Charter Hall

Charter Hall Long WALE REIT

Notice of Meeting and Explanatory Memorandum

Securityholders to consider and vote on proposed disposal of a 50% interest in 12-26 Franklin Street, Adelaide (ATO Adelaide) and the simplification of the Charter Hall Long WALE REIT stapled structure.

Securityholders can vote by using the Proxy Form and reply paid envelope or by attending a Meeting on Monday, 6 August 2018 at 10:00 am in Sydney.

For a meeting to be held on Monday, 6 August 2018 at 10.00am Australian Eastern Standard Time (AEST) at Level 20, No.1 Martin Place, Sydney, NSW 2000

*Charter Hall WALE Limited (ACN 610772202)

This is an important document. Please read the information in this document carefully. All Securityholders should consider voting on the Resolutions. If you are in any doubt about the Resolutions or the action to be taken, you should consider seeking your own professional advice without delay.

Why did I receive this document?

- You are a Securityholder in Charter Hall Long WALE REIT.
- The following proposed transactions are subject to Securityholder approval:
  - Disposal of a 50% interest in ATO Adelaide for $135m to a related party of Charter Hall Group, representing a price equivalent to the independent valuation at 30 June 2018 and a 2.5% premium to the valuation at the time of IPO; and
  - Simplification of the number of stapled trusts in the REIT from three to two.

This document provides information to consider, including the recommendations of the Board and reasons to vote for or against the Resolutions.

A Proxy Form accompanies this document. You may use the Proxy Form to vote on the Resolutions. Your vote is important and we encourage you to vote.

What do I need to do?

1

Read this Notice of Meeting and Explanation Memorandum in full.

2

Consider consulting your financial adviser, stockbroker or other professional advisers before deciding how to vote. If you have any questions about your holding or the Resolutions, contact us on +61 1300 303 063 (local call cost).

3

Vote by proxy or at the Meeting. Refer to pages 7 to 9 for details of the Meeting and on how to vote.

What is being proposed?

Resolution #1 – Disposal of 50% interest in ATO Adelaide

- The disposal of a 50% interest in ATO Adelaide at a price equivalent to the independent valuation at 30 June 2018 and a 2.5% premium to the valuation at the time of IPO.
- Reducing the REIT's asset exposure to ATO Adelaide from 18% to 10%

  Re-balancing the REIT's geographic exposure, improving the proportion of the REIT's portfolio located along the Eastern Seaboard from 55% to 60%

  Transaction supported by Independent Expert's Report.

Resolution #2 – Simplification

- The Simplification of the REIT from a three-component stapled security to a two-component stapled security.
- The revised structure will have reduced financial reporting obligations. Currently the REIT presents its financial statements in the form of an audited financial report for the REIT on a consolidated basis together with two separate sets of audited financial reports for each of the two Stapled Trusts other than DIF. Following the Simplification Transaction, the REIT will only need to prepare one consolidated audited financial report for the REIT.
- On the basis that a positive Class Ruling and a positive Private Ruling are obtained from the Australian Taxation Office, there should be no adverse tax consequences to Securityholders who hold their Stapled Securities on capital account as a result of the Simplification Transaction. The required waivers and relief have been requested from the Australian Taxation Office and upon receipt, the Class Ruling with respect to CGT roll over relief will be available on the REIT's website.

If Resolution #1 is not passed, the REIT will retain 100% interest in ATO Adelaide.

If Resolution #2 is not passed, the REIT will continue to operate as a three-component stapled security.

How do I vote?

Lodge your Proxy Form online

- Go to www.linkmarketservices.com.au, enter your holding details, which can be found on the Proxy Form.

Fax your Proxy Form

- Complete the Proxy Form, then fax to the Fund Registry at +61 2 9287 0309.

Mail your Proxy Form

- Complete and return the Proxy Form in the reply paid envelope provided.
- The Proxy Form must be received by the Fund Registry no later than 10:00 am on Saturday, 4 August 2018.

Attend the Meeting and vote in person

- You can vote in person at the Meeting at Level 20, No.1 Martin Place, Sydney at 10:00 am on Monday, 6 August 2018.
- For more details on how to vote refer to the Notice of Meeting.

Directors' recommendation

- The Board of CHWALE (other than Mr Gupta, Mr Harrison and Mr Taylor, who each does not make a recommendation) **recommends you vote in favour of the Proposed Sale Resolution**.
- The Board of CHWALE **recommends you vote in favour of the Simplification Resolution.**
- CHWALE is 100% owned by Charter Hall Group but has its own Board, comprised of a majority of independent non-executive directors and an Independent Chairman. CHWALE's role is to look after the best interests of Securityholders.
- You can read about reasons to vote for or against the Resolutions in sections 3 and 4 of Part A of the Explanatory Memorandum (for Resolution 1) and section 5 of Part B of this Explanatory Memorandum (for Resolution 2).

CONTENTS

SEPARATE ATTACHMENT

This is an important document. Please read it carefully. If you are unable to attend the Meeting, please complete the proxy form and return it in accordance with the instructions in this Notice and in the proxy form.

Level 20, No.1 Martin Place
Sydney NSW 2000
GPO Box 2704
Sydney NSW 2001

Tel +61 2 8651 9000
Fax +61 2 9221 4655
www.charterhall.com.au

Charter Hall WALE Limited
(ACN 610772202)

9 July 2018

Dear Securityholder

Charter Hall Long WALE REIT — Meeting of Securityholders

On 22 September 2017, Charter Hall WALE Limited (**Responsible Entity**) as responsible entity of Charter Hall Long WALE REIT (**REIT**) implemented an internal trust simplification under which the REIT was simplified from a group comprising seven stapled trusts to three stapled trusts (**2017 Simplification**).

As a consequence of recent stamp duty legislation changes, the REIT is now proposing to undertake a further simplification under which the REIT will be simplified from a group comprising three stapled trusts to two stapled trusts (**Proposed Simplification**).

The Responsible Entity is also proposing to sell a 50% interest in the property located at 12-26 Franklin Street Adelaide (**ATO Adelaide**) to a related party, Charter Hall Nominees Pty Limited as trustee for the DOF Franklin Street Trust (**DOF FST**), which is a wholly owned sub-trust of Charter Hall Direct Office Fund (**Proposed Sale**).

The directors of Charter Hall WALE Limited (the responsible entity of Charter Hall Long WALE REIT) invite all Securityholders to a general meeting of Securityholders of the REIT, to consider the further simplification of the structure of the REIT and the sale of a 50% interest in ATO Adelaide to DOF FST as set out in this Notice of Meeting and Explanatory Memorandum.

The Meeting will be held on Monday, 6 August 2018 at 10.00am (Australian Eastern Standard Time), Level 20, No.1 Martin Place, Sydney NSW 2000

Please find enclosed the Notice of Meeting, Explanatory Memorandum, proxy form and business reply envelope.

If you are attending the Meeting, please bring the proxy form with you, as the barcode will assist in the registration process. If you are unable to attend, please complete and return your proxy form by no later than 10.00am (Australian Eastern Standard Time) on **Saturday, 4 August 2018** in accordance with the instructions on the attached proxy form.

Securityholders have the opportunity to submit questions and/or to address questions to me (as Chairman) prior to the Meeting. Please log on to www.linkmarketservices.com.au, select Voting then click "Ask a Question".

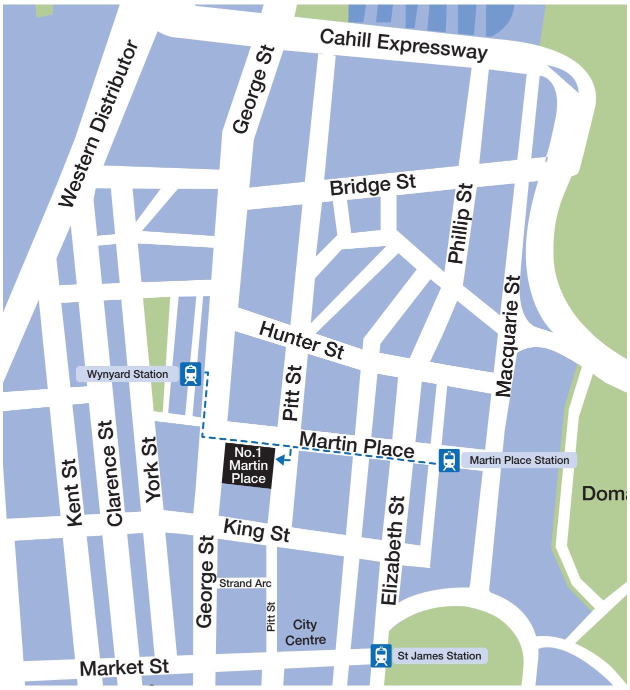
If you require further information or have questions, please contact the Charter Hall Long WALE REIT Registry, Link Market Services on +61 1300 303 063 (within and outside Australia).

I look forward to your attendance at the Meeting.

Yours sincerely

Peeyush Gupta, Independent Chairman
Charter Hall WALE Limited

Location of the Meeting



Venue

The Meeting of Securityholders of Charter Hall Long WALE REIT will be held at:

Charter Hall Group
Level 20, No.1 Martin Place,
Sydney NSW 2000

Commencing

10.00am Australian Eastern Standard Time,
Monday, 6 August 2018.

Charter Hall Head Office

The office is conveniently situated in the middle of the Sydney CBD and within close proximity to the city's ferry, train, bus and taxi facilities.

By Taxi

A taxi rank is located directly outside the office entrance on Pitt Street. The nearest cross street is King Street.

By Car

Self-parking is available through Secure Parking, with the carpark entrance located at 159 Pitt Street, Sydney NSW 2000.

Alternative self-parking is offered through Wilson Parking at Angel Place. Self-parking rates are available upon request.

By Train

Martin Place and Wynyard Railway Stations are within walking distance from the office. The stations offer services on all intercity and suburban trains and are a five-minute train ride to Central Station — the main station for all train services in Sydney.

By Bus

Due to the construction of the CBD & South East Light Rail, most CBD bus routes have been affected, which means your usual route, timetable, route number and CBD bus stop may change.

Buses in the city centre operate predominantly along priority routes on Elizabeth Street, Castlereagh Street, Park Street, Druitt Street, Clarence Street and York Street. No buses will operate on George Street during or after construction.

For more information on changes to bus routes and timetables please visit www.sydneybuses.info/ or phone 131 500.

Tickets are required and must be pre-purchased prior to boarding. Charter Hall Concierge can advise on the appropriate ticket and closest location for ticket purchase.

Meeting agenda

Monday, 6 August 2018.

9:30am	Registration begins
10:00am	Meeting commences
	Welcome to Securityholders — Chairman
	Business of Meeting

Meeting protocol

Important information about the conduct of the Meeting is set out below.

Voting on each Resolution will be conducted by way of a poll.

Discussion and asking questions

Discussion will take place on the business of the Meeting as set out on page 8 of this Notice of Meeting.

