blocks in MIF;
- the liquidity of the market in MIF's securities;
- cash flow or other benefits arising through achieving 100% ownership of MIF;
- the value of MIF to an alternative bidder and the likelihood that an alternative offer might be made;
- the impact on MIF should the Proposal not proceed, including its market pricing; and
- other advantages and disadvantages of the Proposal.

3.3 Best Interests

We have assessed findings in regard to both "fair" and "reasonable" above, to conclude as to whether the Proposal is in the best interests of Non-Associated Unitholders.

This involves concluding whether, on balance, there are sufficient reasons for Non-Associated Unitholders to vote in favour of the Proposal despite offsetting disadvantages.

4 LIMITATIONS AND RELIANCE ON INFORMATION

The opinion of PKFCA is based on the REIT market and other conditions prevailing at the date of this Report. We note that the REIT market has experienced an unprecedented period of depressed pricing and market volatility since the onset of the GFC in October 2007. Conditions in the REIT market have changed and continue to change significantly over relatively short periods of time.

We specifically draw the attention of Non-Associated Unitholders to the current "disconnect" between REIT pricing and their underlying net tangible asset value. Such discontent has created abnormal uncertainty regarding the true value of REIT assets, especially in smaller cap REITs. In this environment the value of REITs may be more likely to change in the short term and our opinions in the Report correspondingly may be more susceptible to change.

The Report is to accompany the Explanatory Memorandum to be provided by MCFM to the Non-Associated Unitholders. Apart from the Report, PKFCA is not responsible for the contents of the Explanatory Memorandum or any other document.

The Report has been prepared to assist the Independent Directors of MCFM ("**the Directors**") in making their recommendation to the Non-Associated Unitholders and to assist those Unitholders in their consideration of whether or not to approve the Proposal. PKFCA acknowledges that its Report may also be lodged by the Directors with Regulatory and Statutory bodies and will be

circulated to Non-Associated Unitholders together with the documentation relating to the Proposal.

The Report is prepared solely for the above purpose and accordingly PKFCA disclaims any responsibility from reliance on this Report in regard to its use for any other purpose. Except in accordance with the stated purpose, no extract, quote or copy of our Report, in whole or in part, should be reproduced without prior written consent of PKFCA, as to the form and context in which it may appear.

PKFCA's procedures in the preparation of the Report involved the analysis of financial information and accounting records. This does not include verification work nor constitute an audit or review in accordance with Australian Auditing and Assurance Standards. Consequently, this does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit or review. Accordingly, we do not express an audit or review opinion.

Further, it is not PKFCA's role to undertake, and PKFCA did not undertake, any commercial, technical, financial, legal, taxation or other due diligence, other similar investigative activities or property valuations in respect of MIF. PKFCA understands that the Directors have been advised by legal, accounting and other appropriate advisors in relation to such matters, as necessary. PKFCA provides no warranty or guarantee as to the existence, extent, adequacy, effectiveness and/ or completeness of any due diligence or other similar investigative activities by the Directors or their advisors.

The Projected Cash Flows under a wind-up scenario provided to us by MCFM and their advisors are based on assumptions about events and circumstances that have not yet occurred. Accordingly, PKFCA cannot provide any assurance that these forecasts will be representative of results that would actually be achieved. PKFCA disclaims all liability in respect of these Projected Cash Flows.

With respect to taxation implications for Non-Associated Unitholders, it is recommended that individual Non-Associated Unitholders should obtain their own taxation advice in respect of the Proposal, tailored to their own particular circumstances, as precise taxation implications will depend upon such Non-Associated Unitholders' specific circumstances. Furthermore, the advice provided in this Report does not constitute legal or taxation advice to the Non-Associated Unitholders or any other party.

PKFCA understands that the accounting information provided to PKFCA was prepared in accordance with generally accepted accounting principles and in a manner consistent with the methods of accounting used by MIF in previous accounting periods.

In forming our opinion, we made the following assumptions:

- that matters such as title to all relevant assets, compliance with laws and regulations and contracts in place are in good standing, and will remain so, and that there are no material legal proceedings, other than as publicly disclosed;
- information sent out in relation to the Proposal to Non-Associated Unitholders, or lodged with any statutory body is complete, accurate and fairly presented in all material aspects;
- all publically available information relied on by PKFCA is accurate, complete and not misleading;
- if the Proposal is implemented, that it will be implemented in accordance with its stated terms; and
- the legal mechanisms to implement the Proposal are correct and effective at law, including any changes to MIF's Constitution that are required to implement the Proposal in full.

5 ECONOMIC AND SECTOR SPECIFIC OVERVIEW

5.1 Economic Overview

5.1.1 Australia

While several major countries experienced one of their most serious recessions in the post-World War II period, Australia evaded a technical recession, with a relatively sharp but brief downturn in aggregate demand and economic activity late in 2008, then a return to expansion during the first half of 2009.

The Australian Bureau of Statistics estimates that real gross domestic product ("GDP") grew by 2.75% in 2009, which is slightly below average, but much higher than for most other developed economies.

At its meeting May 2010, the Reserve Bank of Australia ("RBA") raised the cash rate by 25 basis points to 4.50%, which represented the sixth cash rate rise since 7 October 2009.

The RBA's cash rate policy has since remained unchanged. At the August 2010 RBA Board meeting, the cash rate was retained at 4.50%. A summary of the statements made by the RBA are as follows:

- Australia's terms of trade (imported amount per exported amount) are rising which will add to incomes and demand. As such, even though earlier expansionary policy measures will be fading, Australia's output growth during the next 12 month period is expected to be in line with trend growth of 3.25%, and then higher in 2011;
- households remain cautious in their spending habits, despite unemployment levels edging lower and growth in wages;
- indicators suggest that business investment, primarily in mining, is to increase over the coming few years; and
- inflation (the RBA's primary monetary policy mandate) is expected to reach the upper range of the target range of 2% to 3%.

The RBA expects that there is and will be solid-to-strong growth overall among Australia's trading partners, a high level of the terms of trade pushing up national income, and reasonably confident firms and households.

The following key Australian economic indicators are addressed below:

- **Commodities** – Commodity prices reduced in 2009 as the global economy contracted for the first time since 1946. However, as the global economy is beginning to recover, there is an expectation that prices will recover significantly in 2010, with a strong rally expected to continue in 2011;
- **Labour Market** - In June 2010 the unemployment rate was 5.1%, a small decrease from February 2010 where it was 5.3%;
- **Consumer Price Index** – Headline consumer prices rose 0.2% over the June quarter, with inflation at an annual rate of 3.1% year on year which is above the upper region of the RBA target band of 2 to 3%; and
- **Gross Domestic Product** – GDP increased 0.3% in the June 2010 quarter. Through the year to the end of June 2010, GDP growth was 3.0%, which was slightly stronger than the 2.8% rate recorded in the twelve month period ending December 2009;

The Australian economy is expected to grow by 3.75% in the years ending June 2011 and 2012, underpinned by the positive prospects for the resources sector, which in turn rested on the bright medium-term outlook for the economies in Asia. Underlying inflation was expected to be around 2% per cent over the next year or so, though year-ended headline inflation was likely to be above

3 per cent over the next year, largely reflecting the rise in tobacco excise and large increases in the prices of utilities. Underlying inflation was then expected to increase gradually to around 3 per cent in 2012. This reflected the expectation that strong economic growth associated with the expansion of the resources sector would again put pressure on the economy's supply capacity.

5.1.2 Global

The latter part of 2008 and the first few months of calendar year 2009 saw what has come to be regarded as the most severe global recession in decades. The status of the global economy has since improved, but with a rather volatile development led by the emerging markets.

The recent downturn involved the simultaneous collapse in demand for durable goods globally at the end of 2008 and sudden decrease in consumer and business confidence. Governments around the world had to offer to bail out anchor financial institutions. This affected consumption and saving decisions, firms' investment plans and hiring intentions.

The recovery thus far has been undefined. Economic activity remains well below the peak level seen in 2007 or 2008, and in some of these economies it may not regain that level for another few years.

In the first quarter of 2010 the key driver of the sustainability of the global recovery was the broadening out of the stimulus-induced rise in consumer spending and the inventory-induced increase in manufacturing. The effects of the spending became visible on many fronts leading to a belief that the somewhat mild recovery in developed economies is solidifying, although still not at a pace to quickly recoup losses during the GFC.

In the first quarter of 2010 financial markets were adversely affected by sovereign debt concerns. Nonetheless, consumer spending generally did not contract subsequent to the declining stimulus spending and rising business confidence.

Despite the slow growth of Asia's traditional export destinations – North America, Europe and Japan – trade in the region has bounced back remarkably strongly after a precipitous fall in late 2008. A large part of this rebound has been an increase in intra-region exports of final products, particularly to China.

Inflation in the European markets and United States is still trending downwards, and spare capacity could be expected to dampen price increases for some time, although commodity prices are rising.

5.1.3 Conclusion on Economic Prospects

Based on the above, economic conditions particularly in Australia, highlight that the recessionary pressures have eased. However, a general consensus remains that ongoing improvements, globally will be slow and protracted.

The impact of economic conditions on the industry relevant to MIF is reviewed in greater detail in Sections 5.2 and 5.3 of this Report.

5.2 Australian Listed REITs

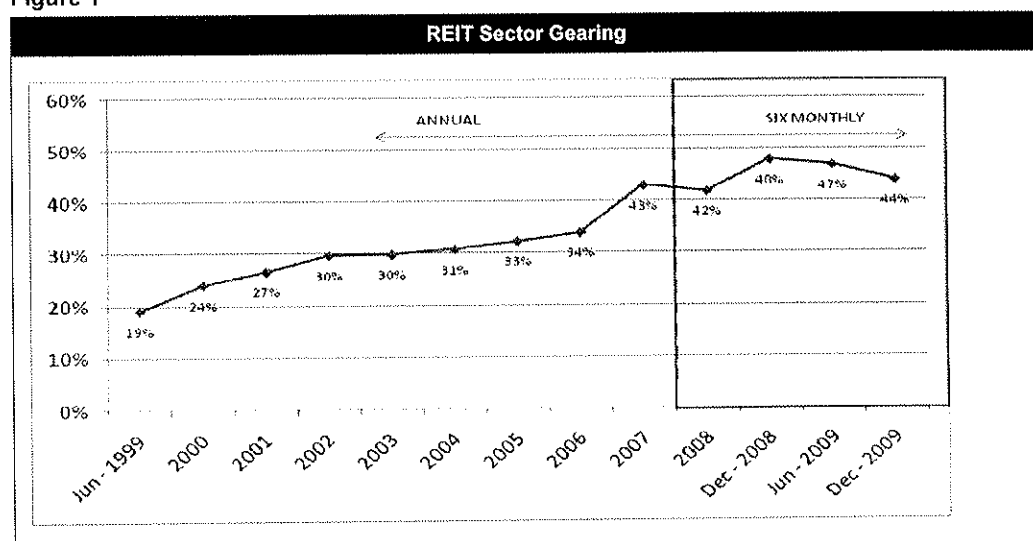
The REIT sector has suffered significant fallout from the GFC. At the height of the crisis, REITs suffered a greater fall in pricing than any of the other 13 developed listed REIT markets globally. Although REITs have recovered somewhat from the worst of this fall in stock market value, the sector remains profoundly affected.

Challenges for the REIT sector in the current environment include the following:

- Significant drops in property value and aggressive borrowing policies have pushed gearing levels in REITs to historical highs. Any REIT with high gearing that has been unable to reduce its interest bearing debt via sale of assets or a capital raising has been punished by investors.

The graph below indicates the upward trend in gearing that has occurred over the last decade in listed REITs:

Figure 1



Source: PKF REIT Monitor December 2009

Note: Gearing has been determined based on total interest bearing debt divided by total assets

Over the last eighteen months of financial reporting periods, the simple average gearing level of REITs has remained over 40%. It is generally considered that a sustainable gearing level for listed REITs in the current market is sub 30%.

- A two tiered market in REITs has developed. The eight largest REITs:
 - Westfield;
 - GPT;
 - Stockland;
 - Mirvac;
 - Dexus;
 - CFS Retail;
 - Goodman; and
 - Commonwealth Office,

generally have been able to raise large amounts of equity. These placements and rights issues often have been at significant discounts to their stock market pricing. The vast majority of this equity has been used in reducing debt, with the resultant average gearing level for just this "Big 8" now at a low 26% as at 31 December 2009.

However, to date most smaller REITs have been unable to raise capital in this way. Nor have they been able to sell assets to any significant extent. So the balance of the REIT market, particularly those at the lower end in terms of gross assets, remain in a more precarious position than their bigger cousins.

- Debt funding remains very tight. Again, the "Big 8" have been able to secure medium term notes, to reduce their exposure to bank debt. Medium term notes have been established with maturity periods of three to five years, often at a more competitive cost of debt when compared to the cost of bank debt. The majority of REITs apart from the "Big 8" do not have access to the medium term note markets and have not been able to extend their debt maturity profile by using this alternative funding source.
- Short term maturity of bank debt remains a significant problem for the majority of smaller to midsized REITs. There is no guarantee that financing institutions will roll over bank debt on maturity. In fact, the four biggest banks in Australia are to varying degrees, trying to limit their exposure to property market risk. This has seen banks requesting repayment of loans when maturity dates fall due. If loans cannot be repaid by REITs then roll over may occur but at prohibitively high cost of debt.
- "Loan to value" and "interest cover" banking covenants across the REIT market have also come under pressure. Numerous REITs have suffered breaches of their banking covenants with higher cost of debt resulting. Although in the current market following the GFC there have been limited examples of banks terminating loans rather than refinancing, evidence from previous severe economic and property downturns suggests this remains a possibility. The risk of banks taking such action increases if properties fail to earn enough income to cover the cost of debt. Any non-performing properties in an entity's portfolio would therefore contribute to such increased risk of banks terminating a facility, or not extending a maturing facility rather than refinancing. Banks are also asking for more conservative covenants on negotiating loan roll overs or new facilities. This in turn has placed still more pressure on REITs in terms of either selling their assets into what to date has been a buyers' market or attempting to raise equity funding in the current climate, at depressed market pricing.
- The average discount of Australian Securities Exchange ("ASX") market pricing to Net Tangible Assets ("NTA") has improved over the last six months to 31 December 2009. Some REITs have been able to recover their pricing levels to an extent that has returned them to a higher level than their underlying NTA per unit. However, the majority of REITs are still trading at significant discounts to their NTA.

The table below provides the ARIET discount of average market price to NTA, over the last eighteen months to 31 December 2009, across the entire REITs sector.

Table 5: ARIET discount of average market price to NTA

Price discount to NTA	31 Dec 2009	30 June 2009	30 June 2008
Sector Average	(25%)	(54%)	(38%)

Source: PKF REIT Monitor Update 2010

5.3 Industrial Property Sub-Sector

In general, the economic landscape over the last 12 months has weighed heavily on the industrial property sector. Amongst some of the major factors affecting the industrial property sector was a 15.7% slump in import volumes over the twelve month period to 30 June 2010, the run down in inventories in an environment in which businesses remained cautious and the drop in business investment in new construction.

Seemingly the worst has now past for imports and inventories. A higher Australian dollar and improvements in the domestic economy and financial conditions has provided growth in inventory levels, imports and manufacturing activity. It is expected that the rebound in inventories over the next 12 months will support a 1.1% increase in industry revenue, to \$18.7 billion.

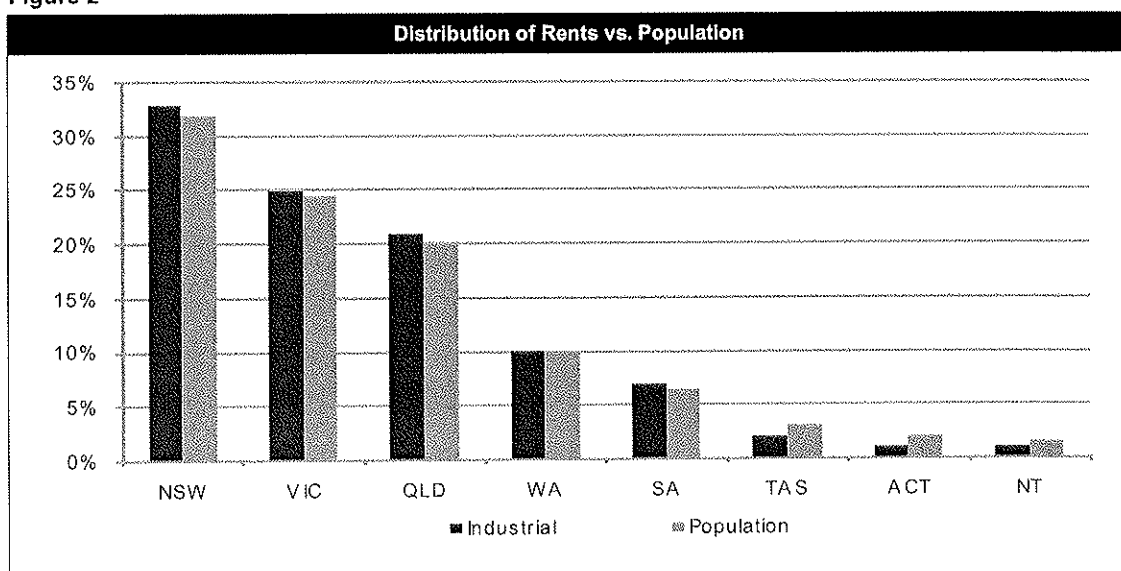
The close to 25% falls in average capital values of properties over the past 2 years have largely come to an end. With both rents and capital values stabilising, it is likely that this is the end of any significant yield decompression, especially across prime assets.

Demand for industrial products is expected to return to the market from 2011. This is as a result of expected improvements in economic conditions, through higher gross domestic product, employment, wage levels and business confidence. These economic improvements coupled with increased access to finance, is anticipated to drive business spending volumes and consequently strengthen manufacturing production, import volumes and inventory levels. This in turn will drive demand for industrial space.

5.3.1 Population Distribution versus Industrial Property

Industry activity reflects the concentration of manufacturing, economic activity, the location of transport infrastructure and the distribution of population, which is evident in Figure 2 below.