The Explanatory Memorandum provides further information relating to the business of the Meeting.

Securityholders will have the opportunity to ask questions at the Meeting. Securityholders are requested to observe the following guidelines:

- Please keep questions as brief as possible and relevant to the matters being discussed.
- If a Securityholder has more than one question, please ask all questions at the same time.

Securityholders who are unable to attend the Meeting or who prefer to register questions in advance are invited to do so. Please go to www.linkmarketservices.com.au, select Voting then log-in to “Ask a Question”.

Photography

Cameras and recording devices are not permitted at the Meeting.

Notice of Meeting

Charter Hall WALE Limited (ABN 20 610 772 202)

Notice is hereby given that a general meeting of Securityholders of Charter Hall Long WALE REIT will be held at:

Charter Hall Group
Level 20, No.1 Martin Place,
Sydney NSW 2000

On Monday, 6 August 2018 at 10.00am (AEST).

Important information:

1) **The Resolutions should be read in conjunction with the Explanatory Memorandum which follows.**
2) **Certain terms and abbreviations used below are defined in the Glossary in Appendix A of the Explanatory Memorandum accompanying this Notice of Meeting.**
3) **The Meeting will be held in accordance with the Corporations Act, the Listing Rules, and the REIT's Constitutions. A copy of the REIT's current Constitutions can be found on the REIT's website www.longwalereit.com.au**

The business of the Meeting is as follows:

1. Proposed Sale of 50% of ATO Adelaide

To consider and, if thought fit, approve the following Resolution as an ordinary resolution of Securityholders:

"The Proposed Sale (as defined and set out in the Explanatory Memorandum to the Notice of Meeting convening this meeting) is approved for the purposes of ASX Listing Rule 10.1 and for all other purposes and, in particular, the entry into the Put and Call Option Agreement in relation to the Proposed Sale by Charter Hall WALE Limited as responsible entity of Franklin Street Property Trust, Charter Hall Nominees Pty Limited as trustee for the DOF Franklin Street Trust and others be approved including for the purposes of ASX Listing Rule 10.1."

This item is subject to voting exclusions – see 'Voting Exclusion Statement' below.

2. Simplification

To consider and, if thought fit, approve the following Resolution as an ordinary resolution of Securityholders:

"The Simplification Transaction (as defined and set out in the Explanatory Memorandum to the Notice of Meeting convening this meeting) is approved for all purposes and, in particular, the acquisition by Charter Hall WALE Limited as responsible entity of Charter Hall Direct Industrial Fund of a relevant interest in all the units in Franklin Street Property Trust on issue as at the Record Date for the Simplification Transaction (as those terms are defined in the Explanatory Memorandum), be approved including for the purposes of item 7 of section 611 of the Corporations Act."

This item is subject to voting exclusions – see 'Voting Exclusion Statement' below.

Voting Exclusion Statement:

Resolution 1

Charter Hall WALE Limited (the responsible entity of FSPT) and its associates will not be entitled to vote their interest in favour of the proposed Resolution. Charter Hall Nominees Pty Limited (the trustee of DOF FST) and its associates will also not be entitled to vote their interest in favour of the proposed Resolution. Accordingly, Charter Hall WALE Limited will disregard any votes cast in favour of the Resolution by or on behalf of Charter Hall WALE Limited, Charter Hall Nominees Pty Limited or their associates.

However, Charter Hall WALE Limited will not disregard a vote cast by Charter Hall WALE Limited, Charter Hall Nominees Pty Limited or their associates if:

- the vote is cast by a person as proxy for a person entitled to vote, in accordance with a direction on the proxy form; or
- the vote is cast by the person chairing the Meeting as proxy for a person who is entitled to vote, in accordance with a direction on the proxy form to vote as the proxy decides.

Resolution 2

In accordance with item 7 of section 611 of the Corporations Act (as modified by relief obtained from ASIC), Charter Hall WALE Limited (the responsible entity of each Stapled Trust) and its associates will not be entitled to vote their interest on the proposed Resolution. Accordingly, Charter Hall WALE Limited will disregard any votes cast on the Resolution by or on behalf of it or its associates.

However, Charter Hall WALE Limited will not disregard votes cast by Charter Hall WALE Limited or its associates as proxy for a person entitled to vote in accordance with a direction on the proxy form.

Resolution 1 and Resolution 2

In accordance with section 253E of the Corporations Act, the Responsible Entity and its associates will not vote on a Resolution if they have an interest in this Resolution other than as a member of the REIT. However, the Responsible Entity and its associates may vote as proxies if their appointments specify the way they are to vote and they vote that way.

Charter Hall is not entitled to vote its 20.4% interest in the REIT on Resolution 1 or Resolution 2 as Charter Hall is an associate of the responsible entity of FSPT as vendor (in the case of Resolution 1) and an associate of the responsible entity of DIF as acquirer (in the case of Resolution 2).

Entitlement to attend and vote

The Directors have determined that the holding of each Securityholder for the purposes of ascertaining the voting entitlements for the Meeting will be as it appears in the Register at 7.00pm (AEST) on Saturday, 4 August 2018.

Quorum

Under the Constitutions, the required quorum for the Meeting is at least 2 Securityholders present in person or by proxy.

Voting by proxy

A Securityholder is entitled to appoint a proxy to attend and vote on behalf of the Securityholder at the Meeting. A proxy need not be a Securityholder of the REIT.

A Securityholder entitled to cast two or more votes at the Meeting may appoint two proxies and specify the proportion or number of votes each proxy is appointed to exercise. If the Securityholder appoints two proxies and does not specify the proportion or number of votes each proxy may exercise, then each proxy may exercise half of the votes.

A proxy form is attached to this Notice of Meeting. To be valid, proxy forms, and the authority under which any form appointing a proxy is signed or a certified copy of that authority (if any), must be received by no later than 10.00am (AEST) on Saturday, 4 August 2018 in accordance with the instructions listed on the attached proxy form.

Alternatively, Securityholders may vote online at www.linkmarketservices.com.au, by entering their holding details as shown on the proxy form, then selecting 'Voting', and then following the prompts to lodge their vote. To use the online lodgement facility, Securityholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the proxy form).

If a Securityholder returns their proxy form but does not nominate a representative, the Chair of the Meeting will be that Securityholder's proxy and will vote on that Securityholder's behalf as directed on the proxy form. If the Securityholder's nominated representative does not attend the Meeting, then that Securityholder's proxy will revert to the Chair of the Meeting who may vote as he thinks fit in relation to any motion or resolution other than those (if any) in respect of which an indication of the manner of voting is given on that Securityholder's proxy form.

Undirected proxies

Where permitted, the Chair of the Meeting in respect of each item of business intends to vote undirected proxies in favour of each of the items of business in the Notice of Meeting.

Voting by attorney

A Securityholder may appoint an attorney to vote on his/her behalf. For an appointment to be effective for the Meeting, the instrument effecting the appointment (or a certified copy of it) must be received by Link Market Services Limited using the contact details listed on the proxy form by no later than 10.00am (AEST) on Saturday, 4 August 2018.

Corporate representatives

A body corporate which is a Securityholder, or which has been appointed as a proxy, may appoint an individual to act as its representative at the Meeting. The appointment must comply with the requirements of section 253B of the Corporations Act. The representative should bring to the Meeting evidence of his or her appointment, including any authority under which it is signed, unless it has previously been given to Link Market Services.

By order of the Board

Mark Bryant
Company Secretary

Explanatory Memorandum

PART A

PROPOSED ATO
ADELAIDE SALE

Explanatory Memorandum

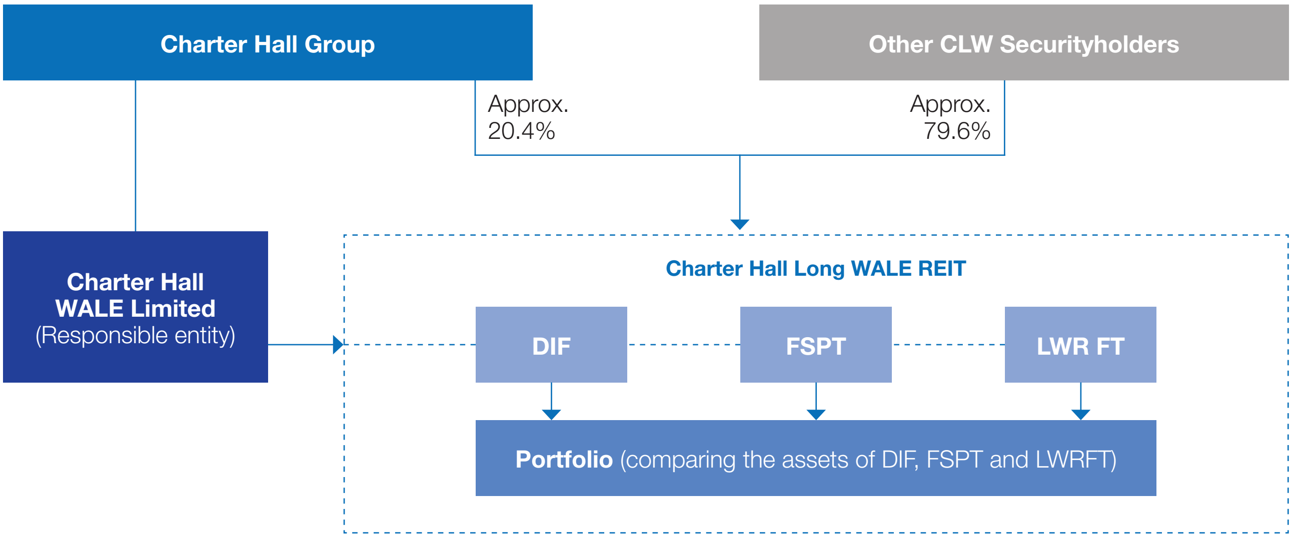
PART A: PROPOSED ATO ADELAIDE SALE

1. Overview of Proposed Sale

1.1 Entry into Put and Call Option Agreement

The REIT is currently a stapled vehicle comprising three Stapled Trusts, being DIF, FSPT and Finance Trust. Securityholders collectively own 100% of the Stapled Trusts. This is shown in the diagram below.

Current structure of the REIT



FSPT currently owns a 100% interest in ATO Adelaide and it is proposed that FSPT will dispose of a 50% interest in ATO Adelaide to DOF FST. It is expected that this proposed disposal of a 50% interest in ATO Adelaide to DOF FST will be implemented if the Proposed Sale Resolution is approved by the requisite majority of Securityholders and whether or not the Simplification Transaction is implemented.