Figure 2



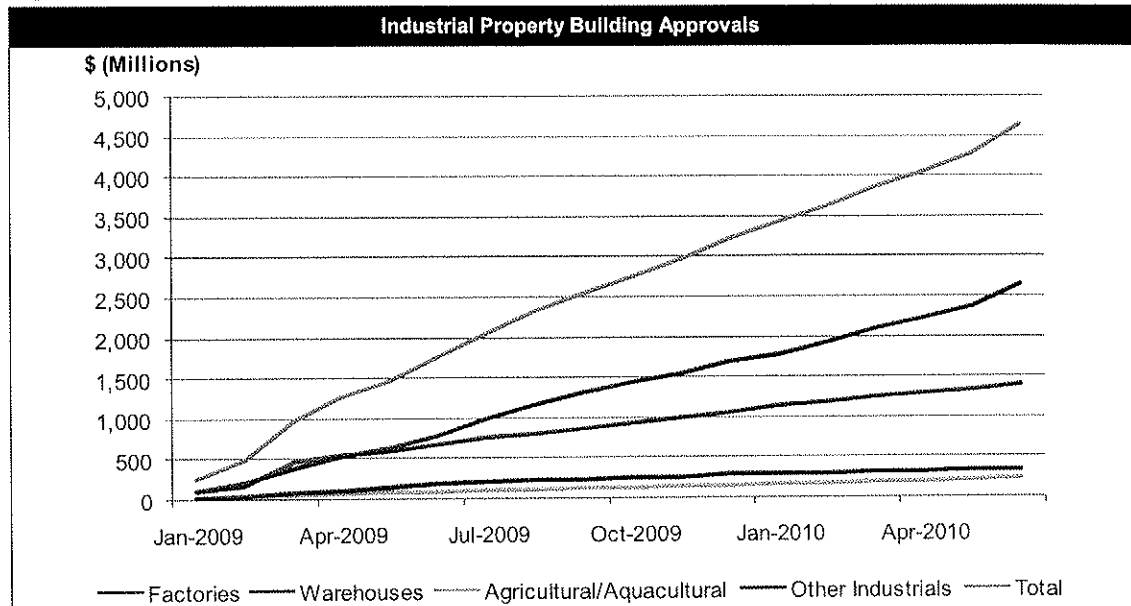
Source: IBISWorld Industry Report

The relatively large industrial property market in Melbourne is due to the location's cheap industrial land and large manufacturing sector, while Sydney has large warehousing requirements associated with its large population. Queensland has seen considerable growth in recent times, brought on by its fast rate of population growth and increased interest by national logistics operators.

5.3.2 Industrial Property Building Approvals

The figure below illustrates the cumulative total industrial property building approvals in terms of value, across Australia from January 2009 to June 2010:

Figure 3



Source: Australian Bureau of Statistics

5.3.3 Conclusion for Industrial Property

Key conclusions from the above are as follows:

- the anticipated rise in inventories over the next 12 months is forecasted to support demand for warehousing space. This is likely to lead to a broad stabilisation of capital values and rents through much of the Industrial Property Sector;
- demand for manufacturing and warehousing space is now recovering in line with the economy. It is expected that any further falls in rents should be minimal; and
- with both rents and capital values stabilising, it is likely that this is the end of any significant yield decompression, especially across prime industrial assets.

6 PROFILE OF MIF

6.1 History

MIF was established as an unlisted property trust in December 2003, going on to list on the ASX on 5 December 2007. The fund is invested in purely industrial property within Australia, with ten properties situated in all Australian states other than South Australia.

In previous financial periods MIF had invested in offshore property, specifically the Asian property market. MIF had a 5% allocation of assets in Asia via its investment in the MacarthurCook Industrial REIT, listed on the Singapore Stock Exchange.

However, to assist in strengthening its balance sheet, MIF sold all 22 million units in this listed Singaporean REIT, realising a gain of \$0.66 million relative to carrying value. At the date of this Report MIF only has exposure to the Australian industrial property market.

MCFM (the responsible entity) is ultimately owned by AIMS Capital Holdings Pty Limited ("**AIMS**").

AIMS acquired its controlling interest in MCFM in July 2009. Established in 1991, AIMS is a 100% Australian owned business with international financing operations focussing on:

- Funds Management;
- Investment Banking;
- Real Estate Investment; and
- Securitisation and Mortgage lending.

MCFM's holding company, MacarthurCook Limited, together with AIMS, manage over \$A1.1 billion on behalf of more than 21,000 investors (at 30 June 2009). Other than MIF, the group is investment manager for the following funds:

- AIMS-AMP Capital Industrial REIT (listed on the Singapore Stock Exchange);
- MacarthurCook Office Property Trust;
- MacarthurCook Mortgage Fund;
- Advance Mortgage Fund;
- MacarthurCook Property Securities Fund (listed on the ASX and Singapore Stock Exchanges);
- Advance Property Securities Fund;
- RMR Asia Pacific Real Estate Fund (listed on the American Stock Exchange); and
- MacarthurCook Diversified Property Income Fund.

The current fees payable to MCFM as Responsible Entity of the Fund are calculated as follows:

- **Management Fee:** MCFM is entitled to a management fee of 0.65% per annum of the Fund's "gross asset value";
- **Performance Fee:** MCFM is entitled to a performance fee calculated in accordance with the formula set out in the Fund's Constitution;
- **Acquisition and Promotion Fee:** an acquisition and promotion fee of 1.0% of the purchase price of real property located outside Australia acquired as an asset of the Fund; and
- **Disposal Fee:** a disposal fee of 0.5% of the net sale proceeds upon the sale of any real property located outside Australia that is an asset of the Fund, if the net sale proceeds exceed the purchase price and acquisition costs.

Currently, MIF does not have any real property located outside Australia.

6.2 Key Management

The key management personnel of MCFM (the responsible entity) are as follows:

Table 6: Key Management Personnel

Name	Position	Background
Mark Thorpe-Apps	Executive Director	<p>Mr Thorpe-Apps has over 16 years experience in funds management and financial services and was a founding member of Pengana Capital, a boutique fund management group. Mr Thorpe-Apps headed Pengana Capital's property securities team and grew funds under management from \$3 million to over \$1 billion.</p> <p>Mr Thorpe-Apps has been a major investor in Australian REITs for 15 years and has an understanding of property, capital markets and capital management strategies. He has held senior property fund management roles with Bankers Trust and Lend Lease.</p>
Russell Bullen	Head of Real Estate - Australia	<p>Mr Bullen has more than 17 years of experience in the real estate industry.</p> <p>Prior to joining MacarthurCook, Mr Bullen was Managing Director and a founding member of Alvarez & Marsal's Real Estate Advisory Services Group. In this role, he specialised in investment management, financial structuring, portfolio strategy and valuation analysis.</p> <p>Mr Bullen has provided investment management, financial advisory and due diligence services to real estate investors, developers and lenders on more than \$4 billion of transactions. He has also represented debtors and creditors on more than \$300 million of real estate transactions.</p> <p>Mr Bullen has also held senior property roles with PricewaterhouseCoopers and the Commonwealth Bank.</p>
Chris Callcott	Asset Manager	<p>Mr Callcott is the Asset Manager for MacarthurCook's industrial and office funds. Mr Callcott has more than 11 years of experience in the property industry, specifically with industrial and commercial property.</p> <p>Prior to joining MacarthurCook, Mr Callcott was a portfolio manager for Goodman, managing over \$1 billion worth of commercial and industrial properties in Sydney and Brisbane.</p> <p>Prior to joining Goodman, Mr Callcott held management roles for Knight Frank in Brisbane and Perth.</p>

Source: MCFM Management

6.3 Recent Property Disposal

We note that on 22 January 2010, MIF announced the exchange of contracts for sale of a property located at 300-310 Treasure Road, Welshpool, WA. This sale consideration was approximately 8% above the 30 June 2009 independent valuation of \$15.7 million and more than double the original acquisition price of \$8.0 million. The attractive sale price achieved by MIF was due in part to the strategic value placed on this property by the buyer. We have been informed by MCFM that the buyer already owned an adjacent property to the MIF property sold and hence was willing to pay for the advantages of amalgamation of land and property holdings under the buyers' control. Settlement of this property sale took place in March 2010.

The sale of this property enabled MIF to further reduce debt, as well as increase the underlying net asset value and distributions for investors.

6.4 Capital Structure

The capital structure of MIF as at 16 August 2010 is set out below:

Table 7: Capital Structure

	16 August 2010
Total Units on Issue	98,468,806
Top 20 Unitholders – Units	56,525,838
Top 20 Unitholders - % of Units on Issue	57.4%

Source: Computershare

The substantial unitholders as at 16 August 2010 are detailed below:

Table 8: Substantial Unitholders

Unitholder	Units	% of Voting Power
Sandhurst Trustees Ltd (MacarthurCook PSF A/c)	15,233,590	15.47
Real Estate Capital Partners (No2) Pty Ltd	11,579,897	11.76
Trust Company Limited (Recap Enhanced Income Fund A/c)	7,936,669	8.06
MacarthurCook Fund Management Limited	5,085,364	5.16

Source: Computershare

MCFM and related entities hold in combination 24.31% of MIF Units.

6.5 Historical Statements of Financial Performance

A summary of MIF's audited income statements for the years ended 30 June 2008, 30 June 2009, the six months ended 31 December 2009 and the preliminary income statement for the year ended 30 June 2010, is detailed below.

Table 9: MIF Statement of Financial Performance

	FY2008	FY2009	Half Year 2010	FY2010
	Audited	Audited	Reviewed	Preliminary Accounts
	(\$'000s)	(\$'000s)	(\$'000s)	(\$'000s)
Investment Income				
Rental income	14,955	15,061	7,253	12,982
Interest income	662	107	101	225
Dividend income	364	1,769	250	250
Unrealised (loss)/gain on investment properties	5,743	(24,298)	(692)	(4,708)
Realised (loss)/gain on sale of investment properties	(107)	(1,737)	(15)	1,204
Net change in fair value of listed securities	(2,202)	(11,232)	-	663
Realised gain/(loss) on sale of listed securities	-	-	662	-
Net change in fair value of financial derivatives	964	(4,068)	1,068	879
Net (loss)/gain on foreign exchange	472	(5,050)	(1)	(2)
Sundry income	-	-	30	629
Net investment income	20,851	(29,448)	8,656	12,122
Expenses				
Property outgoings	2,736	3,065	1,329	2,788
Responsible Entity fees	1,207	1,039	453	855
Administration expenses	456	484	198	932
Borrowing costs	6,280	5,441	2,361	4,219
Brokerage costs	58	-	-	-
Other expenses	224	99	70	166
Impairment loss on rental income receivables	-	456	-	-
Compensation for disposal fees to the Responsible Entity	1,800	-	-	-
Compensation for lower management fees to the Responsible Entity	2,700	-	-	-
Total expenses	15,461	10,584	4,411	8,960
Net (loss)/profit	5,390	(40,032)	4,245	3,162
Distributions paid and payable	1,544	-	785	-
Net (loss)/profit after distributions	3,846	(40,032)	3,460	3,162
<i>Basic earnings per unit (cents)</i>	6.37	(40.86)	4.33	3.21
<i>Diluted earnings per unit (cents)</i>	6.37	(40.86)	n/a	3.21
<i>Weighted average number of units</i>	84,652	97,977	98,112	98,260
<i>Weighted average number of Units and dilutive Options²</i>	84,652	97,977	n/a	98,260

Source: MIF Annual Reports, Half Yearly Financial Statements, Preliminary Accounts, Bloomberg

Notes:

1. n/a – not applicable
2. The Option holders had the right but not the obligation to purchase a Unit at \$1.10 between 1 September 2008 and the Option expiry date of 31 August 2009. The Options were not considered to be dilutive for FY2008 or FY2009.
3. Basic earnings per unit is based on net profit/(loss) before finance costs.

Based on the above, we note that:

- net investment income decreased significantly in FY2009 as compared to FY2008, mainly due to a significant write-down in property values amounting to approximately \$24.298 million as well as a significant write-down in the value of MIF's investment in listed securities amounting to approximately \$11.232 million. The FY2010 write-down in property values was markedly less, being approximately \$4.708 million; and
- total expenses in FY2010 appear to be on a decreasing trend as compared with FY2009, mainly due to the reduction in total borrowings as a result of utilisation of sale proceeds from the sale of investment properties and sale of listed securities which, after repayment of debt, resulted in lower borrowing costs for MIF.

6.6 Historical Statements of Financial Position

A summary of MIF's audited balance sheets as at 30 June 2008, 30 June 2009 and 31 December 2009, and the preliminary balance sheet as at 30 June 2010, is set out below:

Table 10: MIF Statement of Financial Position

	FY2008	FY2009	Half Year 2010	FY2010
	Audited	Audited	Reviewed	Preliminary Accounts
	(\$'000s)	(\$'000s)	(\$'000s)	(\$'000s)
Assets				
Cash and cash equivalents	3,280	3,467	5,921	7,307
Receivables	1,744	1,899	2,052	1,931
Financial assets held at fair value through profit or loss:				
Derivative financial instruments	1,840	-	-	-
Listed securities	17,952	6,171	-	-
Investment properties	165,199	124,765	124,301	104,612
Prepayments	1,004	851	1,068	896
Total assets	191,019	137,153	133,342	114,746
Liabilities				
Financial liabilities held at fair value through profit or loss:				
Interest bearing liabilities	83,928	70,000	63,200	46,400
Derivative financial instruments	-	2,227	1,159	1,349
Financial liabilities measured at amortised cost:				
Payables	1,493	2,642	2,818	2,728
Distributions payable	1,768	-	393	492
Total liabilities	87,189	74,869	67,570	50,969
Net Assets	103,830	62,284	65,772	63,777
Equity				
Unitholders' funds	97,508	97,766	97,009	97,866
(Accumulated loss)/undistributed income	6,322	(35,482)	(31,237)	(34,089)
Total equity	103,830	62,284	65,772	63,777
<i>Number of units on issue at period end:</i>				
	97,539	98,073	98,180	98,469
<i>Net Tangible Assets</i>	103,830	62,284	65,772	63,777
<i>Net Tangible Assets Per Unit (\$)</i>	1.06	0.64	0.67	0.65
<i>Total Interest Bearing Liabilities</i>	83,928	70,000	63,200	46,400
<i>Debt Ratio (%)¹</i>	43.9%	51.0%	47.4%	40.4%
<i>Net Debt Ratio (%)²</i>	42.2%	48.5%	43.0%	34.1%

Source: MIF Annual Reports, Half Yearly Financial Statements, Preliminary Accounts

Note 1: Debt ratio = Total interest bearing liabilities / Total assets

Note 2: Net Debt ratio = Total interest bearing liabilities (less cash) / Total assets

Based on the above, we note that:

- cash and cash equivalents has increased between 30 June 2009 and 30 June 2010 mainly due to lower borrowing costs as a result of a decrease in interest bearing liabilities, as well as the sale of investment properties and listed securities;
- receivables mainly consists of rental income receivable less any impairment loss deemed to be irrecoverable;
- listed securities consisted of investments held in a Singapore Industrial REIT. The decrease in listed securities as at FY2009 is due to a significant write down in the fair value of approximately \$11.232 million while the decreased noted as at HY2010 is due to the sale of the entire investment. Proceeds from the sale were used to reduce interest bearing liabilities;
- investment properties mainly consists of land and buildings and plant and equipment held for the purpose of letting to produce rental income and for potential capital appreciation.

The decrease in investment properties as at FY2009 was partly due to the sale of 3 properties located at 61 Brand Street, Eight Mile Plains, QLD, 31A-55 Kenyon St & 18-52 Bunya St, Eagle Farm, QLD and 28 Bullockhead St, Summer Park, Qld for a total sale consideration of \$22.08 million. The sale proceeds were used to reduce debt as well as strengthen the balance sheet. There was also a significant devaluation of properties over FY2009.

During FY2010, MIF sold the property located at 300-310 Treasure Road, Welshpool, WA. An overview of this sale has been provided in Section 6.3 above;

- interest bearing liabilities consists of a loan drawn down via a loan facility provided by National Australia Bank. This loan facility is secured by a first registered mortgage over the investment properties of MIF and a fixed and floating charge over the assets and undertakings of MIF;
- derivative financial instruments consists of interest rate swaps entered into by MIF as part of its interest rate risk management strategy. The arrangement is for MIF to pay fixed and receive floating (BBSY BID) from the swap counterparty; and
- post balance date MIF and Virgin Active settled a capital expenditure amount for less than the provisioned amount on MIF's balance sheet as at 30 June 2010.

6.7 Debt Structure

The following table provides details of MIF's outstanding debt facilities before renegotiation involving a temporary extension to 31 December 2010:

Table 11: Debt Facilities

Facility	Balance as at 30 June 2010 (\$'mil)	Balance as at 31 December 2009 (\$'mil)	Rate (% p.a.)	Maturity	Banking Covenant		
					LVR Covenant (%)	LVR as at 30 June 2010 (%)	LVR as at 31 December 2009 (%)
National Australia Bank Limited	46.4	63.2	BBSY BID +0.25%	31-Aug-10	62.5%	43.8%	51.4%

Source: MCFM Management and NAB Facility Agreement

Notes:

1. Banking Covenant LVR – Loan to value ratio under the banking agreement with NAB (value is determined based on the latest market value of properties determined by an independent property valuation so will differ slightly from balance sheet values).
2. BBSY BiD – Bank Bill Swap Bid Rate

As set out above, we note that:

- a line fee of 0.40% per annum was payable on the facility limit (pre loan extension);
- the Banking Covenant LVR has decreased from 51.4% as at 31 December 2009 to 43.8% as at 30 June 2010. This was achieved through the sale of the Welshpool W.A. property to reduce the outstanding debt;
- in addition to the above, we note the National Australia Bank (“NAB”) facility has the following two covenant requirements:
 - a minimum interest cover ratio of 1.7 times, calculated as rental income less direct property expenses divided by gross interest expense, as set out in MIF’s audited annual and unaudited half-yearly financial statements. Current interest cover ratio is 2.42 at 30 June 2010; and
 - a minimum weighted average lease term of 2.5 years (based on rental income) (currently 4.6 years for MIF);
- the table below summarises the historical performance of MIF for its three main banking covenant requirements:

Table 12: Historical performance of three main banking covenant requirements

Bank Covenants	Interest Cover Ratio Times	Loan to Value Ratio %	Weighted Average Lease Term 'Years'
Minimum Requirement	1.7	62.5	2.5
June 2007	2.1	58.8	4.0
December 2007	1.9	40.0	5.4
June 2008	1.9	50.6	5.5
December 2008	2.0	58.1	5.4
June 2009	2.1	57.0	5.6
December 2009	2.7	51.4	5.1
June 2010	2.4	43.8	4.6

Source: MCFM

Late in the calendar year 2008, MIF was operating at levels that were close to breaching the banking covenants in both interest cover and LVR. However, management actions and changes to the broader REIT sector since that date have removed such immediate risk. At 30 June 2010 MIF is operating comfortably within all three of its current banking covenant requirements; and

- the loan facility with NAB expires on 31 August 2010. We understand that MIF has recently managed to secure a 4 month extension for this existing loan facility to 31 December 2010. Under the terms of the Proposal, the outstanding debt on this facility will be repaid in full on Implementation Date by CWH. The extended facility term provides sufficient time for the Proposal and repayment to occur.

In the event that the Proposal does not proceed, the Fund will seek to refinance the facility with NAB prior to the expiry of the extension. NAB has indicated that it will be willing to engage with the Fund to work to provide a further extension or a new term facility based on similar terms to the extension. We note that the cost of debt for the recently negotiated extension has significantly increased, compared to pre-extension terms (refer Section 6.8).

6.8 Outlook of Debt Refinancing and Covenants

As noted above, we understand that post balance date 30 June 2010, MIF was able to secure a four month extension to the existing loan facility from NAB. Set out below are the current terms of the loan facility compared to those that were in place:

Table 13: Revised Debt Facility

Facility	Facility Limit (\$'mil)	Line Fee (% p.a.)	Rate (% p.a.)	Banking Covenant	
				Maturity	LVR Covenant (%)
Previous Debt Facility					
National Australia Bank Limited	49.4	0.40%	BBSY BID +0.25%	31-Aug-10	62.5%
Revised Debt Facility					
National Australia Bank Limited	49.4	2.00%	BBSY BID +0.75%	31-Dec-10	62.5%

Source: MCFM Management and NAB Facility Agreement

Notes:

1. Banking Covenant LVR – Loan to value ratio under the banking agreement with NAB (value is determined based on the latest market value of properties determined by an independent property valuation so will differ slightly from balance sheet values).
2. BBSY BID – Bank Bill Swap Bid Rate.
3. A line fee is payable on the facility limit.

Based on the above, we note the following:

- the line fee payable on the facility limit has increased by 1.6% p.a. from 0.4% p.a. to 2.0% p.a.;
- the interest rate charged on the outstanding loan balance has increased by 0.5% p.a. over the Bank Bill Swap Rate (“BBSY”);
- the combination of these fees may represent a potential impact on MIF of in excess of \$1.02 million p.a. of additional funding expense, calculated as follows:

Table 14: Additional Debt Costs

	(\$'mil)	(% p.a.)	(\$'mil)
Potential Increase in Line Fee	49.4	1.6%	0.79
Potential Increase in interest rate	46.4	0.5%	0.23
Total			1.02

Source: PKFCA

Notes:

1. The line fee is calculated based on the current facility limit as at 30 June 2010 and assumes that there are no further changes to the facility limit.
2. The potential increase in interest rate is calculated based on the outstanding interest bearing liability of \$46.4 million as at 30 June 2010 and assumes no further drawdown or repayment to the interest bearing liability.

As such, should the Proposal not proceed, the above additional funding costs would likely be incurred by MIF, impacting on its profitability going forward.

7 VALUATION APPROACH

7.1 Valuation Methodologies Available

The primary methodologies used for valuing assets and entities are as follows:

7.1.1 Capitalisation of future maintainable earnings (“FME”)

This method places a value on the asset or entity by estimating the likely future maintainable earnings to unitholders, capitalised at an appropriate rate which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors. This approach relies on the availability and analysis of comparable market data.

7.1.2 Discounted future cash flows (“DCF”)

The DCF methodology is based on the general accepted theory that the value of an asset or entity depends on its future net cash flows, discounted to their present value at an appropriate discount rate (often calculated using the weighted average cost of capital). This discount rate represents an opportunity cost of capital reflecting the expected rate of return which investors can obtain from investments having equivalent risks.

A terminal value for the asset or business is calculated at the end of the future cash flow period and this is also discounted to its present value using the appropriate discount rate.

7.1.3 Net tangible asset value on a going concern basis (“NTA”)

NTA is usually appropriate where the majority of assets consist of cash or passive investments, such as REITs. All assets and liabilities of the entity are valued at fair market value under this alternative and this combined market value forms the basis for the entity's valuation.

The FME and DCF methodologies can be used in valuing assets forming part of the overall NTA valuation. This is particularly so for REITs where investment is predominately in real estate.

7.1.4 NTA multiples approach

Listed REITs often trade at premiums and discounts to NTA. To recognise this fact, an appropriate premium or discount multiple can be applied to NTA, which reflects business outlook, business risk, investor expectations, future growth prospects and other entity specific factors.

However, post GFC it is our view that the “NTA multiple” valuation method should only be used very selectively. This is due to the severe discounting that has occurred in ASX market pricing across listed REITs since the GFC. The reality for at least the last two years has been that most REITs have been trading at significant discounts to their stated NTA, mainly for entity specific reasons.

The discounts reflect market sentiment and concern around such issues as banking covenant risk, re-financing risk, as well as a generally over geared sector. Market pricing has also factored in the reality that there are very limited funding sources available for the REIT sector. Should REITs attempt to raise capital via equity raising, the likelihood is that the raising would need to be priced at a significant discount to current market price (REIT precedents have demonstrated up to a 50% discount). This places further downward pressure on ASX pricing of REITs and contributes to the big divide still existing between NTA and market price.

Having regard to ASIC's policy intent (refer Section 3.1) such entity specific factors in the current REIT market should be addressed in the assessment of reasonableness and not form part of the valuation considerations.

7.1.5 Yield based approach

Although capital appreciation is also important, the income yield that REITs generate is another relevant benchmark that is commonly referred to in this sector.

Based on available data, the forecast distribution of a REIT is compared to the current volume weighted average ASX price, to determine a percentage yield for that REIT.

The percentage yields of REITs of similar size, operating in the same property sector, can then be compared. This comparison allows a range of yields to be determined that may be applicable to the relevant sector of the market. In the case of MIF this sub sector is industrial property trusts.

The yield based valuation method can be a useful comparison valuation, which can be used as a "cross-check" for any of the valuation methodologies above.

However, post GFC the distribution policies of listed REITs have altered, often dramatically, due to entity specific stresses covered above. Numerous REITs have temporarily ceased paying distributions on which yields can be assessed. This has rendered the yield based valuation approach less useful in the post GFC REIT sector.

7.1.6 Quoted market price basis

This valuation approach can be used in conjunction with any of the above methods. Where there is a ready market for securities such as the ASX through which units are traded, recent prices at which units are bought and sold can be taken as an indication of market value, at least for minority parcels of securities. This does however include all the factors and influences that impact the ASX, including entity specific structural issues, particularly prevalent post GFC. Use of ASX pricing in the current REIT market needs to be considered in this light.

Further, the use of ASX pricing is less relevant where a listed REIT security does not display regular high volume trading creating a deep market in that security, or where a control value of a security is sought to be determined.

7.2 Valuation of MIF

MIF consists predominantly of passive property investments and accordingly an NTA on a going concern basis valuation is considered the most appropriate alternative for valuing MIF. We note that this will differ from NTA valuations assuming orderly realisation, or liquidation. These two forms of NTA valuations are not applicable to MIF as it is a continuing business where it is valid to make the "going concern" assumption.

"NTA" in our valuation equates to the fair market value of a unit in MIF, based on the fair market value of MIF's net realisable assets. Given the shortcomings of the "NTA multiple" approach in the current REIT market, we are of the opinion that "NTA on a going concern basis", is the appropriate primary valuation method to use in valuing MIF.

As support for the above valuation approach, we have had regard to the ASX quoted market price of MIF securities, as well as key trading metrics of a selection of comparable listed REITs. Such metrics include discount to NTA and yield analysis.

Although the FME and DCF approaches have not been directly used in our valuation of MIF, these methods have formed the basis of the property valuations that underpin the NTA value derived by PKFCA. We note that properties owned by MIF make up the vast majority of its assets. Accordingly, both FME and DCF have been indirectly applied in valuing MIF.

8 VALUATION OF MIF

8.1 NTA on a Going Concern Basis

We have estimated the fair market value of MIF net realisable assets to be between \$62.2 million and \$63.2 million (refer Table 15).

In arriving at the fair market value of the MIF net realisable assets, we considered the following:

- the Preliminary Accounts for the year ended 30 June 2010 (“**Preliminary Accounts**”);
- any adjustments to the assets and liabilities of MIF as disclosed in the Preliminary Accounts that we considered necessary for the purposes of this Report (as discussed herein);
- MIF will remain a going concern and that it will be able to re-organise its debt facilities with NAB as disclosed in the Preliminary Accounts, which are due to expire in December 2010;
- pursuant to clause 3.1(m)(ii) of the Scheme Implementation Agreement (“**SIA**”), CWH will repay all of the debt facilities undertaken by MIF on or within 5 business days before or after the Implementation Date; and
- no material contingent liabilities existed as at the time of drafting this Report.

8.1.1 Adjustments to the NTA of MIF as at 30 June 2010

We made adjustments to the NTA of MIF as at 30 June 2010 to reflect the assessed fair market values of the net assets of MIF, as follows:

Table 15: Summary of the adjustments to reflect fair market value of MIF’s net assets

	Ref	Low (\$'000s)	High (\$'000s)
Net assets of MIF as at 30 June 2010	6.6	63,777	63,777
Fair market basis value adjustments:			
<i>Add/(Less):</i>			
Adjustments in capital expenditure provision	8.1.2	515	515
Transaction costs (including GST)	8.1.2	(2,337)	(1,237)
Current assessed fair market value of MIF		61,956	63,056

Source: MIF / PKFCA analysis

8.1.2 Explanation of adjustments

Adjustments in capital expenditure provision

Recent negotiations with Virgin Active Australia Pty Ltd (“**Virgin Active**”) in relation to the reimbursement of capital expenditure have resulted in a lower agreed amount than that provided for in the balance sheet as at 30 June 2010. The capital works on the property at 16 Rodborough Road, Frenchs Forest, NSW have already been completed and paid for by the tenant. We note that the amount to be settled post 30 June 2010 is lower and has reversed the difference between the amount provisioned and the actual settlement.

The effect of this capital expenditure has been taken into account by the independent valuer of the property in the 30 June 2010 valuation, as these capital works had been fully completed at the time the valuation was undertaken.

Distribution to Unitholders

We note that the distribution to Unitholders for the quarter to 30 September 2010 is pending the outcome of the Proposal. If the Proposal is approved at the Unitholders' meeting, no further distribution will be paid. The MIF balance sheet as at 30 June 2010 has therefore not been adjusted to include any further provision for distribution.

Transaction costs

The estimated total costs in relation to the Proposal are approximately \$2.7 million (excluding GST) and of which, \$575,866 (excluding GST) has been paid up to 30 June 2010. This includes advisory, taxation, legal and other consultancy fees.

We included the full estimated costs less that taken up in the accounts (i.e. \$2.337 million) in our low range value assessment, on the assumption that the Proposal will be accepted by the Non-Associated Unitholders. If otherwise, the amount will be somewhat lower (but not nil, as certain costs will have been incurred) on the basis that the estimated total costs include success fees charged by the advisors that will not be payable in the event the Proposal is rejected by Non-Associated Unitholders. The lower estimated transaction cost of \$1.237 million has been included in our high range value assessment.

8.1.3 Other considerations

In arriving at the adjusted net assets position, we also considered the valuation issues discussed below.

Fair market value of investment properties

The members of the Special Board Committee of MCFM have separately provided PKFCA with the final valuation reports in relation to the portfolio revaluations as at 30 June 2010. We have reviewed the valuations performed by independent valuers to verify that there are no issues or anomalies that would materially impact the values of these investment properties disclosed in the balance sheet and note the following:

- MIF selected different external property valuers in each state in which the investment properties are located;
- the external property valuers are from reputable, established organisations and are independent from MIF and do not have any interest in the properties based on the pecuniary interest disclosures in the valuation reports;
- the external property valuers have at least 5 years of continuous experience in the valuation of properties and are authorised by law to practise in the respective states;
- the valuation basis adopted was "fair market value";
- valuation methodologies applied appear to be appropriate and consistent with market practice; and
- the assumptions and valuation parameters do not appear to be unreasonable or inappropriate. Yields (or discount rates) adopted appeared to be within the range of benchmark market yields in the respective states.

Our review included a general assessment of the methodologies and key underlying assumptions adopted. In our review, we have considered the following:

- date of valuation, property valuation and book value;
- lease expiry and vacancy;

- capital expenditure budgets; and
- yields, discount rates and capitalisation rates.

Movements in fair market value of investment properties

The table below provides a brief history of the movements in property value within the MIF portfolio up to 30 June 2010:

Table 16: Summary of independent valuations as at 30 June 2010

No	Address	Book Value 31-Dec-09 ¹ (\$'000)	Independent Valuations 30-Jun-10 (\$'000)	Difference (\$'000)
1	7 Modal Crescent, Canning Vale, WA	13,750	14,000	250
2	19 Leadership Way, Wangara, WA	7,000	7,100	100
3	71-83 Whiteside Road, 85-93 Whiteside Road and 74-84 Main Roads, Clayton South VIC 3169	19,700	19,700	-
4	127-161 Cherry Lane, Laverton North, VIC	10,350	10,350	-
5	16 Rodborough Road, Frenchs Forest, NSW	20,000	20,300	300
6	22 Rodborough Road, Frenchs Forest, NSW	7,500	6,500	(1,000)
7	Seville Business Park, 44 Mandarin Street, Villawood (Fairfield), NSW	15,500	15,500	-
8	9-13 Titanium Court, Crestmead, QLD	7,000	6,700	(300)
9	310-314 Invermay Road, Mowbray, TAS	1,250	1,100	(150)
10	253-293 George Town Road, Rocherlea, TAS	6,750	4,800	(1,950)
	Total	108,800	106,050	(2,750)

Source: MIF / PKFCA analysis

Note 1: Excluding the property at Welshpool, WA.

In relation to the independent valuations as at 30 June 2010, we note that the decline in property values of \$2.75 million compared to valuations as at 31 December 2009 primarily relates to the following:

- for the property located at 22 Rodborough Road, Frenchs Forest NSW the valuer assumed lower net market income given the current market economic situation, higher tenant incentives allowances and higher capital expenditure as compared to the previous valuation, having considered the requirements to 'make good' the laboratories and warehouse services; and
- for 253-293 George Town Road, Rocherlea, TAS the valuer has changed the valuation method from market value "as is" (subject to existing lease) to vacant possession basis, therefore recognising a lower market value as compared to the previous valuation. This change in valuation method is attributable to the month by month proposition of the existing tenant, Automotive Components Limited ("ACL") which is currently in receivership.

Set out below is the range of yields and discount rates applied in the independent valuation reports, as at 30 June 2010:

Table 17: Summary of applicable yields and discount rates

	Passing Initial Yield	Equated Market Yield	Quoted Capitalisation Rate	Terminal Yield	Discount Rate
Maximum across portfolio	18.76%	11.77%	11.75%	12.00%	11.00%
Minimum across portfolio	7.49%	8.18%	8.25%	8.75%	9.75%
Average	11.19%	9.69%	9.53%	9.90%	10.30%

Source: MIF independent valuation reports

Additional key metrics in relation the MIF property portfolio are as follows:

Table 18: Summary of key property metrics as at 30 June 2010

	Occupancy (%)	Passing rent \$/m ²	WALE (years)
7 Modal Crescent, Canning Vale, WA	100%	\$69	1.3
19 Leadership Way, Wangara, WA	100%	\$84	1.3
71-83 Whiteside Road, 85-93 Whiteside Road and 74-84 Main Roads, Clayton South VIC 3169	100%	\$73	2.2
127-161 Cherry Lane, Laverton North, VIC	100%	\$53	3.9
16 Rodborough Road, Frenchs Forest, NSW	91%	\$215	12.8
22 Rodborough Road, Frenchs Forest, NSW	0%	\$0	N/A
Seville Business Park, 44 Mandarin Street, Villawood (Fairfield), NSW	82%	\$91	2.6
9-13 Titanium Court, Crestmead, QLD	22%	\$110	0.6
310-314 Invermay Road, Mowbray, TAS ¹	100%	\$34	5.9
253-293 George Town Road, Rocherlea, TAS ¹	100%	\$67	5.9
Portfolio			4.6

Source: MIF

Note 1: The sole tenant at both Tasmanian properties, ACL is currently in receivership. The tenant continues to occupy both premises, lease payments are current and the leases have an expiration date of 30 May 2016, which contributes to the portfolio WALE of 4.6 years as at 30 June 2010. Given the uncertainty relating to these properties, the WALE has also been calculated excluding the two Tasmanian properties. On this basis, the portfolio WALE as at 30 June 2010 would be 4.4 years. Notably, 12 month bank guarantees of rental payments are held for both properties.

In assessing the various quoted capitalisation rates, terminal yields and discount rates used in the 10 property valuations reviewed we identified 4 properties where these parameters were generally higher than the average across the MIF portfolio. The rationale for the higher parameters, which resulted in lower range valuations, is set out below:

- *Laverton North, Victoria (value \$10.35 million):* This is an older building with asbestos in walls and roof, both of which are likely to require recladding in the future. Both lease agreements have 12 month termination notice clauses and in the current market, a quick tenancy replacement would be difficult to achieve;
- *Villawood, NSW (value \$15.5 million):* This suburb has a high supply of office space at present, leading to significant vacancy in such office space in the area. The office to warehouse ratio of this MIF property is 1 to 5. 55% of the office space in this building is vacant at the time of drafting this Report;

- *Mowbray, Tasmania (value \$1.1 million):* This is an older style building, originally constructed in 1947, though with more recent additions. This site is exposed to potential soil contamination. The status of this issue is summarised below as the larger Rocherlea property is also at risk in this regard. Mowbray is a small community where potential tenants are limited to locals (of higher net worth) or regional operators. The demand for this type of space from potential tenants is thus quite limited. Further, the building itself is relatively specialised, being tailored to the needs of the tenant. This fact further reduces the pool of potential tenants who may be interested in the property. There is also a credit risk with the sole tenant, as this tenant is currently in receivership. Rent continues to be paid however, the future of the tenancy remains uncertain; and
- *Rocherlea, Tasmania (value \$4.8 million):* There is again potentially soil contamination on site and recent inspections by the external valuers indicated the presence of asbestos in the building. The soil contamination is being investigated by the Environmental Protection Authority, which has initially concluded that the issue does not require significant remedial action. However, the situation is being monitored and there is a chance of "make good" costs arising, should the contamination prove worse than initially thought. An expert consultant's report in April 2010 (covering both the Rocherlea and Mowbray properties) has concluded that implementation of contingency plans is not necessary at present as no contaminants exceeded trigger levels. However, that position may change. For this Tasmanian property, as for Mowbray the sole tenant is in receivership, casting doubt on the ability of the tenant to continue paying rent, although all rent due to date has been paid.