To give effect to the Proposed Sale, FSPT will enter into a Put and Call Option Agreement with DOF FST and other parties for the sale of the 50% interest in ATO Adelaide to DOF FST on or about the date of this Notice of Meeting. The key terms of the proposed Put and Call Option Agreement are as follows:

- The custodian of FSPT grants to the custodian of DOF FST an option to purchase a 50% interest in ATO Adelaide ("**Call Option**") for a non-refundable fee of $1.00. Under the Call Option, the custodian of DOF FST may purchase a 50% interest in ATO Adelaide on the terms of the Proposed Sale set out in this Notice of Meeting and Explanatory Memorandum. The custodian of DOF FST may exercise the Call Option during the period commencing on the date on which the custodian of FSPT notifies the custodian of DOF FST the Proposed Sale Resolution has been passed by a requisite majority of Securityholders and expiring on the date that is 2 Business Days after this commencement date ("**Call Option Exercise Period**").
- The custodian of DOF FST grants the custodian of FPST an option to require the custodian of DOF FST to acquire a 50% interest in ATO Adelaide ("**Put Option**") for a non-refundable fee of $1.00. Under the Put Option, the custodian of FSPT may require the custodian of DOF FST to purchase a 50% interest in ATO Adelaide on the terms of the Proposed Sale set out in this Notice of Meeting and Explanatory Memorandum. The custodian of FSPT may exercise the Put Option during the period commencing on the day immediately after the date on which the Call Option Exercise Period expires and expiring on the date that is 2 Business Days after this commencement date.
- NB Direct, which is the head trust of DOF FST, will guarantee the custodian of DOF FST's obligations under the Put and Call Option Agreement.
- The approval of the Proposed Sale Resolution by the requisite majority of Securityholders operates as a condition to the exercise of the Call Option and the Put Option such that neither the Call Option nor the Put Option may be exercised if the Proposed Sale Resolution is not passed by the requisite majority of Securityholders. If the Proposed Sale Resolution is not passed by the requisite majority of Securityholders by 31 August 2018, the Call Option and Put Option will lapse and the Put and Call Option Agreement will come to an end.

Explanatory Memorandum

1.2 Terms of Proposed Sale

The consideration payable for the sale of the 50% interest in ATO Adelaide by the custodian of FSPT to the custodian of DOF FST is $135 million. 10% of this is payable as a deposit on exercise of the Call Option by the custodian of DOF FST or, if the Call Option is not exercised and the custodian of FSPT exercises the Put Option, then within 1 Business Day of exercise of the Put Option. The deposit is only refundable to the custodian of DOF FST in limited circumstances, including where the contract for sale is terminated for default by the custodian of FSPT in the performance of its obligations under the contract for sale.

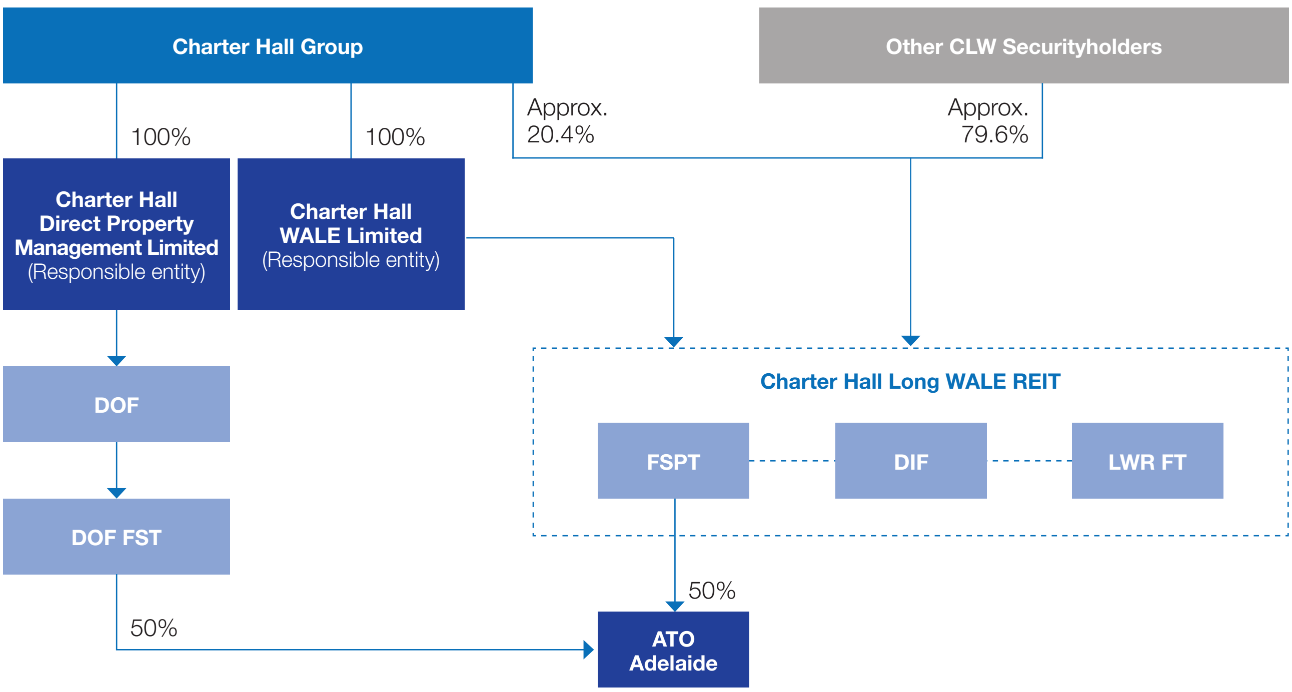
The sale price has been determined based on an independent valuation of ATO Adelaide by Valuations Services (SA) Pty Ltd, trading as Knight Frank Valuations (SA) as independent property valuer as at 30 June 2018. A summary of the independent property valuer's report, providing an overview of the work undertaken by the independent property valuer, is set out in Appendix 2 to the Independent Expert's Report. Transaction costs of $163,000 will be incurred by FSPT.

The key terms of the proposed contract for sale are as follows:

- The custodian of FSPT agrees to sell and the custodian of DOF FST agrees to buy a 50% interest in ATO Adelaide on the date for settlement. The date for settlement will be 13 August 2018, so long as the Call Option is exercised on or before 8 August 2018 or the Put Option is exercised on or before 10 August 2018 (as applicable), or otherwise will be 2 business days after exercise.
- NB Direct (which is the head trust of DOF FST) will guarantee the obligations of the custodian of DOF FST under the contract for sale.
- On acquiring a 50% interest in ATO Adelaide, the custodian of DOF FST will accept its relevant proportion (i.e. 50%) of environmental liability relating to ATO Adelaide.
- The custodian of FSPT warrants to the custodian of DOF FST that certain statements relating to ATO Adelaide and FSPT are true and correct in all material respects. These warranties are excluded, limited or qualified in certain circumstances, including to the extent information in connection with their subject matter was fairly disclosed or within the actual knowledge of the custodian of DOF FST or its representatives or advisers prior to entry into the contract for sale.
- Usual adjustments will be made at settlement (for example, adjustments for statutory outgoings and tenancy payments).
- Under the proposed sale contract the parties acknowledge that the existing property manager will continue to manage the property and that existing service and maintenance contracts will remain in place following settlement.

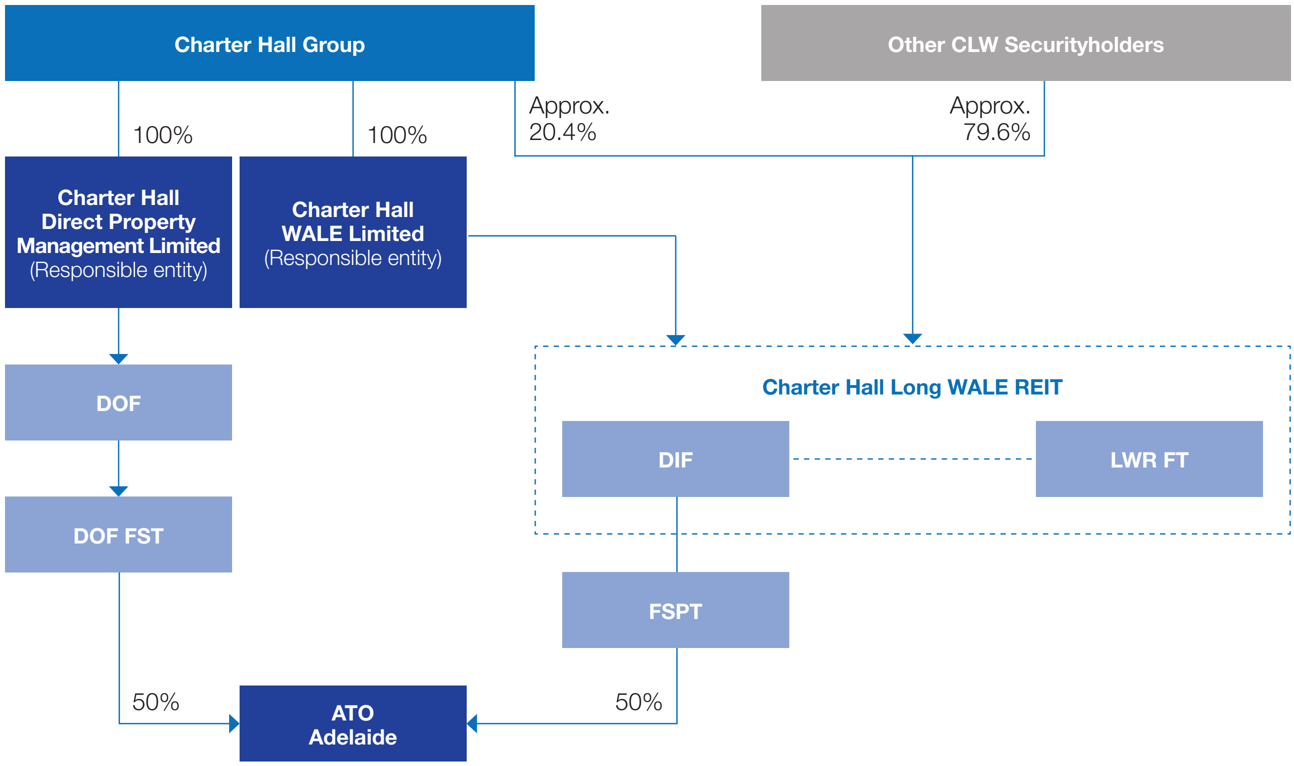
Further details of the ATO Adelaide property are contained in Section 2 of Part A of the Explanatory Memorandum.

It is expected that the Proposed Sale will be completed prior to the implementation of the Simplification Transaction. If this is the case, the ATO Adelaide property will be co-owned by FSPT and DOF FST with each party holding a 50% interest in ATO Adelaide. The co-ownership structure of ATO Adelaide following the implementation of the Proposed Sale and prior to the Simplification Transaction is set out below.



1.2 Terms of Proposed Sale (continued)

It is expected that following the Proposed Sale, and subject to the Simplification Resolution being approved by the requisite majority of Securityholders, the Responsible Entity will implement the Simplification Transaction. Accordingly, following the completion of the Simplification Transaction, the co-ownership structure for ATO Adelaide will be as set out below.