This property is a large site, containing significant unutilised rural land. The buildings on site are specialised to meet the needs of the current tenant, increasing the risk in finding a new tenant, if required.

Two of the ten properties were valued at significantly lower yields and capitalisation rates than the average for the portfolio. Such lower key metrics equate to higher assessed values for these two properties. Both properties are in Western Australia, and as such benefit from very buoyant economic conditions in that state. One of the properties is currently under-rented versus market by as much as 25%. This upside has been included in its valuation. Both are better quality properties in areas where there is healthy demand for such industrial properties, again supporting higher valuations.

Based on the above, we have not come across any issues or anomalies that suggest that the independent valuations at 30 June 2010 were not reasonable assessments of the fair market values of the investment properties.

Fair market value of financial liabilities

MIF entered into a series of interest rate swaps in an attempt to mitigate interest rate risk arising from its floating rate debt facilities, by hedging against an increase in interest rates through paying a fixed rate and receiving floating rates from the swap counterparty. The longest dated swap matures in March 2014.

Changes in interest rates result in movements in the value of the swap positions. The fair value of the interest rate swaps is the estimated amount that MIF would pay (or receive) if the swap was terminated at the relevant balance date.

We note that the Preliminary Accounts have stated the interest rate swaps' are carried at fair value. Any movements in the valuation of the interest rates swaps are subject to volatility and is difficult to quantify with certainty. Further, the impact of the interest rates swaps position only materialises when the position is terminated. For the purposes of the valuation, we have assumed that the continuity of the interest rate swaps will remain unchanged and used their fair value as stated in the Preliminary Accounts at 30 June 2010.

8.1.4 Value of MIF Unit: NTA on a going concern basis

Based on the above, our valuation assessment on the basis of net realisable assets on a going concern basis is summarised below:

Table 19: Net realisable value of MIF on a going concern basis

	Ref	Low	High
Current assessed fair market value of MIF net assets(\$'000s) (A)	8.1.1	61,956	63,056
Number of units on issue ('000s) (B)	6.4	98,469	98,469
Current assessed fair market value of MIF Unit (\$)	(A) / (B)	0.63	0.64

Source: PKFCA analysis

8.2 Quoted Market Price of MIF

To provide further comparison to the primary valuation method above, we have considered the ASX market price for MIF up to the last trading day (30 April 2010) on the ASX prior to MCFM's market announcement of the Proposal.

In assessing MIF's unit price performance we have had particular regard to the following:

- the liquidity of MIF units;
- the 'spread' of unitholders and the total number of units that they hold in MIF;
- the level of trading activity of the units in MIF (i.e. the volume of trades of the units in the market as a percentage of the total units, and the frequency of the trades);
- the number and frequency of 'unusual' and/or 'abnormal' trading that has taken place in the MIF's units;
- the presence of any factors that may indicate that trading in the units is the result of significant speculative trading; and
- the level of knowledge that the 'willing' buyers and sellers have in respect of MIF and the market in which it operates.

We have reviewed the following factors relating to the trading activity of MIF's units on the ASX:

- the daily high, low and closing unit price of trades;
- the daily volume of the units; and
- the volume weighted average unit price ("VWAP").

The table below summarises trades over the last 12 months up to the last trading day (30 April 2010) on the ASX prior to MCFM's market announcement of the Proposal.

Table 20: VWAP of daily trades

MIF	High	Low	VWAP	Total volume traded	Turnover	Average Bid/Ask Spread
	(\$)	(\$)	(\$)	('000s)	(%)	(%)
As at 30 April 2010	0.31	0.29	0.30	119	0.12%	8.06%
1 month to 30 April 2010	0.34	0.27	0.30	1,003	1.02%	6.67%
3 months to 30 April 2010	0.34	0.22	0.28	2,380	2.43%	7.91%
6 months to 30 April 2010	0.34	0.20	0.27	3,353	3.42%	11.68%
12 months to 30 April 2010	0.34	0.16	0.25	5,135	5.23%	17.21%

Source: Bloomberg / PKFCA analysis

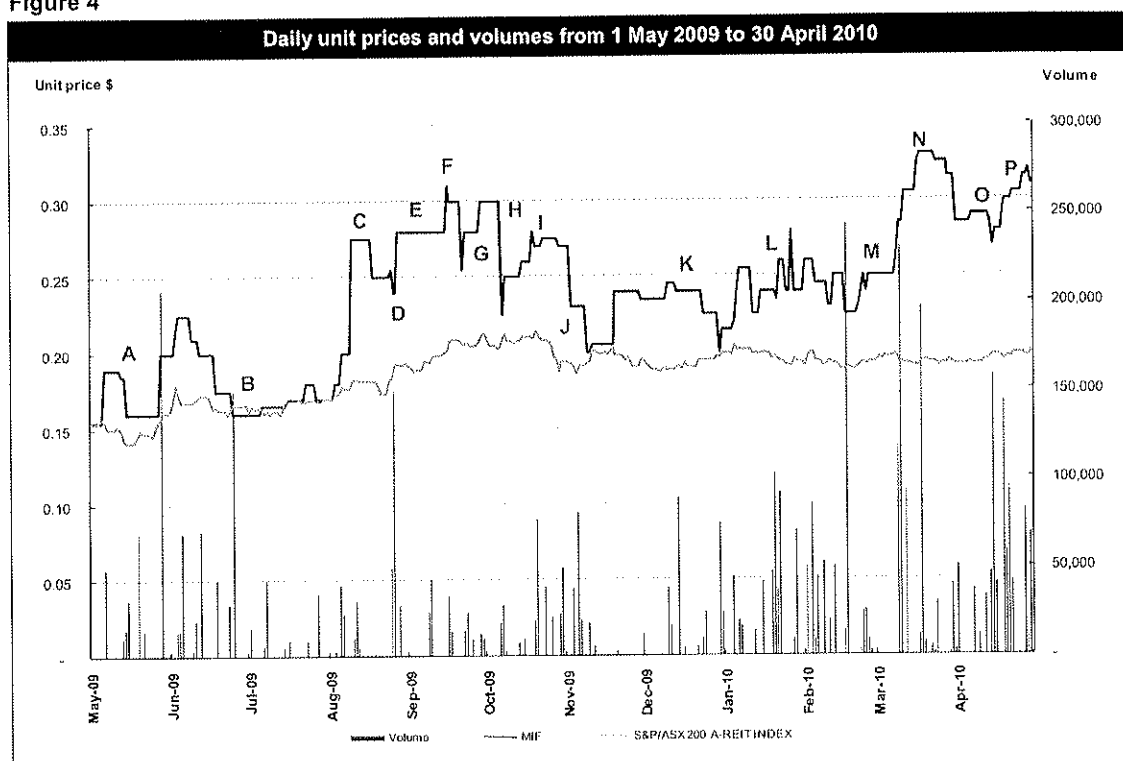
We note the following with respect to the trading price of MIF units over the year to 30 April 2010:

- closing unit price on 30 April 2010 was \$0.31;
- the unit price traded between \$0.16 and \$0.34;
- on 11 separate days over the period analysed, the daily volume rose above 100,000 units. These spikes in volume are charted in Figure 4 below. Whilst on some days there are announcements which shed some light on the unusual trading activity, the higher than normal trades are not easily traceable to any particular event;
- VWAP prices are observed to be on an upward trend;
- as noted in Figure 4 below, over the period analysed MIF outperformed the S&P/ASX 300 A-REIT Index (a capitalisation weighted index that represents all REITs in the S&P/ASX 300 Index);
- there is relatively low volume in the trading activity of the units. The total traded volume of units over the whole year analysed was only 5% of the total weighted average of units on issue over the period;
- over the year analysed, there were 127 days of trading activity out of a total of a 251 trading days; and
- the bid-ask spread of the unit prices appears to be relatively wide, ranging from 7% to 17%.

The Proposal's cash offer of \$0.44 represents a 47% premium over the 1 month VWAP of MIF, immediately prior to the Proposal's announcement on 3 May 2010.

The graph below illustrates the movement in the daily unit price and volumes traded over the year to 30 April 2010.

Figure 4



Source: Bloomberg / PKFCA analysis

Factors which may have had an impact on trading in units are detailed below:

Table 21: MIF announcements

Notation	Date	Details of announcement
A	13-May-09	MIF announced it has exchanged unconditional contracts of sale for the property at Bullockhead Street, Summer Park, Queensland. Sale price of \$9.18 million is above the original purchase price of the property of \$7.2 million acquired in March 2004. Book value of the property as at 31 December 2008 was \$10.3 million.
B	25-Jun-09	MIF announced AIMS Securities Holdings Pty Ltd ("AIMS") has acquired 7.22% interest in the fund.
C	12-Aug-09	MIF responded to Real Estate Capital Partners ("Recap") intends to call a meeting of unitholders and media campaign by Recap
D	26-Aug-09	AIMS announced the compulsory acquisition of remaining shares in MacarthurCook Limited, parent entity of MIF.
E	01-Sep-09	MIF response to unitholders in relation to the notice of meeting and explanatory memorandum Recap sent to unitholders
F	15-Sep-09	MIF announced that it would seek to re-instate distributions from September 2009 quarter, subject to market conditions.
G	24-Sep-09	Extraordinary General Meeting Result - appointment of Recap was not carried as an ordinary resolution.
H	08-Oct-09	MIF announced a Distribution Reinvestment Plan issue price for the quarter ending 30 September 2009 calculated at 2.5% to the average VWAP for 10 business days.
H	08-Oct-09	Orchard Capital Investments Limited ceased to be a substantial holder.
I	22-Oct-09	Distribution for the quarter ending 30 September 2009 was 0.4 cents per unit.
J	09-Nov-09	MIF announced sale of investment in Asian industrial property securities to reduce debt and focus on industrial property investment opportunities in Australia.
K	16-Dec-09	MIF announced increased distribution target and details of distribution for December quarter 2009.
L	22-Jan-10	MIF announced the sale of a property for \$17 million, being 8% above June 2009 valuation and double the acquisition price, reducing debt bringing positive outlook for 2010.
M	26-Feb-10	Half year results to 31 December 2009.
N	19-Mar-09	Distribution for the quarter ending 31 March 2010 was 0.5 cents per unit.
O	12-Apr-10	MIF announced a Distribution Reinvestment Plan issue price for the quarter ending 31 March 2010 calculated at discount of 2.5% to the average VWAP for 10 business days.
P	22-Apr-10	MIF announced March Quarter 2010 Distribution and Distribution Reinvestment Plan.

Source: ASX announcements

8.2.1 Conclusion on Twelve Month Trading Activity

As noted above, whilst there are adequate tradeable units held by minority Unitholders, there is a lack of trading activity (liquidity) undertaken over the period analysed. The market trading price of the Units may not fully reflect the fair market value of MIF given the limitations associated with recent share market trading in the security.

Further, the above pricing reflects a discount for minority interest position whereas our valuation of MIF must reflect a controlling interest value. There are also entity specific issues for MIF around its capital structure, including high levels of debt, short term debt maturity risk, potential banking covenant stress and a lack of access to equity funding other than at significant discounts to market price.

Based on the above, our opinion is that trading activity up until the announcement date does not provide a robust or reliable measure of the fair market value of MIF, on a control basis. It is worth noting however, that the NTA on a going concern basis uses independent valuations which by their nature, will always lag the true market in terms of movement in fair value. Apart from the issues above, one reason why ASX pricing remains at a heavy discount to NTA is that investors may be factoring in further drops in the value of properties within MIF's stated NTA.

8.3 Comparison to similar REITs (ASX Market Metrics)

In the following table we have compiled a list of key indicators for other listed REITs that operate entirely in the industrial property sub-sector as does MIF:

Table 22: Comparable Company Key Indicators

	Total Tangible Assets ¹ (\$m)	Gearing ^{1,2}		Premium / (Discount) to NTA ^{1,4}		Total distribution 30-Jun-09 (\$)	Unit Price 30-Jun-09 (\$)	Distribution yield ⁵ 30-Jun-09 (%)	Forecast Distribution 30-Jun-10 (\$)	Unit Price 30-Apr-10 ⁸ (\$)	Expected Distribution yield ^{5,8} 30-Apr-10 (%)
		(%)	(%)	(%)	(%)						
MacarthurCook Industrial Property Fund (MIF)	133.3	43.0%	43.8%	(54%)	0.018	0.16	11.3%	0.018	0.31	5.8%	
Bunnings Warehouse Property Trust	986.7	18.4%	18.7%	9%	0.116	1.63	7.1%	0.110	2.00	5.5%	
Goodman Group ⁶	6,883.8	26.5%	28.9%	43%	0.097	0.34	28.7%	0.034	0.72	4.8%	
ING Industrial Fund	3,235.3	35.9%	37.4%	(28%)	0.053	0.22	24.0%	0.032	0.44	7.4%	
Mirvac Industrial Trust ⁷	487.5	79.1%	79.1%	(76%)	0.025	0.08	31.6%	-	0.04	NA	
Average: Excluding MIF		40%	41%	(13%)			23%			5.9%	
Average: Also excluding stapled security stock		44%	45%	(32%)			21%			6.5%	

Source: Bloomberg / companies websites / half-yearly financial reports

Note 1: The data is based on financial information as at 31 December 2009 as all the above companies have not released the 30 June 2010 annual reports, as at the date of this Report.

Note 2: Net Debt divided by Total tangible assets (excluding Derivatives Financial Instruments).

Note 3: Net Debt divided by Total tangible assets (including Derivatives Financial Instruments).

Note 4: Unit price as at 30 April 2010 (being the date of announcement of the Proposal).

Note 5: Total distributions for the financial year divided by unit price.

Note 6: Goodman is a stapled security with significant active business operations so is less comparable to a traditional REIT with just passive property investments.

Note 7: Mirvac Industrial Trust invests in assets in the USA. However, all of its assets are within the industrial property sub-sector.

Note 8: This is based on the pre proposal price of MIF as at 30 April 2010.

The above table compares MIF to four other comparable REIT stocks, all of which operate wholly within the industrial property sub sector. Of these, Goodman is considered less relevant as it is a stapled security and is subject to a very different active business model to a traditional REIT. It is important to note that these comparisons all incorporate a minority interest discount. Our valuation of MIF in Section 8.1 reflects a control value. Key aspects of this table are considered below:

Gearing Levels

MIF's gearing is 43%, or 44% when including financial derivatives in interest bearing debt. On both measures MIF is in the same range as the average of other industrial REITs. However, our view is that in the current market, gearing above 30% is considered too high by investors, with REITs being punished where their gearing exceeds 40%.

Discount of price to NTA

MIF's discount to NTA using the market price at 30 April 2010 was 54%. This compares to the average for other industrial REITs excluding Goodman of 32%, using pricing at 30 April 2010. We believe this market discount reflects entity specific issues relevant to MIF, discussed further in the "reasonableness" section of this Report, as well as MIF's very small size when compared to its peers. Mirvac Industrial Trust also suffers from entity specific structural issues that have impacted on its market price and contributed to its very high discount of market price to NTA.

Distribution Yield

The actual yields across the entire industrial REIT sub sector reviewed (excluding MIF) were very high for the year ended 30 June 2009, with an average, excluding Goodman of 21%. MIF's yield for that year was lower at 11%. These high yields in 2009 were mainly due to very depressed ASX pricing over the year ended 30 June 2009, along with discounted equity raisings, in the REIT sector.

There has been a general fall in distribution forecasts by the various REITs, for the year ending 30 June 2010, reflecting a trend to pay more conservative levels of distribution, to help build more robust balance sheets across the sector.

MIF's forecast distribution yield is on par with the average for the industrial REIT sub sector reviewed (excluding MIF). When excluding Goodman from the analysis, MIF's forecast distribution yield is slightly below the industrial REIT average.

Summary

The above indicates that MIF's gearing levels are no higher than comparable industrial REITs, but they remain too high in the current environment. Distribution yields are broadly similar to comparable REITs. Importantly, MIF continues to trade at a substantial discount to NTA which is at, or greater than, the discounts of the other industrial REITs reviewed, apart from Mirvac Industrial Trust. The pricing of the Proposal should be considered with this in mind.

8.4 Conclusion on Valuation

In our opinion, the "NTA on a Going Concern Basis" should be used in valuing MIF, given that entity specific shorter term structural issues are considered in the reasonableness assessment, in accordance with ASIC policy.

Our assessment is that the value of MIF on a control basis falls within the following range:

Table 23: Value of MIF on a control basis

Control Value of a MIF Unit	Low (\$)	High (\$)
Control Value of a MIF Unit (refer Section 8.1.4)	0.63	0.64

Source: PKFCA analysis

9 FAIRNESS ASSESSMENT

9.1 Value versus Offer

The following table summarises our assessment of the value of MIF per unit compared to the cash consideration per unit being offered to Non-Associated Unitholders:

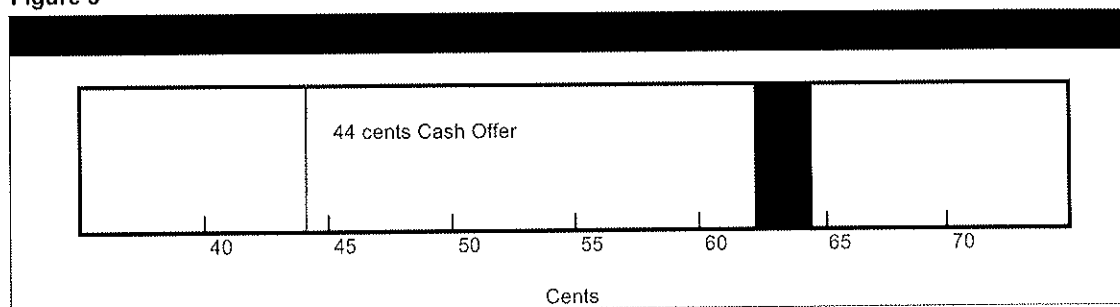
Table 24: Offer Analysis

	Section	Value Per Unit	
		Low (\$)	Low (\$)
Value of MIF	8.4	0.63	0.64
Consideration offered	1	0.44	0.44

Source: Proposal, PKFCA analysis

The above is graphically presented as follows:

Figure 5



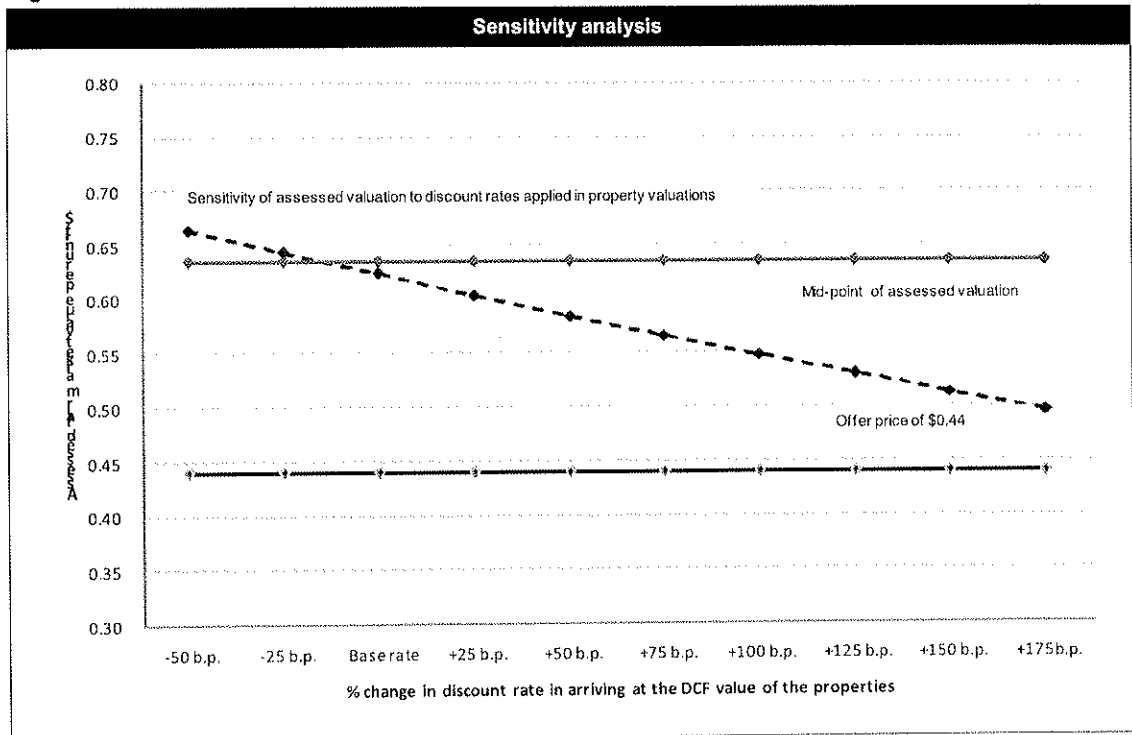
Source: PKF analysis

The above pricing indicates that the Proposal is **not fair** for Non-Associated Unitholders.

9.2 Value Sensitivity versus Offer

Set out below are the results of an analysis of the sensitivity of the assessed value of MIF per unit to theoretical movements in the discount rates applied in the valuations of the 10 properties on hand at 30 June 2010.

Figure 6



Source: PKFCA analysis

A 0.5% firming (reduction) in the discount rates applied in the valuations of the properties would result in a positive impact of approximately 6.3% on the value of a MIF Unit. Conversely, a positive 0.5% increase in the discount rates applied in the valuations of the properties would result in a negative impact of approximately 6.5% on the value of a MIF Unit. Even a significant increase (softening) in discount rates of 175 basis points across the portfolio would not decrease the value of MIF per unit below the Proposal's offer price.

10 REASONABLENESS ASSESSMENT

10.1 Advantages Of Accepting The Proposal

10.1.1 Decline in the broader market since Announcement

The Proposal was announced on Monday, 3 May 2010. Since that date (but unrelated to the announcement) the ASX All Ordinaries Index has fallen by 7.11%, up to Monday 16 August 2010. Further, the ASX Property Index 300 (more related to MIF) has fallen 6.16%. These falls in the Australian markets have been due primarily to fears about the continuing credit crisis in Europe, including Greece, Spain and other countries and uncertainties regarding the recovery from the GFC.

Post announcement of the Proposal, the price of a MIF Unit rose from 30 cents to 40.5 cents leading up to 16 August 2010. While MIF's ASX Unit value has not been materially affected by the above significant falls in the broader market post announcement, Non-Associated Unitholders should be aware of these falls.

It is possible that, should the Proposal be rejected, then the ASX price of MIF Units may fall back below its pre announcement level of 30 cents, given the fall in the general market since the announcement.

10.1.2 Avoiding downside for MIF of debt maturity risk, as well as higher cost of debt and tighter covenants associated with refinancing

The chart on the following page (see Figure 7) displays the portion of interest bearing debt that is due within the next twelve months (from 31 December 2009) for all listed REITs in Australia, including MIF.

The chart indicates that MIF is one of only 4 (out of 46) REITs that, as at 31 December 2009 faced debt maturity risk on 100% of their borrowings. Pre GFC this was not such an issue but in the current climate it certainly is.

Although NAB has indicated that it is willing to work with MIF to provide a further extension (beyond 31 December 2010) or a new term facility based on similar terms to the extension, there can be no guarantee that there will be no change in the terms of the current facility. The debt funding cost has already significantly increased as a result of the temporary extension being granted by NAB (See Section 6.8 for an update of the MIF debt funding position post balance date 30 June 2010).

Notwithstanding the above, assuming that both the Proposal is not accepted and that longer term debt refinancing can be accomplished by MCFM, then Non-Associated Unitholders will most likely be exposed to the following from 1 January 2011:

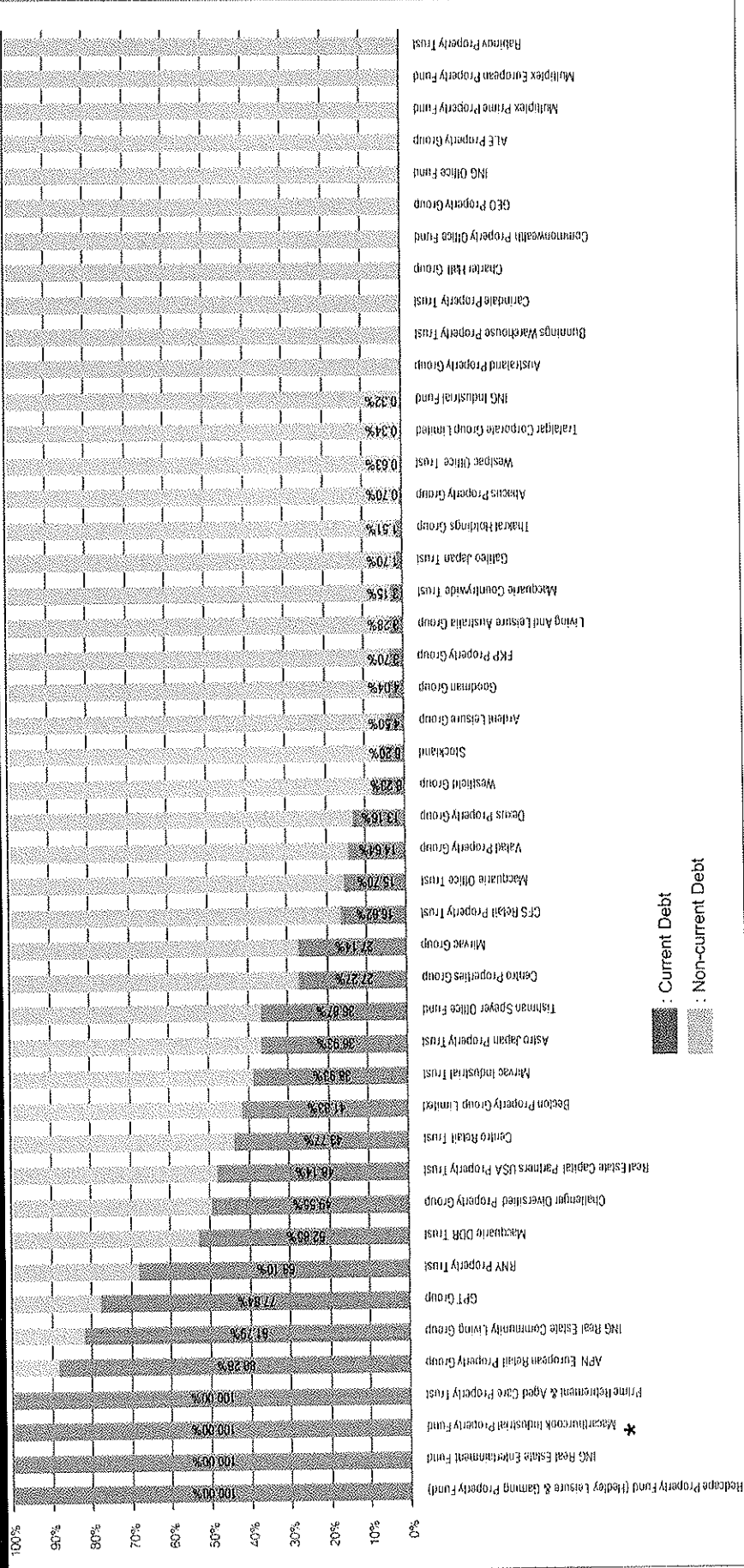
- significantly higher annual bank fees on the new loan (compared to the pre loan extension terms);
- significantly higher interest rate (cost of debt) on the new loan (compared to the pre loan extension terms); and
- possibly tighter banking covenants, particularly in relation to the maximum LVR allowed.

The above higher costs will reduce amounts available for distribution to Non-Associated Unitholders in future periods and reduce funding available for essential capital expenditure and for future growth in MIF, if the Proposal is not accepted.

In summary, the debt funding position for MIF does not appear to be as precarious as has been the case for numerous listed REITs, where there was (and still is) a very real prospect of financiers calling in loans on maturity dates, rather than rolling over. MIF should therefore be able to avoid the “worse case” scenario of having to sell assets below their “going concern” value, to satisfy bank demands. However, the higher cost of debt explained above will significantly inhibit MIF’s ability to pay distributions at attractive yields compared to its competitors, and to maintain and grow its property portfolio for the benefit of its unitholders.

Figure 7

December 2009 – Maturity Risk Profiles, Listed REITs



Source: PKF REIT Monitor – December Update 2009

10.1.3 Exiting a REIT with significant vacancy issues. Occupancy currently 83% (based on income)

There are currently four properties in the MIF portfolio of ten, where a vacancy in the property exists, as follows:

- *22 Rodborough Road, Frenchs Forest, NSW*
Currently 100% vacant (based on building area). MCFM is currently actively marketing the property for lease.
- *9-13 Titanium Court, Crestmead, QLD*
Currently 78% vacant (based on building area). Recently, 22% of the property was tenanted, lowering somewhat MIF's exposure, in its sole property in Queensland.
- *44-46 Mandarin Street, Villawood, NSW*
Currently 18% vacant (based on building area). Of the space that is currently tenanted there are four separate tenants. On 4 May 2010, one of those tenants advised MIF's property manager that it will not be renewing its lease. The current lease for this tenant expires in five months time, on 30 November 2010 and amounts to 5% of total net income currently attributable to the Villawood property. The departure of the tenant will increase the vacancy in the property to 20% (based on building area) assuming no new tenants are found.
- *16 Rodborough Road, Frenchs Forest, NSW*
Currently 9% vacant (based on building area). MCFM has informed PKFCA that a heads of agreement has been signed with a new tenant for all the remaining vacant space. The heads of agreement was signed on 31 March 2010, for the ground floor (front) of the property, securing a 5 year term from July 1, 2010.

While progress is being made by MCFM in raising the overall occupancy level of the MIF portfolio, the current vacancy level represents less than optimum rental capacity. This vacancy level represents a disadvantage to MIF and an advantage for Non-Associated Unitholders in accepting the Proposal.

10.1.4 Exiting a REIT that will need to fund significant capital expenditure on its portfolio in the short to medium term

MCFM have advised PKFCA that the following capital expenditure or other related costs will be required. Much of this relates to the largest single asset in MIF's portfolio, being Frenchs Forest, valued at \$20 million:

- *16 Rodborough Road, Frenchs Forest, NSW*
\$308,000 has been forecast from October 2010 being an allowance for fit out of vacant office space.
Other capital expenditure was provided for in the FY2010 Preliminary Accounts in relation to capital works now carried out by the main tenant, Virgin Active. We understand that post 30 June 2010, MIF and Virgin Active have agreed on a settlement amount less than that provided on MIF's balance sheet.
- *7 Model Crescent, Canning Vale, WA*
\$606,000 has been projected from February 2012 representing a projected tenant incentive allowance estimated to be required at that time.

The above capital expenditure requirements will place further pressure on MIF's working capital position at a time when access to funding (either debt or equity) remains constrained. This represents a disadvantage to MIF and an advantage to Non-Associated Unitholders in accepting the Proposal.

10.1.5 Longer Term Risk regarding Tenant Credit Worthiness for two properties

The sole tenant of MIF's two Tasmanian properties at Mowbray and Rocherlea is in receivership.

Grant Thornton Melbourne was appointed Receivers and Managers of ACL on 26 August 2009. This appointment followed the decision by ACL to appoint Korda Mentha as Voluntary Administrators earlier on the same day. The Receivers have stated that it is their intention to continue trading ACL as a business to ensure continuity of supply to the automotive industry while all available options are considered for the future of ACL.

Rental income from the two properties in Tasmania represents 11% of total net income currently in place for MIF.

While this represents a credit risk for MIF, such risk is mitigated in the short to medium term by the following:

- the Receivers of ACL have been paying all rental commitments on time over a period of ten months now since their appointment up to and including June 2010;
- although there are no guarantees once a receivership commences, it is MCFM's understanding through discussions with the Receivers, that they intend to restructure the ACL business as opposed to winding it up;
- ACL is a critical supplier of Ford Motors, which offers a level of continuing demand for ACL products; and
- there is a bank guarantee of 12 months rental in place on both property leases.

It may be that this potential credit risk for MIF moves from contingent to actual over the coming one to two years. This is not an immediate threat to Non-Associated Unitholders, however the longer term risk should nevertheless be taken into account.

10.1.6 Potential for Performance Fee Payable

Under the terms of the management fee structure for MCFM, it is possible that a performance fee may become payable to the manager from MIF. The performance fee is calculated over a three year timeframe which may see outperformance by MIF since the generally accepted low in the markets, which occurred around March 2009.

The extent of such a potential fee is very much dependent on ASX market movements. However, it is possible that such a fee could equate to between \$1 million and \$2 million, depending on the circumstances. The most likely year that MCFM would be entitled to this potential extra fee is the year ending 30 June 2012.

While the performance fee is not guaranteed at present, by accepting the Proposal, Non-Associated Unitholders would be exiting MIF before any such additional management fee could be triggered.

10.1.7 Market Pressure to Reduce Gearing Further

The average gearing level of the Australian listed REIT sector at 31 December 2009, as well as gearing levels for MIF, are detailed in the table below:

Table 25: Gearing levels

Listed REITs	Ref	Gearing % ¹
PKF REIT Monitor Release - As at 31 December 2009		44 ²
MIF as at 31 December 2009	6.6	43 ²
MIF as at 30 June 2010	6.6	34 ³

Source: PKF REIT Monitor – December Update

Notes:

- Gearing is calculated as net interest bearing debt over total tangible assets.
- As per the gearing of the REIT population in the PKF REIT Monitor – 31 December 2009 release.
- The drop in gearing level from 31 December 2009 was due to the sale of the property at Welshpool, WA, with proceeds used to retire debt.

MIF's gearing since 31 December 2009 has significantly improved, in an environment where investors in REITs are penalising higher gearing. However, we believe that MIF's gearing would need to be reduced still further, in order to meet current market expectations on gearing levels. Pre GFC gearing levels are simply not being accepted at present, and our view is that gearing of sub 30% levels represents the optimum gearing in terms of current investor market sentiment. The biggest eight REITs at present have split with the balance of the market in this regard, with their gearing levels at an average of 26% at 31 December 2009. Generally speaking, these REITs are attracting investment with positive movements in their ASX pricing, lower discounts to NTA, and greater prospects for future growth as the sector recovers further from the GFC.

MIF would need to sell further properties to reduce its gearing further as it is unlikely that MIF will be able to raise equity given its small size and the current market. We consider that this pressure from the REIT investment market for listed REITs to reduce gearing levels to below 30% will continue to have a negative impact on MIF's prospects.

10.1.8 The Proposal is relatively more favourable when compared to other recent REIT M&A activity

We have summarised transaction activity that has occurred (or is currently in process) since the onset of the GFC. Any transactions pre GFC are not considered to be relevant due to very different pricing and market dynamics within the REIT market at that time.