1.3 Rationale of Proposed Sale

Currently the REIT has a large weighting of 22%[1] to South Australia and ATO Adelaide is 18%[1] of the REIT's portfolio representing the largest property in the REIT's portfolio. Additionally, the ATO tenancy in the ATO Adelaide property is the largest single tenancy exposure in the REIT's portfolio (details of the tenancy profile for the ATO Adelaide property are set out in further detail in Section 2 of Part A of the Explanatory Memorandum). Given this weighting, the sale of FSPT's 50% interest in ATO Adelaide will decrease the REIT's overall exposure to South Australia from 22% to 15%[1] and the future reinvestment of the proceeds of the sale will enable the Responsible Entity to diversify income sources and the expiry profile of the REIT.

Additionally, in November 2016 (being the date of the initial public offering of the REIT) the ATO Adelaide property was valued at $263.5 million and at this time it had a WALE of 10.5 years (by income). Accordingly, the current sale price of $270 million of ATO Adelaide on a 100% basis represents an increase in the value of the ATO Adelaide property since the date of the initial public offering notwithstanding that the WALE has reduced to 8.8 years (by income) at 30 June 2018.

Despite the strong market pricing of this asset, the Adelaide CBD office market is one of limited scale given that the ATO Adelaide property represents 6.3% of the total prime grade office stock in the Adelaide CBD[2]. The Proposed Sale therefore represents an opportunity to capitalise on the strong market pricing for this asset. As there is a limited buyer pool for a $135m, 50% interest in an office building in the Adelaide CBD and considering the advantages of selling to DOF FST set out in Section 3 of Part A of this Explanatory Memorandum, the 50% interest in the ATO Adelaide property has not been offered to any third party.

[1] By income as at 30 June 2018

[2] As at January 2018

Explanatory Memorandum

1.4 Financial impact of Proposed Sale

If completed, the Proposed Sale will have an impact on the REIT's earnings in the Financial Year ending 30 June 2019 (**FY19**). The opportunities for reinvestment and the timing of reinvestment of the proceeds from the Proposed Sale will have an impact on earnings for FY19 and earnings guidance for FY19 will be provided to Securityholders at the time the REIT reports its results for the Financial Year ending 30 June 2018. The REIT can confirm that the distribution per Stapled Security for FY19 is expected to be no less than 26.4 cents per Stapled Security assuming the reinvestment of the proceeds of the Proposed Sale is completed consistent with the forecast timing and anticipated return assumptions currently forecast by the REIT of the reinvestment opportunities.

1.5 Key Dates

Should the Proposed Sale Resolution be passed by the requisite majority of Securityholders, it is expected that the Proposed Sale will be implemented based on the indicative timetable below.

Proposed dates and times	Summary of key Meeting dates
Saturday, 4 August 2018 10.00am (AEST)	Last date and time to lodge proxy forms for the Meeting
Saturday, 4 August 2018 7.00pm (AEST)	Date and time to determine Securityholders' eligibility to vote on the Proposed Sale Resolution at the Meeting
Monday, 6 August 2018 10.00am (AEST)	Meeting at which Securityholders can vote on the Proposed Sale Resolution
Proposed dates	**Proposed sale of 50% interest in ATO Adelaide**
9 July 2018	Entry into Put and Call Option Agreement for sale of 50% interest in ATO Adelaide to DOF FST Announce Proposed Sale (including Notice of Meeting)
6 August 2018	Meeting at which Securityholders can vote on the Proposed Sale Resolution
8 August 2018	Last day to exercise call option under Put and Call Option Agreement
10 August 2018	If the call option is not exercised on or before 8 August 2018, last day to exercise put option under Put and Call Option Agreement
13 August 2018	Completion of sale of 50% interest in ATO Adelaide to DOF FST *Note: This assumes that either:* • *the Call Option is exercised on or before 8 August 2018; or* • *the Put Option is exercised on or before 10 August 2018.*

1.6 Income Support Deed

In connection with the initial public offering of the REIT, the Responsible Entity entered into a deed poll ("**ISDP**") in connection with the establishment of an income support fund comprising $17 million ("**ISF**"). The ISF is available to compensate the Responsible Entity for the occurrence of certain circumstances, including vacancies at ATO Adelaide, reductions in rent at ATO Adelaide and other costs relating to ATO Adelaide. The ISF is expected to comprise approximately $15.38 million at the time of settlement of the Proposed Sale as a result of drawdowns against the ISF since entry into the ISDP. A summary of the income support fund in connection with the ISDP is set out in Section 7.5.2 of the Charter Hall Long WALE REIT Product Disclosure Statement dated 27 September 2016 ("**PDS**").

In connection with the Proposed Sale, and if the Proposed Sale Resolution is passed by the requisite majority of Securityholders, the Responsible Entity of FSPT will novate the ISDP to DOF FST as to 50% and DOF FST will pay FSPT an additional amount representing 50% of the ISF at the time of settlement. Following the novation, DOF FST will be entitled to 50% of any payments out of the ISF in accordance with the terms of the ISDP.

If the Simplification Resolution is approved by the requisite majority of Securityholders and the Simplification Transaction is implemented, it is currently contemplated that the remaining 50% interest in the ATO Adelaide property held by FSPT would be transferred to DIF (or a wholly owned sub-trust of DIF). In connection with this transfer, the Responsible Entity of FSPT would novate the ISDP to DIF (or a wholly owned sub-trust of DIF) as to 50%. Following this novation, DIF (or a wholly owned sub-trust of DIF) would be entitled to 50% of any payment out of the ISF in accordance with the terms of the ISDP (with DOF FST entitled to the other 50% of any such payment).

1.7 Directors' recommendation

Ms Ceinwen Kirk-Lennox and Mr Glenn Fraser, being Independent Directors of the Responsible Entity of the REIT, have carefully considered the Proposed Sale. Taking into account the advantages and disadvantages described in this Explanatory Memorandum and considering the opinion of the Independent Expert, Ms Kirk-Lennox and Mr Fraser recommend that Securityholders vote in favour of the Proposed Sale Resolution.

Mr Peeyush Gupta and Mr David Harrison are common directors of the Responsible Entity of the REIT and the Responsible Entity of DOF (which wholly owns DOF FST). Mr David Harrison and Mr Adrian Taylor are members of the key management personnel of Charter Hall Group (which wholly owns, directly or indirectly, each of the Responsible Entity of FSPT, the Responsible Entity of DOF and the trustee of DOF FST). Accordingly, Mr Gupta, Mr Harrison and Mr Taylor have not made a recommendation in relation to the Proposed Sale Resolution.

1.8 Expert's Report

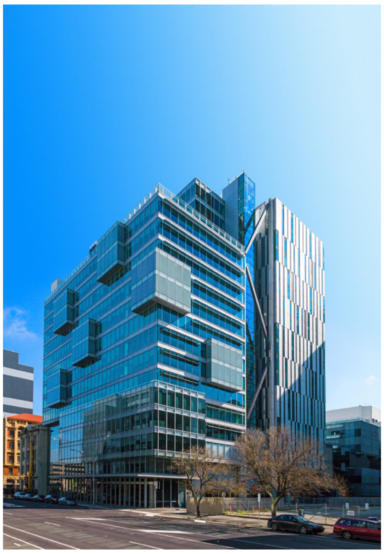
Under the ASX Listing Rules, an Independent Expert's Report must be included with this Explanatory Memorandum setting out whether the Proposed Sale is fair and reasonable to Securityholders not associated with the Proposed Sale. The Independent Expert's Report is included in Appendix B of this Explanatory Memorandum and concludes the Proposed Sale is fair and reasonable to Securityholders not associated with the Proposed Sale.

Securityholders should read the Independent Expert's Report in full.

In accordance with ASX Listing Rule 10.10A.3, a copy of the Independent Expert's Report is also available on the REIT's website at www.longwalereit.com.au and if a Securityholder so requests, the REIT will send an additional hard copy of the Independent Expert's Report free of charge to that Securityholder. The full valuation report is available for inspection at the registered office of the Responsible Entity.

Explanatory Memorandum

2. Property Details – ATO Adelaide



The lease to the ATO (84.4% of NLA) is for a term of 15 years expiring 2027 with two (2) further options each for five (5) years. The lease provides for fixed annual reviews to 3.75%, except at the commencement of Years 6 (2017) and 11, at which time rent is reviewed to market (effective), with a "cap" and "collar" (110% and 90% of the rent payable immediately preceding review). The Year 6 (1 November 2017) market review was independently determined (report issued 28 June 2018) and has resulted in the office passing rent decreasing to 90% (the collar) of the passing rent immediately prior to the market review, being $542.25/m² p.a, whilst the rent was determined marginally above passing for the storage and car park components. The independent valuer and the Independent Expert have taken this rent review into account in preparing their reports which are set out in Appendix B.

There are 2 leases ('Administration' and 'City Delivery Centre' (CDC)) to Australia Post (14.2% of NLA), with fixed annual reviews to 3.5% p.a. except at the end of the initial ten (10) year term which is reviewed to market (capped at 8.0% increase). The CDC lease relates to Australia Post operations (post office and boxes, delivery centre, annex) providing 16 further automatic options to renew, each for a term of five (5) years with a market review every ten (10) years.

Brief description	A-grade CBD high rise office tower, constructed in 2012. The building comprises 17 levels of office space and basement parking for 114 vehicles. The building has been certified with a 5 Star Green Star Office As Built v3 rating and has achieved a base building 5.5 Star NABERS Energy rating. The property is located within the core office precinct of the Adelaide CBD and forms part of the City Central precinct, a redevelopment that includes the existing GPO building.
Tenant	The building is fully leased to four tenants including the major tenant, the Commonwealth of Australia (represented by the Australian Taxation Office), which that occupies 84% of the Net Lettable Area (NLA), with the other significant tenant being Australia Post occupying another 14%.
Net lettable area (NLA)	37,316sqm
Land area	3,261.0sqm
Zoning	Capital City – Central Business Policy Area 13
Interest valued	Unencumbered 100% Freehold interest subject to existing tenancies
Valuation	$270 million
Proposed sale price (50% interest)	$135 million
Core market yield (30 June 2018)	5.82%
Property Yield (30 June 2018)	5.79%
Estimated Settlement	13 August 2018 (see Section 5 of Part A of this Explanatory Memorandum for further details)

The lease to the ATO (84.4% of NLA) is for a term of 15 years expiring 2027 with two (2) further options each for five (5) years. The lease provides for fixed annual reviews to 3.75%, except at the commencement of Years 6 (2017) and 11, at which time rent is reviewed to market (effective), with a "cap" and "collar" (110% and 90% of the rent payable immediately preceding review). The Year 6 (1 November 2017) market review was independently determined (report issued 28 June 2018) and has resulted in the office passing rent decreasing to 90% (the collar) of the passing rent immediately prior to the market review, being $542.25/sqm p.a, whilst the rent was determined marginally above passing for the storage and car park components. The independent valuer and the Independent Expert have taken this rent review into account in preparing their reports which are set out in Appendix B.