Table 26: Comparable REIT Transactions pre GFC

Comparable Transactions	Date	Offer Premium to ASX Price (pre announcement) ¹	Offer Premium/ (Discount) to NTA ²
MIF Proposal	June 10	47%	(30% to 31%)
<u>More Relevant:</u>			
Challenger Kenedix Japan Trust (all cash offer) ³	Dec 09	46%	(36% to 39%)
<u>Less Relevant:</u>			
Westpac Office Trust	July 10	14%	2%
Mirvac REIT (Cash Scrip offer) ³	Nov 09	66%	(31% to 33%)
Orchard Industrial Property Fund (no offer, but placement to new unitholder)	July 09	7%	(11%)

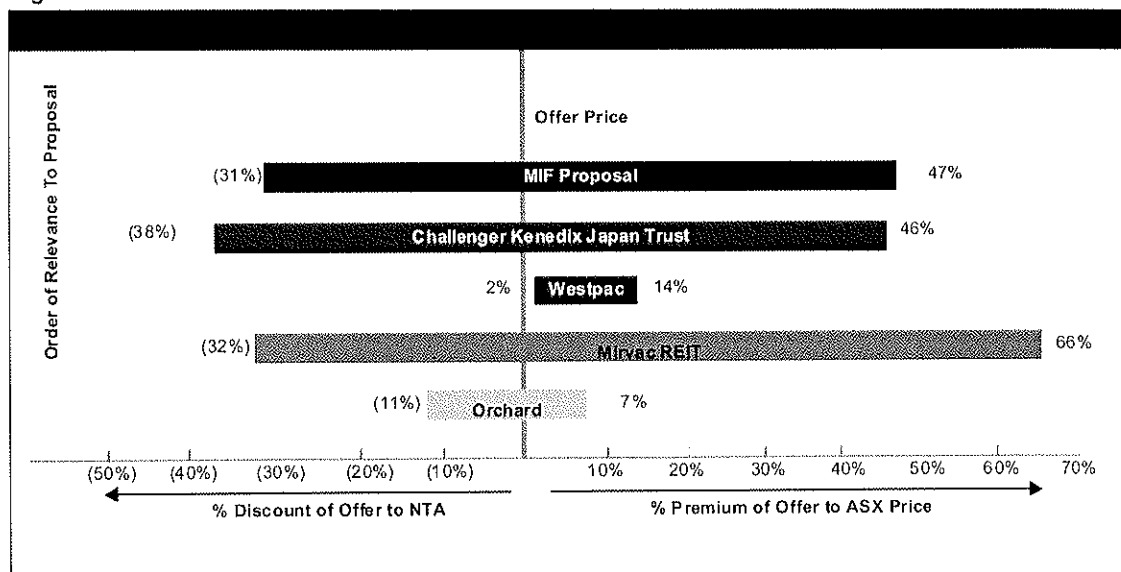
Note 1: In all cases the one month VWAP ASX price was used.

Note 2: In all cases, latest available NTA was used other than MIF, where our NTA on a going concern valuation has been used.

Note 3: Pricing based on final offers made in these transactions, which were accepted by Unitholders.

The above table is graphically presented hereunder:

Figure 8



Source: Bloomberg, Market Announcements, Explanatory Memorandums of other REIT transactions and PKFCA analysis

In the above graph the more advantageous offers are represented by those with greater premium to ASX price and lower discounts to NTA (i.e. closer to the right hand side of the graph than the left).

In assessing the above it is important to note the following:

- The Challenger Kenedix Japan Trust is considered the most comparable to the MIF Proposal as it was a 100% cash offer (as is the MIF Proposal). This transaction was set at a slightly less favourable price (when assessing key metrics) compared to the MIF Proposal. The Challenger Kenedix Japan Trust proposal presents a 38% discount to NTA whilst MIF Proposal equates to a 31% discount to the assessed NTA (mid-point). Additionally, the Challenger Kenedix Japan Trust offer was set at a 46% premium to the ASX market price, while the MIF Proposal is at a higher premium, of 47% to its ASX market price, pre-announcement.
- The Westpac Office Trust transaction was announced to the market on 28 April 2010 and is still in process at the date of this Report. However, the ASX announcement by Westpac Office Trust disclosed that an offer for all of its securities from Mirvac Group, has been pitched at the key metrics. Importantly, roughly half of this offer is in the form of Mirvac scrip, not cash. Particularly in takeover activity in the current listed REIT market, still recovering from the GFC, there is a significant premium placed on all cash offers over offers incorporating scrip.

The need for this additional premium in a scrip offer in our view contributes to the apparently more favourable metrics of the Westpac Office Trust transaction, versus the MIF Proposal. Another factor in this case is the premium quality of much of Westpac Office Trust's property portfolio which has contributed to better historical positioning in terms of price discount to NTA. We note that at 31 December 2009, Westpac Office Trust traded at a discount to NTA of (9.5%) whereas MIF was trading at a discount of (67.9%) to its NTA at this date. The significantly stronger price performance (versus NTA) of Westpac Office Trust influenced Mirvac, as offeror, in making an offer that is around NTA, not well below it. Equally, that offer is set at a more modest 14% premium to market price, compared to the Proposal which is set at a 47% premium to MIF's market price.

- The Mirvac REIT transaction included in the offer to the target unitholders, scrip in the Mirvac Group. As above, in the current listed REIT market, there is a significant premium placed on all cash offers over scrip offers, in takeover activity. This need for additional “premium” in a scrip takeover offer in our view, again explains the apparently more favourable metrics of the Mirvac REIT transaction versus the MIF Proposal.
- The Orchard Industrial Property Fund transaction has been included as this REIT is very similar to MIF, owning only industrial properties entirely within Australia. However, the transaction is not directly relevant to the Proposal for the following reasons:
 - there was no offer to existing unitholders but rather a unit placement to a new unitholder, being Growthpoint Properties Limited (“GPL”);
 - the unit placement was of a significant size, but only around 70% of the total post transaction units were acquired by GPL, so premiums for 100% control did not apply in this case; and
 - the transaction involved a rights issue as well as an internalisation of the responsible entity, stapling the trust to an operating company. This significantly affects the dynamics in pricing, when compared to the nature of the MIF Proposal.
- Another REIT transaction has occurred post GFC, involving the Lend Lease Primelife Group (“LLP”), in November 2009. However, this REIT has not been included in our analysis as it bears little resemblance to MIF for the following reasons:
 - LLP is a “pure play” owner, operator and developer of senior living communities;
 - the REIT has three main operating businesses, being retirement living, aged care and property development of senior living facilities;
 - the retirement/aged care sector has unique challenges and opportunities, very different to MIF’s passive investment in industrial property; and
 - LLP is also a stapled security and so includes an active operating business in managing retirement sector communities as well as its investment in property.
- It is also worth noting that for both the Challenger Kenedix Japan Trust and the Mirvac REIT takeover transactions, revised offers were made prior to unitholders voting for the transactions. Both revised offers increased the value of consideration being offered to the respective target unitholders. Table 26 and Figure 8 above reflect the final offers made in each case.
- Possibly with the exception of Westpac Office Trust, all REITs included in the Table 26 and Figure 8 were experiencing financial stress, including lack of available equity, banking loan covenants and debt maturity refinancing risk. The extent of such stress influenced (decreased) the level of offer being made in each case. The current position for MIF is no different.

In relation to the analysis above, it is important to note that there have been significant falls in both the ASX All Ordinaries Index and the ASX Property Index 300, since the announcement of the Proposal to the market. It is therefore possible that, should the Proposal be rejected, then MIF’s price may fall to a level lower than its 1 month VWAP of \$0.30 used in Table 26.

10.2 Disadvantages of Accepting the Proposal

10.2.1 Non-Associated Unitholders will forgo any upside that may occur in the value of the industrial properties forming the MIF portfolio

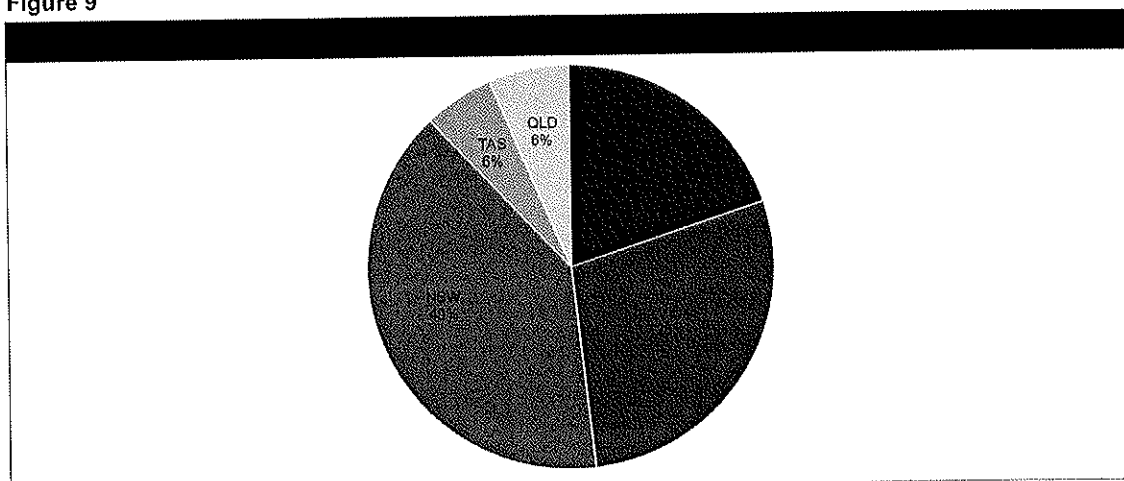
Our analysis of the industrial property sub sector in Australia in Section 5 suggests that values of industrial property may be at or near the bottom of the cycle. Non-Associated Unitholders would therefore be selling at a less than optimal time.

Industrial property values have fallen significantly since late 2007 and although there are no guarantees, industrial properties may start to enjoy some appreciation in value in the medium term, given the still strongly performing Australian economy. However, this does apply more to "A" grade premium industrial properties. MIF's industrial property fits more into the regional secondary industrial property class. Recovery in value in this type of property is expected to take longer and be less robust than that for prime industrial property.

10.2.2 Exiting a REIT with well balanced geographic diversification and with reasonable exposure in Western Australia

The current geographic diversification of MIF is presented below:

Figure 9



Source: 30 June 2010 Preliminary Accounts, MCFM Management

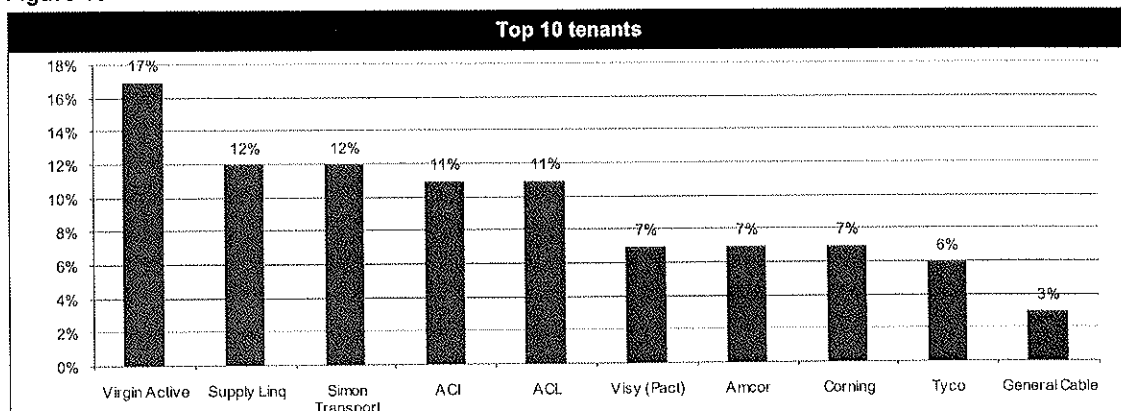
There is a reasonable spread of property locations across Australia and in particular, the higher population states of New South Wales and Victoria, where there is more demand for industrial properties. Further, MIF still has a reasonable level of exposure in Western Australia which is reaping the benefits of a resources-led economic boom.

Non-Associated Unitholders would be forgoing the benefits of such diversified exposure should the Proposal be accepted.

10.2.3 Exiting a REIT with a well diversified tenant base

Set out below are MIF's top 10 tenants by rental income as at 30 June 2010:

Figure 10



Source: MCFM Management

Based on the above, we note that:

- the top 10 tenants contribute approximately 93% of the total rental income of MIF, with the remaining 4 tenants contributing 7%; and
- with the exception of Virgin Active which operates in the fitness and wellbeing service sector, the majority of MIF's tenants are companies which operate in the industrial transport, logistic and manufacturing sectors.

The tenant profile of MIF does not rely overly on the continuation of any one tenant in assuring financial stability. Loss of any one tenant, while reducing net income for MIF, is not a fundamental risk due to its well diversified tenant base.

Unitholders would be forgoing exposure to such diversified tenancy should the Proposal be accepted.

10.2.4 No distribution for the period ending 30 September 2010

We note that if the Proposal is approved at the Unitholders' meeting, the Unitholders will not be entitled to any future distributions after 30 June 2010. A 30 September 2010 quarterly distribution may be payable to Unitholders if the Proposal is not approved and they continue as Unitholders in the Fund.

10.3 Other Considerations

10.3.1 Weighted Average Lease Expiry profile ("WALE")

With a WALE of approximately five years (at 31 December 2009), MIF enjoys a reasonably secure position in respect of lease expiry risk when compared to the broader listed REIT sector.

The WALE's of comparable REITs are listed below, indicating that MIF's WALE is sitting at the average WALE of those comparable REITs:

Table 27: Weighted Average Lease Expiry profile

Comparable REITs	WALE (Years)
MacarthurCook Industrial Property Fund	4.8
ING Industrial Fund	4.2
Goodman Group	5.6
Bunnings Warehouse Property Trust	5.9
Mirvac Industrial Trust	4.3
Average (excluding MIF)	5.0

Source: Latest available statutory accounts or investor presentations (as at 31 December 2009)

Note: Mirvac Industrial Trust invests in assets in the USA, however all of its assets are within the industrial property sub-sector.

In reviewing the above, we note that the sole tenant of MIF's two Tasmanian properties represents approximately 11% of MIF's rental income. The leases on both properties are long term, expiring in 2016 and therefore account for a significant portion of MIF's WALE of approximately 5 years.

Given that this tenant is in receivership at present the longer term viability of these lease agreements for both properties is at risk. This may negatively impact MIF's WALE profile going forward.

We note that the WALE for MIF above, when updated to 30 June 2010, reduces to 4.6 years (refer Table 12).

10.3.2 Break Fee

We note that there is a break fee of up to \$800,000 payable to related parties of CWH as offeror, should this Proposal not proceed, subject to certain conditions. While such fees are often a necessary part of advancing preliminary offers to formal proposals, Non-Associated Unitholders need to be aware of this potential impact on MIF, should the Proposal not proceed. This fee, however is not payable if the Wind-up Resolution is approved by the requisite majority of MIF Unitholders and the MIF Constitution is amended in accordance with the Wind-up Resolution.

10.3.3 No risk of "leakage in value", via payments being made to the current manager, for forfeiting funds management rights

As CWH is a US-based REIT, if the proposal is implemented, CWH will require an Australian-based manager to manage MIF's portfolio. Given MCFM's prior experience with the portfolio and the benefits of consistent asset management, CWH has decided to appoint MCFM as the manager of the portfolio should the Proposal be approved by MIF Unitholders. This appointment is on an arm's length basis with market-based fees and is summarised in the Explanatory Memorandum.

There have been numerous precedents in the listed REIT sector over the last decade of payments being made to incumbent fund managers when there is a change in fund manager. These payments were made as compensation for the incumbent fund manager forgoing their rights to future fund management fees. Post GFC, such payments have continued to be made, although at significantly lower levels.

However, in the Proposal at hand, the current fund manager is not receiving any compensation for forgoing its current fund management rights, including its current fee arrangements.

The absence of any payment being made for the transfer of management rights avoids the risk for Non-Associated Unitholders that there is "leakage of value" to the current responsible entity that might otherwise have been included in the offer being made to Non-Associated Unitholders.

10.3.4 The terms of agreement with AIMS for ongoing management of MIF, post Proposal, do not represent any "leakage in value" for Non-Associated Unitholders

Set out below is a comparison of the existing management fee arrangements compared to the proposed new fee arrangements for the continued appointment by CWH of MCFM as the manager of the portfolio:

Table 28: Comparison of management fee arrangements

Term	Current Arrangements	Proposed New Arrangements
Management fees	<p>MCFM is entitled to a management fee of 0.65% per annum of the Fund's "gross asset value".</p> <p>MCFM is also entitled to:</p> <ul style="list-style-type: none"> an acquisition and promotion fee of 1.0% of the purchase price of real property located outside Australia acquired as an asset of the Fund; and a disposal fee of 0.5% of the net sale proceeds upon the sale of any real property located outside Australia that is an asset of the Fund, if the net sale proceeds exceed the purchase price and acquisition costs. 	<ul style="list-style-type: none"> MCFM will be entitled to a business management fee which will be 0.5% of the annual average invested capital of the Fund (determined by reference to the average aggregate historical cost of the Fund's assets). MCFM will be entitled to a property management fee calculated as 50% of an amount equal to the difference between 3% of gross rents of the Fund and any amounts paid by MIF to third party property managers.
Performance fees	<p>MCFM is entitled to a performance fee calculated in accordance with the formula set out in Schedule 1 of MIF's Constitution.</p>	<p>MCFM will not be entitled to a performance fee.</p>
Construction Supervision fee	n/a	<p>MCFM will be entitled to a construction supervision fee calculated as one half of five percent (5%) of the cost of all interior and exterior construction, renovation or repair activities at the properties, other than ordinary maintenance and repair (which shall include the costs of all related professional services and the cost of general conditions) less any amounts paid to third parties for construction management and/or supervision in connection with such construction, renovation or repair activities at the properties.</p>
Expense Reimbursement	<p>MCFM is entitled to be reimbursed out of the assets of the Fund for expenses it incurs in connection with managing the Fund.</p>	<p>MCFM will be entitled to be reimbursed out of the assets of the Fund on terms materially similar to clause 19.5 of MIF's Constitution.</p>

Source: Explanatory memorandum

Note: n/a – not applicable

Based on the above, we note that:

- the new management fee will be set at 0.5% of gross assets (down from 0.65%) without any performance fee incentive. This compares favourably with many of the precedent management fee agreements in the listed REIT market at present, in particular due to the absence of any performance fee;
- MCFM will also be entitled to a property management fee calculated as 50% of an amount equal to the difference between 3% of gross rents of the Fund and any amounts paid by MIF to 3rd party property managers; and
- MCFM will be entitled to a construction supervision fee as defined in Table 28.

The terms of the agreement between AIMS and the fund manager of CWH also include a clause that CWH can give sixty days notice and terminate the management agreement.

MCFM has compared the fees that would be payable in the financial year ending June 2011 (FY2011) under the current management arrangements and the proposed new management arrangements. MCFM believes that in FY2011, it would receive around 27% less fees if the Proposal is approved and implemented, than it would receive if the Proposal is not implemented and the current fee structure remains applicable.

Further, this comparison completed by MCFM excluded any performance fee component under the current structure.

In our view the above does not represent any "leakage in value", through the post transaction agreement, that may otherwise have been directed towards Non-Associated Unitholders.

MCFM informed us that no other transactions are planned between the MIF, CWH and MCFM or any of their related parties.

10.4 Taxation Implications

The following comments are relevant for Australian resident Non-Associated Unitholders who have held their units on capital account, rather than as a share trader holding units for profit. All Non-Associated Unitholders, and in particular those who are not residents for Australian taxation purposes, should obtain their own advice with respect to the tax implications of accepting the Proposal in their particular circumstances.

Assuming the Proposal proceeds, the sale of units by Non-Associated Unitholders would be deemed disposal for Capital Gains Tax ("CGT") purposes. Broadly CGT would apply where the cash received under the Proposal (44 cents per unit) exceeds the unit's cost base. The cost base is reduced by any tax deferred amounts previously received by Unitholders in distributions or any returns of capital.

10.4.1 Advantage of Proposal – Capital Loss Realised

Many Non-Associated Unitholders will incur a capital loss, where the proceeds from disposal are less than the reduced cost base of their MIF units. This capital loss is then available to be offset against current or future capital gains derived by the Unitholder.

This advantage of a capital loss for tax purposes is mitigated by the following:

- Such loss would be realised early in the financial year ending 30 June 2011 and as such, the timing of any benefit would be deferred until after 30 June 2011 (assuming a standard tax year end).
- Should the Non-Associated Unitholder have no capital gains in the year ending 30 June 2011 then the capital loss on sale of MIF units would need to be carried forward to future tax years. It cannot be offset against other income of the Unitholder in that 2011 tax year.

10.4.2 Disadvantage of Proposal – Capital Gain Realised

There may be Non-Associated Unitholders who record a taxable capital gain on disposal of their MIF units. This will occur where the proceeds from disposal exceed the reduced cost base of those units.

In these instances a taxable capital gain will be incurred in the year ending 30 June 2011.

This disadvantage of a taxable capital gain is mitigated by the following:

- As the gain is realised early in the financial year ending 30 June 2011, any tax payable will be deferred until post 30 June 2011 (assuming a standard tax year).
- The taxable capital gain is discounted (after reducing the gain by any available capital losses), when the MIF units were held for more than twelve months. This CGT discount is significant, being 50% for individuals and 33.3% for complying superannuation funds. The availability of this discount is subject to specific circumstances and may apply also to MIF units held by a trust. Non-Associated Unitholders should seek their own advice in respect of the application of the CGT discount to them.

10.4.3 Other Taxation Considerations

As stamp duty on disposal of units is payable by the acquirer of MIF units, Non-Associated Unitholders should not be liable to pay stamp duty on disposal of units should they accept the Proposal.

The disposal of MIF Units will be classified as an input taxed "financial supply" for Australian resident Unitholders. Therefore, no Australian GST should apply to any capital proceeds received for the disposal of MIF units.

10.5 Alternatives

In Sections 10.1 to 10.3 we have considered the threats and opportunities facing Non-Associated Unitholders should they vote against the Proposal, which, in the short term at least, would result in MIF continuing in its current form. We also consider hereunder other alternatives that may be available for Non-Associated Unitholders.

10.5.1 Wind up MIF

An alternative to the Proposal is to wind up MIF in as orderly a fashion as possible and distribute the net proceeds to Unitholders. We have undertaken an assessment of a theoretical range payable per MIF Unit on the basis of certain assumptions regarding such an undertaking. This assessment is essentially on the basis of the net realisable asset method determined on the basis of an orderly realisation of assets (as opposed to a going concern valuation).

We have estimated the fair market value of a MIF Unit in these circumstances by determining the fair market value of the realisable net assets including:

- an allowance for the reasonable costs of carrying out the sale of properties;
- any discounts that might be required in order to liquidate the entire property portfolio within a reasonable time frame;
- any taxation charges; and
- the time value of money, assuming MIF is wound up in an orderly manner.

This is not an indicative valuation on the basis of a forced sale, (i.e. liquidation basis) where the assets might be sold at values materially different from their fair market value. However, we have had regard to the fact that the market would be aware that MIF would be in wind down mode.

In conducting this assessment, MCFM provided to us its projected cash flows from 1 July 2010 up to 31 August 2012 and underlying assumptions in the event of an orderly wind-up of the fund ("**Projected Cash Flows**"). These were prepared based on MCFM's expertise and understanding of the property investments.

We reviewed the Projected Cash Flows and note the following key assumptions:

- there is no "tax leakage" in the sales process;

- the projection was undertaken in August 2010 and the input data were based on 30 June 2010 Preliminary Accounts and estimates made at about that date;
- a wind-up process is expected to take approximately 2 years (up to 31 August 2012) to complete the sale of all properties (the last asset disposal is assumed to be completed by 31 July 2012), and repayment of all debt obligations and distribution of net proceeds to Unitholders;
- the initial quarterly distribution in the Projected Cash Flows is to be in December 2010;
- capital expenditure on Virgin Active has been included in the cash outflows;
- inclusion of the estimated total transaction costs for this scenario, including the costs of placing the Proposal before Unitholders for their consideration (\$1.7 million excluding GST), but excluding the success fees charged by advisors, which would not apply should the Proposal be rejected and wind up commence;
- the realisable values of the properties are estimated on both best and worst case assumptions. The values represent discounts from the property valuations on a going concern basis, ranging from NIL to 25%;
- the weighted average realisation discount applied to current property valuations is 5.3% (best case) and 10.1% (worst case) across all ten properties, under "wind up" market conditions. These weighted average discounts, taken over the portfolio, are significantly lower than the maximum worst case discounts applied on sale of some individual properties under the wind up scenario, being 25%. This is because 25% was only applied to assets with particular issues, such as the Tasmanian properties, and those properties are among the lower value properties within the portfolio;
- net property income continues to be received up until the relevant date that each property is forecast to be sold;
- the assumed timeline of sales of properties is based on expected buyer demand in the respective locations, also taking into account specific attributes of each property;
- debt financing assumptions are as follows:
 - interest rate hedging is assumed to continue up to the respective maturity dates of the swaps. However, as the longest dated swap matures on 28 February 2014, allowance was made for the cost of early termination as at 31 August 2012;
 - debt owing to NAB is assumed to be extended beyond the scheduled repayment date of 31 December 2010 but all debt repayments are assumed to be completed by 31 August 2011;
 - the base interest rate for the NAB loan at the beginning of the winding-up period, being the underlying forecast BBSY rate plus a margin, was assumed at 4.75% p.a. plus a line fee of 0.4% p.a. (based on the facility in place at 30 June 2010) up to August 2010. From September 2010, the rates increase progressively over the period analysed up to 6.55% p.a. base rate, plus 2.0% p.a. line fees. The margin and line fee increases are consistent with preliminary indications from NAB in discussions regarding refinancing the facility;
 - MIF entered into a series of interest rate swaps to mitigate the interest rate risk by hedging the variable rates. The impact of the resulting expense and/or benefit arising from the interest rate swaps over the NAB interest rates is considered over the period analysed;
 - the unwinding of the interest rates swaps is expected to crystallise a loss on the position at termination (based on the cashflow provided) of approximately \$225,000; and
 - no additional refinancing fees were assumed;

- it is possible that MCFM will qualify for a performance fee in a future period and as such a performance fee is assumed to be payable in April 2012. However, due to the uncertainty around the extent of any performance fee that may become payable, we have included two scenarios. The high value estimate on wind-up of MIF assumes that no manager's performance fee will be payable. The low value estimate on wind-up of MIF assumes that a performance fee having a net present value amount of \$1.56 million (having considered the discount for time value of money) will be payable in 2012.

In assessing the appropriate realisable value under wind up, we have considered the above and also included the following:

- the NTA of MIF as at 30 June 2010 as disclosed in the Preliminary Accounts;
- the initial quarterly distribution in the Projected Cash Flows has been adjusted to September 2010 instead of December 2010;
- establishment fees in relation to debt financing for the extension of 4 months up to 31 December 2010 and another from 1 January 2011 based on the margins established during the preliminary discussions between MCFM and the financier;
- having regard to the fact that the property values on realisation have been discounted for the purposes of the wind-up exercise, the discount rate considered appropriate to present value the Projected Cash Flows over the projected period is 12% p.a.; and
- having considered clause 11 of the Scheme Implementation Agreement dated 3 May 2010, a break fee of \$800,000 would not be payable if the Unitholders vote down the Proposal, even if MCFM recommends the Proposal. As such, in assessing the value of MIF on the basis of an orderly realisation of assets, we have assumed that the Non-Associated Unitholders reject the Proposal and proceed to a winding up without paying the break fee.

Based on the above, our assessment of the value of MIF under the net realisable value method determined on the basis of an orderly winding up, as compared to the Offer is summarised below:

Table 29: Value of a Unit on an orderly realisation basis

	Low (\$)	High (\$)
Offer (\$)	0.44	0.44
NRV under wind-up per Unit (\$) ¹	0.43	0.49
Offer Price as Premium/ (discount) to wind-up value (\$)	0.01 ²	(0.05)

Source: PKFCA analysis

Note 1: All amounts discounted to present value using a discount rate of 12% p.a. (being the adjusted discount rate for MIF taking into account that property values on realisation have been discounted for the purposes of the wind-up exercise).

Note 2: Inclusion of the estimated performance fee payable in 2012 in the low range contributes 2 cents of the 6 cents per Unit differential above.

As per Section 1.2 of this Report, Resolution 3 is outside the scope of our engagement. However, we note that this Resolution 3 proposes to wind up the Fund by December 2011. Our view is that an orderly wind-up of MIF would take approximately 2 years, up to 31 August 2012. Enforcing a wind-up over a lesser period of approximately 15 months to December 2011 may place further downward pressure on the end value achieved for the Non-Associated Unitholders.

Conclusions Regarding Wind-up

From the above analysis, the pricing of the Proposal is below the average of the theoretical range of values that Unitholders may receive under a wind-up scenario.

However, the following should be taken into account in considering this assessment:

- the wind-up scenario is a theoretical assessment only and should be considered together with the other factors considered in the assessment of the reasonableness of the Proposal. There is no guarantee that the properties will be sold at the estimated selling prices in today's property market or that the above estimates could be achieved. Actual wind-up proceeds may be higher or lower than stated above;
- certain Unitholders will place a greater priority on receiving a cash return for their MIF investment in the short term. Under a wind-up scenario, bank debt would need to be fully paid off and all creditors' balances settled before Non-Associated Unitholders are paid any portion of their remaining capital entitlement. This could be well into the period required to sell properties and wind up MIF;
- it is unlikely that the MIF portfolio could be sold as a single package, due to the varying nature of properties and specific issues that some of the properties are currently facing. A portfolio sale is more common for a selection of premium quality and location properties in the industrial sector. It is possible that MCFM would be able to sell the majority of the 10 properties but then experience difficulty in selling the balance;
- should MIF's financier decide not to extend the bank loan over a period to allow orderly wind-up or impose onerous terms in its extension, the Projected Cash Flows may be materially adversely effected. Any circumstance that requires a "forced sale" of any of the properties would significantly reduce the re-sale value of those properties. While we are not aware of any circumstance that may indicate MIF's financier terminating its funding arrangements, this remains a commercial risk in the current lending environment that needs to be considered; and
- in the event that a wind-up scenario is commenced it is possible that MCFM will experience further loss in key staff over and above the loss in team members that has already occurred. Should there be further loss of key staff the wind up process may be delayed.

Taking all of the above into account it is our view that both the commercial risk and execution risk under the wind-up scenario counteract the premium in the above table. Even after taking into account the time value of money, the wind up scenario may achieve a premium (on average) in cash received by Non-Associated Unitholders (compared to the Proposal). However, this premium is not sufficient enough in our opinion to justify taking the risks identified under a wind-up, when considering the interests of Non-Associated Unitholders as a whole. These risks may also result in a lower return to Non-Associated Unitholders than the cash offer under the Proposal.

It may be that individual Unitholders are prepared to accept the delays in payment and other risks associated with a wind-up. Individual Unitholders may prefer to reject the Proposal and instigate a wind-up of MIF, however we are required to take all Non-Associated Unitholders' interests into account in this Report.

10.5.2 Potential for other offers

In considering the possibility that another offer will emerge from a new bidder the extent of material "blocking" unitholders on the register of MIF is relevant.

As at 16 August 2010, related parties to MacarthurCook Limited own a combined unitholding of 24.31%. While the various entities making up this joint holding will make their investment decisions separately, such a combined unitholding may represent a significant hurdle for a new bidding party, should MacarthurCook Limited and its related parties decide to vote their units against any new offer from another party. (Though, it would be open to those related parties to vote for any new proposal as well.)

Another material unitholding on MIF's register is that of the Real Estate Capital Partners Group ("RECAP") and its related parties, which together own 19.90% of MIF units as at 1 July 2010. Such a holding can be a base from which a potential bidder could launch a takeover offer, given RECAP already owns close to the maximum percentage unitholding allowed under the Corporations Act, without launching a takeover.

However, we do not believe that RECAP intends to make a rival bid for MIF, given an ASX market announcement on 7 May 2010 from MCFM. The release disclosed to the market that RECAP and its related parties had informed MCFM in writing that RECAP is supportive of the Proposal. The ASX release also confirmed that RECAP and its related parties currently intend to vote in favour of the Proposal, based on currently publically available information and pending its review of the Explanatory Memorandum detailing the Proposal.

Regardless of RECAP's intentions, it is still open to another external party to lodge a counter offer for MIF. Indeed, CWH also has the option of increasing its bid. PKFCA is not aware of any such rival offer from another party, at the date of this Report. Nor are we aware of any plan from CWH to amend its offer.

However, in assessing the possibility of another external party making a superior offer to the Proposal, the following circumstances are also relevant:

- since the date of the market announcement of the Proposal (being Monday 3rd May 2010) trading prices of MIF units have increased to levels approaching the offer price of 44 cents per unit. However, at no time since the announcement have MIF units traded at the offer price of 44 cents or over. From Monday 3 May 2010 to Tuesday 16 August 2010, the price has ranged from 37 to 42 cents, being 7 cents to 2 cents per unit below the cash Proposal. On a few occasions, (3rd May, 10th May, 21st May and 12th July 2010) there was comparatively heavy volume traded, being over 230,000 units on each day. On 27 July 2010, the price rose up to its highest price post-announcement of 42 cents per unit. However, trading volume was only 60,113 units on that day. Finally, the closing price of MIF units at 16 August 2010 was 40.5 cents.

It is often the case in takeover activity that securities in the target entity trade at levels higher than the offer made, should the market believe that there is a reasonable chance of a higher offer being made. While this is only one indication of market sentiment towards the offer, nothing in the post announcement MIF units trading suggests that the market expects that a higher offer may be made;

- RECAP made its intentions clear in the ASX market announcement from MCFM on 7 May 2010, that it intends to accept the current cash offer under the Proposal (in the absence of a superior offer). Given this disclosure, one avenue that an interested external party could take is to offer to buy all RECAP units for or about 44 cents. In doing this, the theoretical interested party would have acquired a 19.90% holding in MIF and thus be in a considerably stronger position from which to launch a full takeover offer for MIF. At the date of this Report PKFCA is not aware of any such offer having been made to RECAP to acquire its unitholding in MIF.

Neither of the above considerations forms conclusive evidence that a superior offer will not be forthcoming from another party. However, Non-Associated Unitholders should consider these circumstances when assessing the chances of another offer.

Given the above, we emphasise that our overall opinion in this Report assumes that no superior offer/s arise prior to the date that Non-Associated Unitholders' vote on the Proposal. Should another offer be tabled prior to this date, then PKFCA's conclusions within this Report may alter.

10.5.3 Further Selected Asset Sales

Another option for MIF in reducing its gearing further and minimising the impact of debt finance costs is to sell further properties. Already to date significant assets within MIF's portfolio have been sold. The assets that have been sold were among the more marketable and attractive properties in the portfolio. MCFM may have greater difficulty in selling further assets, especially in the short term.

Further, MIF is already among the smallest listed REITs in Australia. By selling more properties, MIF's size is further reduced. Such sales may have an adverse impact on the liquidity of MIF Units and potentially unfavourable ASX price re-rating for MIF's Units, as it becomes less relevant to investors in listed REITs. We therefore do not believe that the sale of further assets and remaining as a listed entity on the ASX as an alternative to the Proposal would be in the Non-Associated Unitholders' best interests.

10.5.4 Potential Capital Raising

A capital raising also represents an option for MIF to reduce its gearing further, as an alternative to the Proposal. Since the GFC and particularly in calendar year 2009, there were significant capital raisings in the listed REIT market, totalling in excess of \$10 billion of equity raised. However, these capital raisings were mostly within the larger REITs, in particular the eight (8) largest REITS as listed in Section 5.2. Mid sized and especially smaller REITs have been largely unable to raise equity, or have done so but on unfavourable terms to existing unitholders.

Most equity raisings in the REIT market have been at a significant discount to the then current ASX trading price of the relevant REITs, with some discounting their capital raising pricing by as much as 50% on recent trading prices of their units. We believe that any capital raising undertaken by MIF is likely to include such heavy discounting, especially due to the small size of the Fund. The fact that MIF Units are already trading at a large discount to NTA would mean that such a capital raising would be very dilutive for the current Unitholders, particularly if the Unitholders did not participate in the capital raising.

Dilution of a Non-Associated Unitholder's position would have a flow-on effect of reducing the distribution per Unit payable to those Unitholders.

Given all of the above, we do not believe that a capital raising in MIF is a commercially viable option for Non-Associated Unitholders.

11 OVERALL OPINION

Having assessed both "fairness" and "reasonableness" considerations in Sections 8 to 10, in our opinion, the Proposal is not fair but on balance, is reasonable for Non-Associated Unitholders, in the absence of a superior offer emerging.

Further, we believe that there are sufficient reasons for Non-Associated Unitholders to vote in favour of the Proposal despite the disadvantages identified. Accordingly in our opinion, on balance the Proposal is in the best interests of Non-Associated Unitholders, in the absence of a superior offer emerging.

12 QUALIFICATIONS, DECLARATIONS AND CONSENTS

12.1 Qualifications

PKFCA is the licensed corporate advisory arm of PKF East Coast Practice, Chartered Accountants and Business Advisers. PKFCA provides advice in relation to all aspects of valuations and has extensive experience in the valuation of corporate entities and provision of expert's reports.