There are 2 leases ('Administration' and 'City Delivery Centre' (CDC)) to Australia Post (14.2% of NLA), with fixed annual reviews to 3.5% p.a. except at the end of the initial ten (10) year term which is reviewed to market (capped at 8.0% increase). The CDC lease relates to Australia Post operations (post office and boxes, delivery centre, annex) providing 16 further automatic options to renew, each for a term of five (5) years with a market review every ten (10) years.

3. Advantages of the Proposed Sale

The anticipated benefits to the REIT of the Proposed Sale include:

- The sale of a 50% interest in the ATO Building will reduce the REIT's exposure[3] to South Australia from approximately 18% to 10% (prior to reinvestment).
- The sale of a 50% interest in the ATO Building and reinvestment of the sale proceeds will improve the diversification of both the income sources and the expiry profile of the REIT.
- By selling to DOF FST and not selling on market, FSPT will not have to pay agents fees and marketing costs which may constitute 1% or more of the sale price of the ATO Adelaide property.
- A property of the size of ATO Adelaide and located in the Adelaide CBD is not as liquid as some other Australian CBD markets (particularly that of Sydney, Melbourne and Brisbane). This sale represents an opportunity to capitalise on strong market pricing for this asset.
- The opinion of the Independent Expert set out in the Independent Expert's Report in Appendix B of this Explanatory Memorandum is that the Proposed Sale is fair and reasonable for Securityholders not associated with the Proposed Sale.
- Under the FSPT constitution, the Responsible Entity is entitled to charge a disposal fee equal to 1.0% of the value of an interest in any asset held by FSPT, which is sold by the Responsible Entity. Accordingly, the Responsible Entity would be entitled to a disposal fee of approximately $1.43 million (i.e. calculated as 1% of the aggregate of the $135 million purchase price plus 50% of the income support balance being approximately $7.69 million) following completion of the Proposed Sale. However, the Responsible Entity has elected not to charge a disposal fee in connection with the Proposed Sale. A sale of an interest in ATO Adelaide to any other party would otherwise result in a disposal fee being payable by FSPT to the Responsible Entity.

4. Disadvantages and risks of the Proposed Sale

There are several potential disadvantages and risks for the REIT associated with the Proposed Sale which, if they were to occur, may have an adverse effect on Securityholder returns. While not an exhaustive list, the following outlines some of the key disadvantages and risks which may arise from the Proposed Sale:

- **Use of proceeds:** There is a risk that following the completion of the Proposed Sale, the REIT will be unable to use the sale proceeds on suitable investment opportunities that meet the REIT's investment objectives. Even if such opportunities are identified, they may not be able to be secured on appropriate terms. These factors may adversely impact future growth and returns to Securityholders.
- **Co-ownership arrangements:** The Responsible Entity of the REIT will not be able to exercise full discretion in its decision making with respect to the ATO Adelaide property. As the REIT will be a co-owner of the property, certain material decisions in relation to the ATO Adelaide property will require the approval of DOF FST. While the Responsible Entity of the REIT has an obligation to act in the best interests of Securityholders in the REIT, the trustee of DOF FST does not. Accordingly, DOF FST's actions and strategy with respect to the ATO Adelaide property may not be in the best interests of Securityholders in the REIT.
- **Pre-emptive rights:** In connection with the co-ownership arrangements arising from the sale of 50% of the ATO Adelaide property, FSPT will enter into a co-ownership agreement with DOF FST. Under this co-ownership agreement (further details of which are set out in Section 7 of Part A of this Explanatory Memorandum), DOF FST will have certain pre-emptive rights to acquire FSPT's remaining interest in the ATO Adelaide property in the event FSPT decides to sell their remaining interest. These pre-emptive rights may limit the ability of FSPT to deal with its remaining 50% interest in the ATO Adelaide property on the terms and in the timeframe it desires.

[3] By income as at 30 June 2018

Explanatory Memorandum

- **Capital Gains Tax:** If Resolution 2 is not passed, it is likely that Securityholders will derive a taxable gain higher than the economic gain in respect of their indirect interest in the ATO Adelaide property via their investment in the REIT. As set out in the Product Disclosure Statement for the initial public offering of the REIT dated 27 September 2016, the REIT inherited a cost base of assets below the market value at the time of initial public offering of units in the REIT.

  If Resolution 2 is also passed and the Class Ruling and Private Ruling are obtained, Securityholders should only be subject to tax on no more than the economic gain in respect of their indirect interest in the ATO Adelaide property realised following the initial public offering of the REIT.

  If Resolution 2 is also passed and the Class Ruling is obtained but the Private Ruling is declined, non-Resident Securityholders may be subject to a withholding tax on an amount exceeding the economic gain in respect of their indirect interest in the ATO Adelaide property via their investment in the REIT.

  If Resolution 2 is also passed but both the Class Ruling and the Private Ruling are declined:

  – Non-resident Securityholders may be subject to a withholding tax on an amount exceeding the economic gain in respect of their indirect interest in the ATO Adelaide property via their investment in the REIT; and

  – Resident Securityholders will be taken to have acquired some of their units in DIF at the date of implementation of the Simplification Transaction. This will be relevant for those Securityholders who are eligible for the CGT discount.

5. Requirement for Securityholder approval

The ASX Listing Rules require that Securityholders approve the Proposed Sale before it can be entered into. Securityholder approval is required because the Proposed Sale:

- is between related parties, as Charter Hall WALE Limited (being the responsible entity of Franklin Street Property Trust) and Charter Hall Nominees Pty Limited (being the trustee of DOF Franklin Street Trust) are each wholly owned Charter Hall Group entities; and
- relates to "a substantial asset' of FSPT as the sale price for the Proposed Sale constitutes more than 5 per cent of Securityholders' equity in the REIT.

The ASX Listing Rules also require that Securityholders approve an option for the sale of an asset in the above circumstances before it is issued or, if approval is not obtained before the issue of the option, the option must be issued subject to Securityholder approval.

On or about the date of this Notice of Meeting, FSPT entered into a Put and Call Option Agreement with DOF FST and other parties in relation to the Proposed Sale. The terms of this Put and Call Option Agreement (which are described in further detail in Section 1.1 of Part A of the Explanatory Memorandum) therefore included obtaining Securityholder approval for the entry into the Put and Call Option Agreement as a condition precedent to the exercise of the Put and Call Option Agreement. Accordingly, Securityholder approval is sought for entry into the Put and Call Option Agreement by FSPT and DOF FST.

6. The related parties and financial benefits of the Proposed Sale

The Proposed Sale is between related parties as Charter Hall WALE Limited (being the responsible entity of FSPT) and Charter Hall Nominees Pty Limited (being the trustee of DOF FST) are each wholly owned Charter Hall Group entities. The respective related parties will receive the following financial benefits as a result of the Proposed Sale:

- FSPT will sell a 50% interest in ATO Adelaide to DOF FST. Following this sale, DOF FST will become the co-owner of the ATO Adelaide property.
- By selling the ATO Adelaide property to DOF FST, FSPT as vendor will receive $135 million and 50% of the balance of the income support fund from DOF FST.

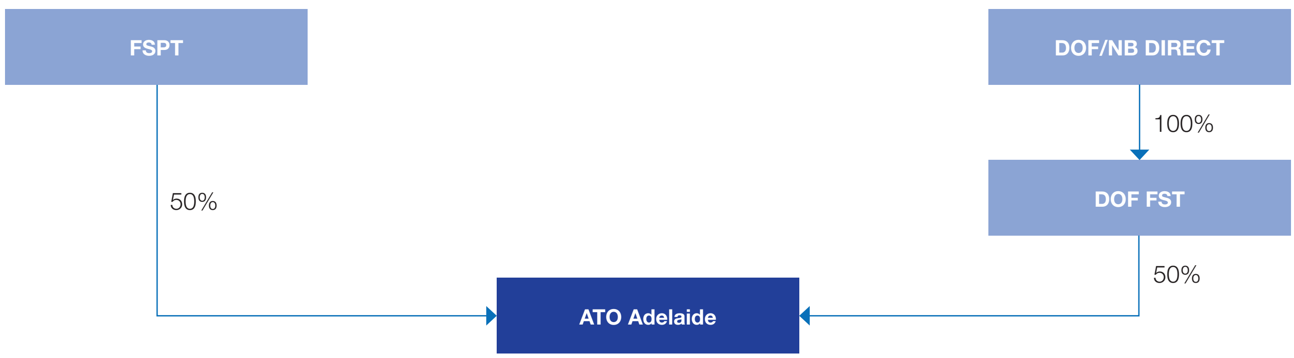
The REIT has incurred costs in relation to the rent review process for the ATO tenancy at 12-26 Franklin Street Adelaide. Charter Hall Holdings Pty Ltd, the Manager to the REIT, will charge DOF $250,000 in respect of the rent review process costs and will in turn reduce the management fee it charges to the REIT under the Asset Services Agreement in FY2019 by $250,000.

In addition, Charter Hall Direct Property Management Limited (the responsible entity of DOF, which wholly owns DOF FST), which is wholly owned by Charter Hall Group, will be entitled to receive an acquisition fee from DOF for the acquisition of the 50% interest in ATO Adelaide.

7. Co-ownership arrangements

If the Proposed Sale is completed, ATO Adelaide will become a property which is co-owned by FSPT and DOF FST, with each of FSPT and DOF FST holding a 50% interest in ATO Adelaide. FSPT and DOF FST and the custodians of each of FSPT and DOF FST will enter into a co-ownership agreement to govern their co-ownership arrangements ("**ATO JOA**"). The ATO JOA will become effective on the date on which DOF FST custodian acquires from FST custodian a 50% interest in ATO Adelaide.

Following the completion of the Proposed Sale and prior to the implementation of the Simplification Transaction, the ownership structure of ATO Adelaide will be as follows:



Explanatory Memorandum

The ATO JOA sets out the governing arrangements for ATO Adelaide and in particular, allows the co-owners to regulate their rights and obligations in respect of the ownership of ATO Adelaide and ensure that the terms of any leases over ATO Adelaide are complied with. A Summary of the ATO JOA is set out below. This summary is not intended to be exhaustive.

- A joint owners committee must be established and each co-owner may appoint one member. Meetings of the joint owners committee must be held in accordance with the ATO JOA.
- The joint owners committee must make decisions in relation to material issues (such as the sale of ATO Adelaide or entering into material leases) by unanimous resolution.
- The joint owners are bound by, and must give effect to, any decision made by the joint owners committee and are restricted from doing anything in respect of various matters without a unanimous resolution of the joint owners committee.
- The ATO JOA contains a number of provisions which impact on the sale of an interest in ATO Adelaide. For example:
  - Other than a sale to an existing owner, an owner may only dispose of its entire interest in ATO Adelaide.
  - If an owner wishes to dispose of its entire interest in ATO Adelaide (in this section, the "**Proposing Transferor**"), other than in limited circumstances (for example, by way of a permitted transfer to a member of that owner's group), the other owner will have a pre-emptive right over that interest. If a Proposing Transferor has complied with the pre-emptive rights procedure set out in the ATO JOA and the Proposing Transferor's entire interest in ATO Adelaide has not been sold, the Proposing Transferor may offer the interest to a third party provided that the interest is sold to the third party at a price no less than and on terms no more favourable than those offered to the other owner.
  - Where an owner is in default under the ATO JOA (for example, due to a material unremedied breach or an insolvency event) or a change of control event arises in relation to the owner (in this Section, the "**Defaulting Owner**"), the other owner will have the right to acquire the interest in ATO Adelaide held by the Defaulting Owner at an amount equal to the proceeds of sale (after deduction of sale costs) of the ATO Adelaide as determined by the appointed valuer or umpire and adjusted for the Defaulting Owner's proportional interest in ATO Adelaide.
  - A change of control event in respect of an owner includes the following events applying to the owner, the owner's holding trust or the owner's head trust (as relevant) except where the event takes place with the prior consent of the other owner:
    - a dealing of shares, an agreement to issue or the issue of new shares in the owner, except where all persons acquiring an interest in the shares being dealt with or issued are members of the owner's group or the agreement to issue is entered into with members of the owner's group;
    - if a person acquires a relevant interest in 50% or more of the units in FSPT or NB Direct Property Trust (which is the head trust of DOF FST) (as relevant), except where the person acquiring the relevant interest is a member of the owner's group;
    - if the units in FSPT or NB Direct are admitted to quotation on a stock exchange, a takeover bid is made for some or all of those units and the directors of the relevant trust recommend acceptance of the takeover bid, except where the bidder is a member of the owner's group;
    - if the current responsible entity (or a related body corporate of the current responsible entity) of FSPT or NB Direct (as relevant) ceases to be responsible entity of the relevant fund;
    - if Charter Hall Nominees Pty Limited (or a related body corporate) ceases to be trustee of DOF FST or Charter Hall Direct Property Management Limited (or a related body corporate) cease to be trustee or responsible entity of the holding trust of DOF FST; and
    - where FSPT is not an ultimate holding trust, if Charter Hall WALE Limited (or a related body corporate) as trustee or responsible entity of the ultimate holding trust of FSPT ceases to control 50% or more of the units in FSPT; or where DOF FST is not an ultimate holding trust, if Charter Hall Direct Property Management Limited (or a related body corporate) as trustee or responsible entity of the ultimate holding trust of DOF FST ceases to control 50% or more of the units in DOF FST ("**Subsidiary Trust Change of Control Event**").
- Where a change of control event occurs, a non-Defaulting Owner may force a sale of its units to the Defaulting Owner.
- In the event of a dispute that cannot be resolved, the ATO JOA provides for the sale of ATO Adelaide in circumstances where an owner does not acquire the other owner's interest in ATO Adelaide.

8. Directors' interests

The Directors of the Responsible Entity have no interest in the Proposed Sale except as:

- Securityholders of the REIT (see Section 8.7 of Part B of the Explanatory Memorandum); or
- Securityholders in Charter Hall Group, which wholly owns (either directly or indirectly) each of the Responsible Entity of FSPT and the trustee of DOF FST (details of each Director's holding in Charter Hall Group are set out in the table below); or
- Securityholders in Charter Hall Direct Office Fund, which wholly owns DOF FST (details of each Director's holding in DOF are set out in the table below).

Director	Number of DOF Units	Number of Charter Hall Group Securities
Peeyush Gupta (Chairman)	810,510 Wholesale A Units	Nil
Glenn Fraser (Non-executive Director)	Nil	Nil
Ceinwen Kirk-Lennox (Non-executive Director)	Nil	Nil
David Harrison (Executive Director)	528,054 Wholesale A Units	1,648,799 Securities
Adrian Taylor (Executive Director)	Nil	61,605 Securities

Explanatory Memorandum

PART B

SIMPLIFICATION

Explanatory Memorandum

PART B: SIMPLIFICATION

1. Simplification – Key Information

1.1 Overview of key information

Part B of this Explanatory Memorandum explains the internal simplification of the REIT from a triple stapled trust structure to a dual stapled trust structure, which is referred to in this Explanatory Memorandum as the "Simplification Transaction".

The Simplification Transaction is a voluntary restructure of the REIT to be voted on at the Meeting. The Simplification Transaction will not affect your underlying economic interest in the REIT or its assets or the fees you pay in connection with the management of the REIT.

In short, the Simplification Transaction involves the acquisition by DIF of all of the units in FSPT. The purchase price for each of those units will be applied towards an application for new units in DIF to be issued to Securityholders, following which DIF units will be consolidated to preserve the one to one stapling ratio. The result is a simplification of the form of your Stapled Securities so that the number of stapled parts in each Stapled Security that you hold is reduced from three to two. The steps required to implement the Simplification Transaction are set out in Section 5.1 of Part B of this Explanatory Memorandum.

The Board is putting the Simplification Transaction to Securityholders for their consideration and approval in order to simplify the structure of the REIT and reduce the administration costs of the REIT in a way which:

- does not change the number of Stapled Securities you hold;
- does not affect your underlying economic interest in the REIT;
- will not result in you paying or receiving any cash consideration;
- will not result in any change to the net asset value of the REIT; and
- will result in a small increase in the REIT's earnings (due to the reduction in administration expenses) but this is not expected to result in a material change to the distributions you receive.

The Simplification Transaction is being proposed to reduce the complexity of the REIT's structure, simplify the REIT's financial reporting requirements and reduce administrative costs. The Simplification Transaction will also reduce taxation compliance requirements for Securityholders who need to separately account for each component security comprised in the Stapled Securities. The transaction costs to be incurred as part of the Simplification Transaction relate to legal and taxation advice and the costs of holding the Meeting and are estimated to be $137,875.

1.2 Australian Taxation Office Rulings

The Responsible Entity of the REIT is in the process of obtaining a Class Ruling and a Private Ruling from the Australian Taxation Office in relation to:

- whether scrip for scrip Roll Over Relief will be available and related confirmations in respect of the acquisition of newly issued units in DIF in consideration for the transfer of units in FSPT, on behalf of investors in FSPT; and
- the application of the capital gains tax provisions contained in the Income Tax Assessment Act 1997 (Cth) to the Simplification Transaction and related confirmations, on behalf of DIF.

It is proposed that the Simplification Transaction will proceed whether or not the Rulings are obtained. The Responsible Entity seeks approval of the Simplification Transaction from Securityholders, with the implementation of the Simplification Transaction to occur on 22 August 2018.

1.3 Summary of key tax implications

In summary, assuming the Class and Private Rulings are successfully obtained, the key expected tax outcomes for Australian resident Securityholders who hold their Stapled Trusts on capital account are as follows:

- no taxable capital gain should be triggered upon the exchange of their units in FSPT for units in DIF;
- no adverse income tax consequences should arise for Securityholders as a result of the DIF Unit Consolidation which will occur (and is described further at step 3 of Section 5.1 of Part B of this Explanatory Memorandum) after the unit for unit exchange described above;
- no stamp duty should be payable by Securityholders on their disposal of units in FSPT or the acquisition of DIF units.

The above comments should be read to conjunction with Section 7 of Part B of this Explanatory Memorandum which discusses the taxation implications of the Simplification Transaction (including the Class Ruling sought by Charter Hall WALE Limited from the Australian Taxation Office) and it is important that you read this carefully.

Explanatory Memorandum

2. Questions and Answers

Question	Answer	Further information
What is the Simplification Transaction?	The Simplification Transaction is a proposal to simplify the REIT's structure by reducing the number of listed stapled trusts that comprise the REIT in order to reduce the complexity of the REIT's structure, simplify the REIT's financial reporting requirements, simplify financial and tax reporting for investors and reduce administrative costs. If the Simplification Transaction is implemented, the number of listed stapled trusts comprising the REIT will be reduced from three to two.	Section 5.1 of Part B of this Explanatory Memorandum
Why is the REIT proposing the Simplification Transaction?	The REIT's three vehicle stapled structure is complex. The Board considers it in the interests of Securityholders to simplify that structure. The Simplification Transaction will convert the REIT into a stapled group comprising two stapled vehicles, which will reduce complexity and the REIT's financial reporting requirements, as well as simplifying financial and tax reporting requirements for investors. As outlined in section 5.2 of Part B of this Explanatory Memorandum, there will also be appropriate tax outcomes for investors if Resolution 1 is also passed. The Simplification Transaction is expected to result in estimated annual costs savings of $20,000 if the Simplification Transaction is implemented.	Sections 3.2 and 5.2 of Part B of this Explanatory Memorandum
Will Securityholders' interests change if the Simplification Transaction is implemented?	No. The Simplification Transaction will not change the underlying economic interests of Securityholders. Following implementation of the Simplification Transaction, Securityholders will hold the same number of Stapled Securities as prior to the Simplification Transaction and will continue to have exactly the same proportionate rights and liabilities in relation to the REIT's business and assets as before the Simplification Transaction.	Sections 3.3 and 5.5 of Part B of this Explanatory Memorandum
What are the overall costs of the Simplification Transaction?	The costs of implementing the Simplification Transaction are expected to be approximately $137,875 comprising primarily fees for legal and taxation advice and costs associated with holding the Meeting. Implementation costs will be met by drawing on available REIT funds.	Section 6.1 of Part B of this Explanatory Memorandum
When will the Simplification Transaction be implemented?	The Responsible Entity's intention is to implement the Simplification Transaction on 22 August 2018.	Section 4 of Part B of this Explanatory Memorandum
What happens if a Securityholder does not vote on the Simplification Resolution or votes against the Resolution?	If the Simplification Resolution is approved by the requisite majority of eligible Securityholders present in person or by proxy at the Meeting the Simplification Transaction will proceed in relation to all Securityholders even if a Securityholder did not vote or voted against the Simplification Resolution.	Sections 5.4 of Part B of this Explanatory Memorandum

Question	Answer	Further information
Will Securityholders pay tax as a result of the steps involved in Simplification Transaction?	Securityholders who are Australian residents and hold their securities on capital account should not pay any tax in relation to the Simplification Transaction. Tax may be payable for those Securityholders who hold their securities other than on capital account for Australian income tax purposes. Non-resident Securityholders who hold their securities on capital account should not be subject to CGT where they hold less than 10% of the securities on issue on the record date (and have not held a 10% or greater interest for a 12-month period in the 24 months prior to the record date – such Securityholders should have the same outcomes as resident Securityholders) for the Simplification Transaction. This is on the basis that non-resident Securityholders should only be subject to Australian capital gains tax on Securities that are considered to be an indirect interest in Australian real property. Broadly, this is defined as an interest held by a non-resident taxpayer (and its associates) of 10% or more, where the value of that interest is principally attributable to Australian real property. Depending on the tax profile of individual Securityholders, tax may be payable. Securityholders should seek specialist tax advice in respect of their particular circumstances.	Sections 5.2 and 7 of Part B of this Explanatory Memorandum
Will Charter Hall WALE Limited continue to be the responsible entity of the REIT after the Simplification Transaction?	Yes. If the Simplification Transaction proceeds, Charter Hall WALE Limited will continue to be the responsible entity for the REIT.	Section 5.7 of Part B of this Explanatory Memorandum
What happens if the Simplification Transaction does not proceed?	The REIT will remain a three vehicle stapled group listed on the ASX and Securityholders will continue to hold Stapled Securities in their current form. The anticipated simplified financial and tax reporting for investors and cost savings will not be realised.	Section 5.3 of Part B of this Explanatory Memorandum
Will the REIT's financing arrangements be affected by the Simplification Transaction?	Charter Hall WALE Limited has obtained all relevant consents from its financiers required to implement the Simplification Transaction on terms which it considers can be fulfilled. There are not expected to be any material changes to the financing arrangements as a result of the Simplification Transaction.	Section 6.2 of Part B of this Explanatory Memorandum
Any other questions?	If, after reading this Explanatory Memorandum, you have any further questions about the Simplification Transaction, please contact the REIT Securityholder information line on: +61 1300 303 063 (toll free within Australia).	