Mr Ed Psaltis BCom, CA is a Director of PKFCA. Mr Psaltis is also a Partner of PKF East Coast. Mr Psaltis has been actively involved in the preparation and review of this Report. Mr Psaltis has over 25 years experience in a number of specialist corporate advisory activities including company and trust valuations, listed and unlisted capital raisings, due diligence investigations, completion of independent expert reports, preparation of information memoranda and other corporate investigations. For the past eighteen years Mr Psaltis has specialised in transaction advisory services specifically within the listed REIT market. Accordingly, Mr Psaltis is considered to have the appropriate experience and professional qualifications to provide the advice offered.

12.2 Independence

PKFCA is not aware of any matter or circumstance that would preclude it from preparing this Report on the grounds of independence either under regulatory or professional requirements. In particular, we have had regard to the provisions of applicable pronouncements and other guidance statements relating to professional independence issued by Australian professional accounting bodies and ASIC.

PKFCA considers itself to be independent in terms of RG 112 Independence of experts, issued by ASIC. Neither PKFCA, nor its owner practice, PKF East Coast Partnership, has acted in any capacity for MIF, MCFM or CWH with regard to any matter in the past.

PKFCA was not involved in advising on, negotiating, setting, or otherwise acting in any capacity for MIF, MCFM or CWH in relation to the Proposal. Further, PKFCA has not held and, at the date of this Report, does not hold any shareholding in, or other relationship with, MIF, MCFM or CWH that could be regarded as capable of affecting its ability to provide an unbiased opinion in relation to the Proposal

PKFCA will receive a fee of \$120,000, plus Goods and Services Tax for the preparation of this Report. PKFCA will not receive any fee contingent upon the outcome of the Proposal, and accordingly, does not have any pecuniary or other interests that could reasonably be regarded as being capable of affecting its ability to give an unbiased opinion in relation to the Proposal.

Four drafts of this Report were provided to the independent Directors and their advisors for review of factual accuracy. Certain changes were made to the Report as a result of the circulation of the draft Reports. However, no changes were made to the methodology, conclusions, or recommendations made to the Non-Associated Unitholders as a result of issuing the draft Reports.

12.3 Disclaimer

This report has been prepared at the request of the Directors and was not prepared for any purpose other than that stated in this report. This report has been prepared for the sole benefit of the Directors and Non-Associated Unitholders. Accordingly, this report and the information contained herein may not be relied upon by anyone other than the Directors and Non-Associated Unitholders without the written consent of PKFCA. PKFCA accepts no responsibility to any person other than the Directors and Non-Associated Unitholders in relation to this Report.

The statements and opinions contained in this report are given in good faith and are based upon PKFCA's consideration and assessment of information provided by the Directors, executives and management of all the entities.

APPENDIX 1 GLOSSARY

Table 30: Glossary

Term	Definition
ACL	Automotive Components Limited
Act	Corporations Act 2001
AIMS	AIMS Securities Holdings Pty Ltd
ASIC	the Australian Securities and Investments Commission
BBSY	Bank Bill Swap Rate
DCF	discounted cash flow
Directors	Independent, Non-Executive Directors of MacarthurCook Fund Management Limited
Document	the explanatory memorandum issued by MIF accompanying the notice in relation to the Proposal
FME	the future maintainable earnings
FOS	Financial Ombudsman Service Limited
FSG	Financial Services Guide
FY	financial year
GDP	Gross Domestic Product
GFC	Global Financial Crisis
GN15	Takeovers Panel Guidance Note 15
GPL	Growthpoint Properties Limited
CWH	CommonWealth REIT (previously known as HRPT Properties Trust)
Implementation Date	the proposed implementation date, 11 August 2010 of Proposal as per the SIA
LLP	Lend Lease Primelife Group
Licence	PKFCA holds an Australian Financial Services Licence (License No: 247420)
MCFM	MacarthurCook Fund Management Limited
MIF	MacarthurCook Industrial Property Fund
NAB	National Australia Bank
Non-associated Unitholders	unitholders of MIF not associated to MCFM or CWH
NTA	Net tangible assets
PKFCA	PKF Corporate Advisory (East Coast) Pty Limited
Preliminary Accounts	the latest available MIF management accounts for the 12 months period ended 30 June 2010
Projected Cash flows	projected cash flows from 1 April 2010 up to 30 April 2012 and underlying assumptions in the event of an orderly wind-up of Fund that were prepared based on MCFM's expertise and understanding of the property investments
Proposal	Proposed acquisition of all the units in MIF by CWH, via a cash offer
RBA	Reserve Bank of Australia
Recap	Real Estate Capital Partners
REIT	Australian Real Estate Investment Trust
Report or IER	PKFCA's independent expert's report in relation to the Proposal
RG 111	ASIC Regulatory Guide 111: Content of Expert's Reports
SIA	Scheme Implementation Agreement dated 3 May 2010
WALE	weighted average lease expiry
Virgin Active	Virgin Active Australia Pty Ltd
VWAP	volume weighted average unit price

Source: PKFCA

APPENDIX 2 COMPARABLE REIT INFORMATION

Table 31: Comparable REIT Information

Name	Description
Bunnings Warehouse Property Trust	Bunnings Warehouse Property Trust has a portfolio of Bunnings Warehouse properties located throughout Australia. Bunnings Warehouse is a national hardware warehouse.
Goodman Group	Goodman Group operating as a stapled security, is an integrated industrial property group. The Group has operations in Australia, New Zealand, UK, Asia and Europe. Goodman's activities include property investment, funds management, property development and property services. The Group's property portfolio includes business parks, industrial estates, office parks and warehouse/distribution centres.
ING Industrial Fund	ING Industrial Fund is a property trust which invests, leases and manages industrial distribution centres, office and warehouses in and around Melbourne, Sydney, Brisbane and Adelaide.
MacarthurCook Industrial Property Fund	As detailed within this Report.
Mirvac Industrial Trust	Mircac Industrial Trust is a diversified real estate group which owns and manages investment grade properties situated in the region surrounding Chicago, in the United States. The Group's portfolio includes commercial offices, retail centres, industrial properties, hotels and car parks.

Source: Bloomberg

APPENDIX 3 SOURCES OF INFORMATION

In preparing this Report, PKFCA has access to and relied upon the following principal sources of information:

Public Information

- Draft Explanatory Memorandum
- Scheme Implementation Agreement
- Press releases and public announcements in relation to the Proposal
- Annual reports, half yearly reports, and ASX market releases for MIF
- Property sector information from the Australian Bureau of Statistics
- Stock market and financial data for selected listed REITs engaged in similar activities and property sector to MIF, as well as for MIF itself, sourced primarily from Bloomberg
- Publicly available economic and industry information provided by major research bodies and industry participants in relation to the listed REIT market in Australia
- Explanatory memoranda for recent M&A transactions in the listed REIT sector in Australia
- PKF REIT Monitor Annual (June 2009) edition
- PKF REIT Monitor December 09 Update
- IBIS World Industry Report – Industrial and other property operators and developers in Australia
- Other independent expert's reports in relation to listed REIT transactions both pre and post GFC
- ASIC Guidance notes and Regulatory Guides as applicable

Non-Public Information

- Independent property valuations of the 10 remaining properties in the MIF portfolio, completed as at 30 June 2010
- Independent property valuations of the 10 remaining properties in the MIF portfolio, completed at 30 June 2009 or 31 December 2009
- Assumptions underlying a theoretical wind-up scenario, provided by the management of MCFM
- Discussions with the Directors and management of MCFM and its advisers
- Other internal correspondence between MCFM and various stakeholders involved in or influenced by the Proposal, including MIF's current financier
- Preliminary Accounts comprising the Preliminary Final Report of MIF for the twelve months ended 30 June 2010
- Details of MIF unitholders register as at 16 August 2010
- Current facility agreement with MIF's financier

This page has been left blank intentionally



Tax
147 Collins Street
Melbourne Vic 3000

GPO Box 2291U
Melbourne Vic 3001
Australia

ABN: 51 194 660 183
Telephone: +61 3 9288 5555
Facsimile: +61 3 9288 6666
DX: 30824 Melbourne
www.kpmg.com.au

The Directors
MacarthurCook Fund Management Limited as the
Responsible Entity for MacarthurCook Industrial
Property Fund
Level 4, 30 Collins Street
Melbourne VIC 3000 Australia

Our ref 9116025__1.DOC

23 August 2010

Dear Directors

Taxation Report

Pursuant to the Australian Securities Exchange (“ASX”) announcements dated 3 May 2010 and 18 June 2010, an offer has been made by Commonwealth REIT to acquire all the units in the MacarthurCook Industrial Property Fund (“MIF” or “the Fund”) from existing Unitholders.

You have requested our comments in respect of the general Australian taxation implications for Unitholders of MIF in respect of the Commonwealth REIT proposal and Wind-Up proposal. We understand that this letter will be included in the Explanatory Memorandum to be provided to Unitholders.

These comments are general in nature and are based on the law in force in Australia at the time of issue of this letter. This opinion is general in nature because the tax implications for each Unitholder may vary depending on their particular circumstances. The precise taxation implications will depend upon each Unitholder’s specific circumstances. Accordingly, all persons should seek their own independent taxation advice before reaching conclusions as to the possible taxation consequences of the Scheme. This taxation opinion is not, and is not intended to be, taxation advice to any of the Unitholders.

1 Basis upon which our comments have been provided

Our comments are based on the Income Tax Assessment Act 1936 (“ITAA 1936”) and the Income Tax Assessment Act 1997 (“ITAA 1997”) and current taxation law and practice as applicable at the date of this letter. You will appreciate that the tax law is frequently being changed, both prospectively and retrospectively. A number of key tax reform measures have been implemented, a number of other key reforms have been deferred and the status of some key reforms remains unclear at this stage.

We are, of course, unable to give any guarantee that our interpretation will ultimately be sustained in the event of challenge by the Australian Commissioner of Taxation.



KPMG's Tax practice is not licensed to provide financial product advice under the Corporations Act and taxation is only one of the matters that must be considered when making a decision on a the proposed scheme.

Our comments below are not intended or written by KPMG in Australia to market or otherwise encourage the proposed scheme and represents our response to MacarthurCook Fund Management Limited's request for general comments for Unitholders in respect of the proposed Scheme.

2 Tax implications for Unitholders under the Commonwealth REIT proposal

2.1 Unitholders who are Australian residents

Disposal of units on capital account

As a result of the Scheme, Australian Unitholders holding units in MIF on capital account will trigger a capital gains tax ("CGT") event, being the disposal of a CGT asset. Unitholders should make either:

- a capital gain if the capital proceeds from disposal exceed the cost base of their MIF units, or
- a capital loss if the capital proceeds from disposal are less than the "reduced" cost base of their MIF units.

Broadly, the cost base and reduced cost base of a MIF unit will be the sum of the cost of acquiring the asset (i.e. the price on acquisition) plus any incidental costs incurred in acquiring the units. In addition, the cost base of MIF units will be reduced by previous distributions of tax deferred amounts and returns of capital.

Where a capital gain is realised by individual, trust or superannuation fund Unitholders, the capital gain may be discounted (after reducing the gain by any available capital losses) where the units have been held for a continuous period of more than 12 months. The capital gain discount is currently 50% for individuals and trusts and 33 1/3% for complying superannuation funds. As availability of the CGT discount is subject to the specific circumstances of each Unitholder, we recommend MIF Unitholders seek their own advice in respect of the application of the CGT discount to any capital gain realised.

Where a capital loss is realised by the Unitholders, this capital loss can offset other current year capital gains made by the Unitholders or carried forward to offset future year capital gains depending on the Unitholders circumstances.

Disposal of units on revenue account

Generally, Australian Unitholders holding units in MIF on revenue account (either for example by way of holding the units as trading stock or for the purposes of reselling) should include any consideration received from the sale of MIF units as ordinary, assessable income.

Unitholders holding MIF units on revenue account should consider their own specific circumstances, as this may alter the assessability of consideration received and the deductibility



of any expenses incurred. As such, we recommend MIF Unitholders seek their own advice in this respect.

2.2 **Unitholders who are non-Australian residents**

Disposal of units on capital account

Broadly, non-residents who hold interests in a fixed trust will only have a taxable Australian capital gain if the underlying value of the units is principally derived from Australian real property (i.e. “land rich” investments), *and* the non-resident holds a greater than a 10% interest in the trust directly, or indirectly.

Accordingly, as the assets of MIF (land) are principally located in Australia, it is necessary for each Unitholder to consider their percentage holding in MIF. In considering the percentage holding in MIF, non-resident Unitholders are required to take into account both direct holdings and indirect holdings.

Where a non-resident Unitholder holds less than a 10% interest in MIF, they should not be subject to CGT, provided they have not held a greater than 10% interest in MIF for 12 months or longer during the previous two years.

Non-resident Unitholders with a greater than 10% interest in MIF (or who held a greater than 10% interest in MIF for 12 months or longer during the previous two years) are likely to trigger a CGT event similar to Australian resident Unitholders and these Unitholders should make either:

- a capital gain if the capital proceeds from disposal exceed the cost base of their MIF units, or
- a capital loss if the capital proceeds from disposal are less than the “reduced” cost base of their MIF units.

Where a capital gain is realised by individual, trust or superannuation fund Unitholders, the capital gain may be discounted (after reducing the gain by any available capital losses) where the units have been held for a continuous period of more than 12 months (as explained above).

Disposal of units on revenue account

Non-residents holding MIF units as trading stock or otherwise on revenue account, should seek professional tax advice, as the tax implications arising from the disposal of units will vary depending upon the specific factual circumstances of each Unitholder. Factors to consider in determining the treatment of any gain or loss arising for these Unitholders may include whether a Double Taxation Agreement exists and the source of any gain.

3 **Tax implications for Unitholders under the Wind-Up Proposal**

We understand the Wind-Up Proposal if implemented would involve (i) an orderly sale of the assets of MIF (ii) the repayment of the liabilities of MIF and (iii) the subsequent redemption or cancellation of each investor’s units in MIF in return for consideration equal to the remaining net proceeds of the asset sales.



3.1 **Unitholders who are Australian residents**

Units on capital account

Under the Wind-Up Proposal, the consideration paid to a unitholder in respect of the redemption or cancellation of their units, generally, will not be assessable income of the investor but will be taken into account in determining whether the unitholder has made a capital gain or a capital loss.

Unitholders will make either:

- a capital loss if the consideration for the redemption or cancellation of their units is less than the “reduced” cost base of their MIF units; or
- a capital gain if the consideration for the redemption or cancellation of their units exceeds the cost base of their MIF units.

Where a capital gain is realised by individual, trust or superannuation fund Unitholders, the capital gain may be discounted (after reducing the gain by any available capital losses) where the units have been held for a continuous period of more than 12 months (as explained above under the Commonwealth REIT proposal).

Units on revenue account

Generally, Australian Unitholders holding units in MIF on revenue account (either for example by way of holding the units as trading stock or for the purposes of reselling) should include the consideration for the redemption or cancellation of their units in their assessable income.

Unitholders holding MIF units on revenue account should consider their own specific circumstances, as this may alter the assessability of consideration received and the deductibility of any expenses incurred. As such, we recommend MIF Unitholders seek their own advice in this respect.

3.2 **Unitholders who are non-Australian residents**

Disposal of units on capital account

Consistent with previous comments above on the Commonwealth REIT proposal, where a non-resident Unitholder holds a less than a 10% interest in MIF, they will not be subject to CGT in respect of the consideration received for the redemption or cancellation of their units (provided they have not held a greater than 10% interest in MIF for 12 months or longer during the previous two years).

Non-resident Unitholders with a greater than 10% interest in MIF at the time of disposal (or who held a greater than 10% interest in MIF for 12 months or longer during the previous two years) will be subject to Australian CGT. Unitholders will make either :

- a capital loss if the consideration for the redemption or cancellation of their units is less than the “reduced” cost base of their MIF units; or



- a capital gain if the consideration for the redemption or cancellation of their units is exceeds the cost base of their MIF units.

Where a capital gain is realised by individual, trust or superannuation fund Unitholders, the capital gain may be discounted (after reducing the gain by any available capital losses) where the units have been held for a continuous period of more than 12 months (as explained above under the Commonwealth REIT proposal).

Disposal of units on revenue account

Non-residents holding MIF units as trading stock or otherwise on revenue account, should seek professional tax advice, as the tax implications arising from the disposal of units will vary depending upon the specific factual circumstances of each Unitholder.

4 Stamp Duty

Unitholders should not be liable to pay stamp duty under the Commonwealth REIT proposal or Wind-Up of the Fund.

5 Goods and Services Tax (“GST”)

The disposal of MIF units pursuant to the sale to Commonwealth REIT or the Wind-Up proposal, will be classified as either a GST free (non-resident Unitholders) or input taxed (Australian Unitholders) “financial supply” for Australian GST purposes. Accordingly, Australian GST will not apply to any capital proceeds or returns of capital received.

All persons should seek their own tax advice with regard to their entitlement to recover GST (if any) on any costs incurred by them in relation to these transactions.

* * * * *

6 General tax reform

Our tax advice is based on current taxation law as at the date our advice is provided. You will appreciate that the tax law is frequently being changed, both prospectively and retrospectively. A number of key tax reform measures have been implemented, a number of other key reforms have been deferred and the status of some key reforms remains unclear at this stage.

Unless special arrangements are made, this advice will not be updated to take account of subsequent changes to the tax legislation, case law, rulings and determinations issued by the Australian Commissioner of Taxation or other practices of taxation authorities. It is your responsibility to take further advice, if you are to rely on our advice at a later date.

We are, of course, unable to give any guarantee that our interpretation will ultimately be sustained in the event of challenge by the Australian Commissioner of Taxation.

7 Third Party

These comments are made specifically in response to MacarthurCook Fund Management Limited’s request for advice on behalf of the MacarthurCook Industrial Property Fund. Accordingly, neither the firm nor any member or employee of the firm undertakes responsibility



in any way whatsoever to any person or company other than MacarthurCook Fund Management Limited for any errors or omissions in the advice given, however caused.

8

FSRA warning

KPMG's Tax practice is not licensed to provide financial product advice under the Corporations Act and taxation is only one of the matters that must be considered when making a decision on a financial product. You should consider taking advice from an Australian Financial Services Licence holder before making any decision on a financial product.

* * * * *

Yours faithfully

Stephen Carpenter
Partner

This page has been left blank intentionally

This page has been left blank intentionally