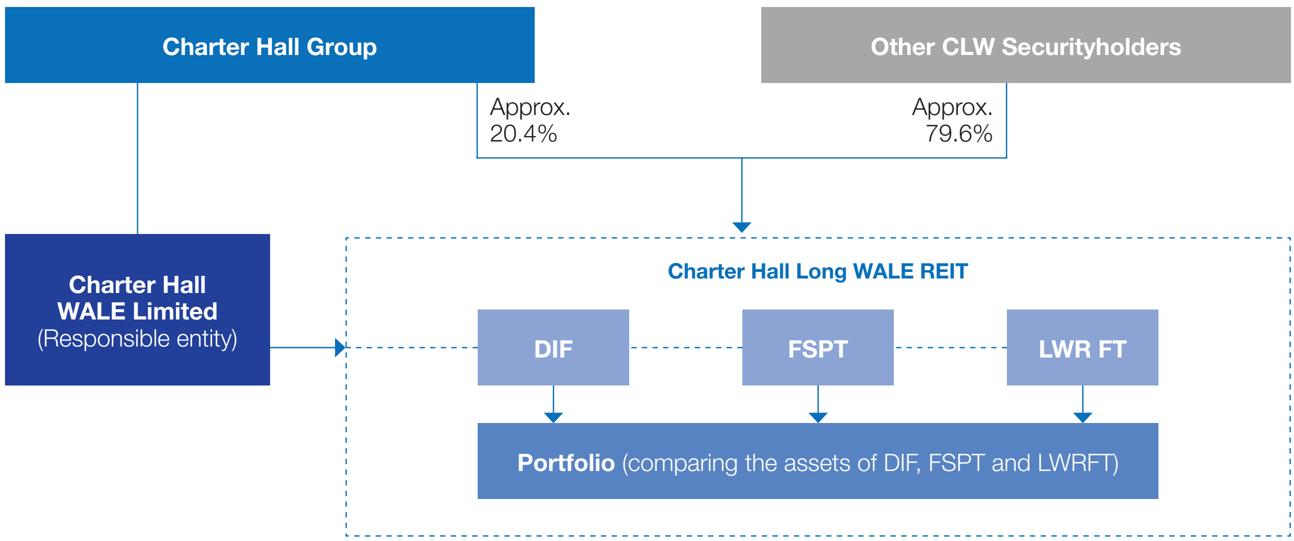
Explanatory Memorandum

3. Overview of the Simplification Transaction

3.1 What is the Simplification Transaction?

The REIT is currently a stapled vehicle comprising three Stapled Trusts, being DIF, FSPT and Finance Trust. Securityholders collectively own 100% of the Stapled Trusts. This is shown in the diagram below.

Current structure of the REIT

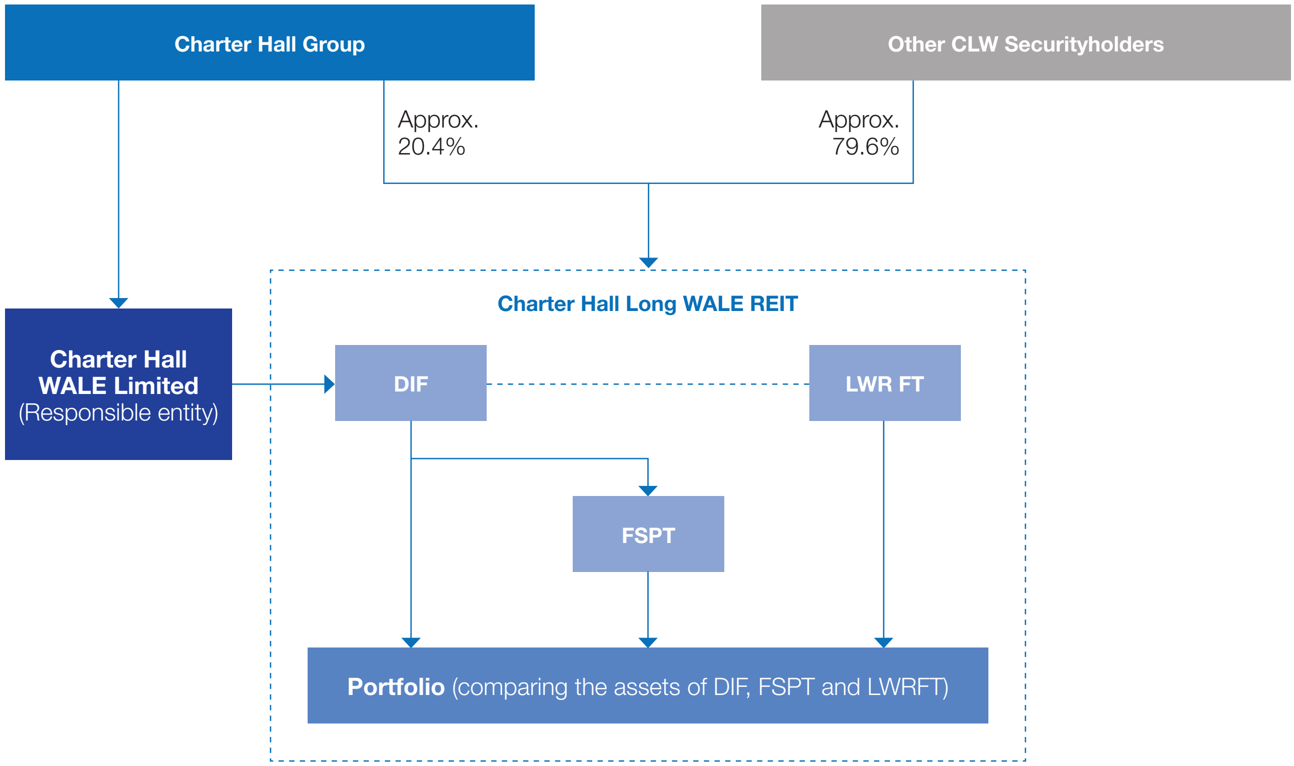


The Simplification Transaction will involve (among other steps) DIF acquiring all of the units in FSPT.

The units in FSPT will be acquired from Securityholders in exchange for the issue of additional units in DIF. As DIF is 100% owned by Securityholders the acquisition of the units in FSPT by DIF will result in no change in the business or assets of the REIT and Securityholders will continue to own 100% of the units in FSPT indirectly through DIF.

The diagram below shows the structure of the REIT after the implementation of the Simplification Transaction.

Structure of the REIT following the implementation of the Simplification Transaction



The Simplification Transaction is subject to Securityholders approving the Simplification Resolution which is set out in the Notice of Meeting and further described in Section 5.1 of Part B of this Explanatory Memorandum.

3.2 Rationale for the Simplification Transaction

In 2016, the REIT was created and listed on the ASX as a seven trust stapled structure. This seven stapled trust structure was reduced to a three stapled trust structure following the approval of Securityholders at the meeting that took place on 15 September 2017. The current three stapled trust structure means that the REIT comprises three listed registered managed investment schemes all of which are combined together through stapling such that each Securityholder owns an identical number of units in each scheme. This three trust stapled structure was adopted to simplify the structure of the REIT while maintaining its underlying business and strategy.

The Notice of Meeting and Explanatory Memorandum to the 15 September 2017 meeting held to consider the 2017 Simplification noted that simplifying the REIT's structure further was not desirable as the costs and efficiencies of implementing such a structure would outweigh the benefits of further simplifying the REIT's structure at that time.

No stamp duty will be payable on the transfer of FSPT to DIF as South Australia has abolished duty on transfers of interests in non-residential, non-primary production land from 1 July 2018. Having considered the costs and the efficiencies of further simplifying the REIT's structure at this time and noting that no stamp duty should be payable, the Board considers that it is now appropriate to implement the Simplification Transaction.

As with the 2017 Simplification, the Simplification Transaction will simplify the structure of the REIT but not change its underlying business or strategy. Overall, the Board considers that the benefits and advantages of reducing the number of listed stapled registered managed investment schemes outweigh the disadvantages of the Simplification Transaction, which the Board considers are very limited. The key benefits, advantages and disadvantages of the Simplification Transaction are described in Section 5.2 of Part B of this Explanatory Memorandum.

Explanatory Memorandum

3.3 Effect of the Simplification Transaction on Securityholders

The Simplification Transaction will not change the underlying economic interests of Securityholders.

Immediately after the Simplification Transaction has been implemented, Securityholders will hold the same number of Stapled Securities, the same percentage interest and voting power in the REIT and its assets and the same proportionate rights and liabilities in relation to the REIT's business as before the Simplification Transaction.

If the Simplification Transaction is implemented, the number of component security parts which make up each Stapled Security will be reduced as Securityholders will cease to directly hold units in FSPT. Instead they will indirectly own the units in FSPT through their ownership of DIF. After implementation of the Simplification Transaction, Securityholders will continue to own 100% of the assets of each of the Stapled Trusts which currently comprise the REIT.

Securityholders will not pay or receive any cash consideration as part of the Simplification Transaction.

3.4 No impact on the REIT's business, strategy, operations or assets

The Simplification Transaction will not change the underlying business, strategy, operations or assets of the REIT.

3.5 Directors' recommendation

The Board of Charter Hall WALE Limited has considered the proposed Simplification Transaction and believes that the proposed Simplification Transaction is in the best interests of the REIT and Securityholders.

Accordingly, the Board unanimously recommends that Securityholders vote in favour the Simplification Resolution.

4. Key dates

The Board intends to implement the Simplification Transaction in accordance with the timetable below.

Proposed dates and times	Summary of key Meeting dates
Saturday, 4 August 2018 10.00am (AEST)	Last date and time to lodge proxy forms for the Meeting
Saturday, 4 August 2018 7.00pm (AEST)	Date and time to determine Securityholders' eligibility to vote on the Simplification Resolution at the Meeting
Monday, 6 August 2018 10.00am (AEST)	Meeting at which Securityholders can vote on the Simplification Resolution
Proposed dates	**Summary of key dates for Simplification Transaction**
16 August 2018	Notify ASX of Simplification timetable.
17 August 2018	Last date for trading on the ASX of Stapled Securities as a three-component stapled security
20 August 2018	Recomposed Stapled Securities commence trading on the ASX on a deferred settlement basis
21 August 2018	Record Date for the Simplification Transaction
22 August 2018	Implementation of Simplification Transaction: • Units in REIT schemes unstapled • DIF compulsorily acquires units in FSPT • New DIF Units issued to former unitholders in FSPT • DIF units are consolidated to original number • Units in DIF and LWR FT are re-stapled
23 August 2018	Trading on the ASX on a deferred settlement basis ends New holding statements dispatched to Securityholders
24 August 2018	Stapled Securities recommence trading on ASX on a normal basis (T + 2 settlement)

Dates and times are indicative only and may change. Charter Hall WALE Limited reserves the right to change any of the above dates and times without notice, subject to the ASX Listing Rules and the Corporations Act. Where required, changes to this timetable will be announced to the ASX and posted on the REIT's website at www.longwalereit.com.au.

Explanatory Memorandum

5. Simplification Transaction

5.1 Simplification Transaction key steps

There are 4 key steps relating to the Stapled Securities required to implement the Simplification Transaction, which are set out below.

Step 1 – Destapling of Stapled Securities	Stapled Securities are stapled together and accordingly, the units in FSPT cannot be dealt with separately from the units in DIF and the other Stapled Trusts unless the Stapled Securities are unstapled from each other. Step 1 of the Simplification Transaction will involve the temporary destapling of the Stapled Securities. No transfers of units in the Stapled Trust may be made during this period of destapling other than as contemplated in the steps described below. *Following this Step, Securityholders will continue to own the exact same percentage of the REIT's Securities as they owned prior to the Simplification Transaction.*
Step 2 – Units in FSPT acquired in exchange for additional DIF units	After the destapling of the Stapled Securities described in Step 1, the custodian for DIF will acquire all of the units in FSPT from Securityholders as at the Record Date. Charter Hall WALE Limited, as the responsible entity of FSPT, will compulsorily apply the purchase price for those units in FSPT on behalf of Securityholders towards an application for new units in DIF. Charter Hall WALE Limited, as responsible entity of DIF, will accept the application for new units and issue new units in DIF to Securityholders at an issue price equal to the NTA of a DIF unit.
Step 3 – DIF unit consolidation	Following Step 2, there will be more DIF units on issue than units in the Finance Trust. In order to re-balance the number of units in those trusts so that each has an equal number of units on issue, DIF will undertake a unit consolidation in a ratio that results in the number of DIF units on issue being equal to the number of DIF units that were on issue immediately prior to the Simplification Transaction. This will be equal to the number of units in the Finance Trust. All DIF units will be consolidated at the same ratio (and rounded so that each Securityholder holds the same number of DIF units that were held by that Securityholder immediately prior to the Simplification Transaction). *Following this Step, Securityholders will continue to own the exact same percentage of the units in DIF and Finance Trust as they owned prior to the Simplification Transaction and through their ownership of DIF, will indirectly continue to own the exact same percentage of the units in FSPT as they owned prior to the Simplification Transaction.*
Step 4 – Stapling of units in DIF and Finance Trust	DIF and Finance Trust will enter into a new Stapling Deed, on similar terms to the REIT's existing Stapling Deed, and their units will be stapled together on a 1-for-1 basis such that each Securityholder will hold an identical number of Securities that they held prior to the Simplification Transaction but where each Stapled Security comprises 1 unit in DIF and 1 unit in Finance Trust. *Following this Step, Securityholders will own the exact same percentage of the REIT's Securities as they owned prior to the Simplification Transaction.*

It is currently contemplated that following the steps above, DIF, or a wholly owned sub-trust of DIF, will acquire all of the assets of FSPT. The payment for those assets would be in the form of promissory notes issued by DIF in an amount equal to the agreed sales price of the assets acquired. As each of the Stapled Trusts are stapled together and 100% owned by Securityholders, in accordance with relief granted by ASIC, the REIT can transfer the assets between the Stapled Trusts in this way under the terms of the REIT's Stapling Deed. Securityholders would continue to own the assets transferred to DIF, or a wholly owned sub-trust of DIF, because the nature of stapling is such that they own 100% of DIF in the same proportions as they own 100% of the other Stapled Trust.

Following implementation of the Simplification Transaction:

- Charter Hall WALE Limited will continue to be the responsible entity for DIF and Finance Trust. Charter Hall WALE Limited will also continue to be the responsible entity for FSPT until it is deregistered as a registered managed investment scheme; and
- units of FSPT will cease to be quoted on the ASX, while units in the Remaining Trusts will continue to be quoted on the ASX.

5.2 Advantages and disadvantages of the Simplification Transaction

The Board considers that the main advantages and benefits of the Simplification Transaction and the main disadvantages of the Simplification Transaction are as set out in the table below.

Advantages and benefits	Disadvantages
Simplified financial reporting requirements The REIT's current three trust stapled structure requires the annual production of three sets of audited financial statements, together with half-year financial statements and a complex annual tax statement for investors to review their security holding. The new structure would require the preparation of only one set of consolidated financial statements and a simpler annual tax statement which would reduce the audit and tax advisory fees being currently incurred by the REIT. A simplified structure would also save administration time spent by the finance, company secretarial, legal, tax, treasury, and investor relations teams in relation to the above reporting and compliance activities. The cost savings to Securityholders arising from simplified financial and tax reporting requirements are expected to be approximately $20,000 per year.	**Transaction costs** One-off transaction costs will be incurred as part of the Simplification Transaction, including costs of approximately $137,875 associated with legal and tax advisory fees and the costs of holding the Meeting. These costs will be met by drawing on available trust funds and equate to approximately $0.001 per Stapled Security or 0.01% of the REIT's net tangible assets per Stapled Security as at 31 December 2017 of $4.02 and 0.2% of the REIT's FY18 distributable earnings per Security of 26.4 cents per unit. The Board has weighed up the one-off transaction costs against the benefits of the reduction in the complexity of the REIT's structure, simplification of the REIT's financial reporting requirements, the simplification of the financial and tax reporting for investors and the estimated ongoing annual cost savings which would be achieved from the Simplification Transaction which are expected to be approximately $20,000 per annum.
Historical reasons for three-vehicle stapled structure no longer relevant At the time the 2017 Simplification, it was considered that simplifying the REIT's structure further was not desirable as the costs and efficiencies of implementing such a structure would outweigh the benefits of further simplifying the REIT's structure at that time. However, the Board now considers it is appropriate to implement the Simplification Transaction as South Australia has abolished duty on transfers of interests in non-residential, non-primary production land from 1 July 2018 and to reduce the complexity and costs associated with maintaining and administering the REIT (see Section 3.2 of Part B of this Explanatory Memorandum for further details).	**ATO Rulings not obtained** As set out in Section 1.2 of Part B of this Explanatory Memorandum, the Simplification Transaction will proceed whether or not the Class Ruling or Private Ruling is obtained. If the Class Ruling is not obtained: • Resident Securityholders will have an acquisition date for some of their units in DIF as at the date of implementation of the Simplification Transaction. This may be relevant in determining eligibility for the CGT discount. If the Private Ruling is not obtained: • Non-Resident Securityholders may be subject to taxation on an amount higher than their economic gain in respect of their indirect interest in the ATO Adelaide property.

Explanatory Memorandum

5.2 Advantages and disadvantages of the Simplification Transaction (continued)

Advantages and benefits	Disadvantages
Reduced tax administrative burden for Securityholders The REIT's current three trust stapled structure requires investors to track the tax position for the three separate securities. A simplified structure will reduce this administrative burden for investors. **Appropriate tax outcomes if Resolution 1 is also passed** If Resolution 1 is also passed, Australian resident Securityholders who hold their Stapled Securities on capital account should on the sale of the 50% interest in ATO Adelaide be subject to tax on the economic gain in respect of their indirect interest in the ATO Adelaide property realised, rather than a taxable gain calculated by reference to the cost base inherited by the REIT.	**Period of deferred settlement trading** While Stapled Securities will continue trading on ASX throughout the implementation of the Simplification Transaction, as is standard for restructures under ASX timetables, there will be a short period during which trading will be on a "deferred settlement" basis. This means that if you sell your Stapled Securities during this "deferred settlement" period you will not receive your sale consideration until two trading days after the end of the "deferred settlement" trading period (you would ordinarily receive your sale consideration two trading days after your trade). As set out in the timetable in Section 4 of Part B of this Explanatory Memorandum, the "deferred settlement" trading period is expected to run for a total of 6 ASX trading days.

5.3 Implications if the Simplification Transaction is not implemented

If the Simplification Transaction is not implemented, including because the Simplification Resolution is not approved by Securityholders:

- the REIT will remain as a three vehicle stapled vehicle listed on the ASX;
- Securityholders will continue to hold Stapled Securities in their current form, comprising an ordinary Unit in each Stapled Trust, stapled together;
- the REIT will continue to produce three sets of annual audited financial statements and half-year financial statements as well as complex annual tax statements for investors reflecting the REIT's three vehicle stapled structure; and
- the REIT will incur the one-off transaction costs of approximately $137,875 but will not receive the other anticipated advantages and benefits of the Simplification Transaction described in Section 5.2 above.

5.4 Simplification Transaction will be binding on all Securityholders

Securityholders should note that if the Simplification Resolution is approved, the Simplification Transaction (when implemented) will be binding on all Securityholders, irrespective of whether they voted in favour of the Simplification Resolution or did not vote at all.

5.5 No impact on substantial Securityholders or the control of the REIT

As all Securityholders will participate in the Simplification Transaction on an identical basis, the Simplification Transaction will not result in any change in any Securityholder's proportionate ownership of the REIT.

The REIT currently has three substantial Securityholders, including Charter Hall Group through the custodian of a sub-trust of Charter Hall Group. Charter Hall Group currently has a relevant interest in 20.4% of the REIT's Stapled Securities. The Simplification Transaction will not result in any change in any substantial Securityholder's Relevant interest in the REIT's Stapled Securities.

5.6 Foreign Securityholders

All Securityholders, including Securityholders with a registered address in a foreign jurisdiction, will participate in the Simplification Transaction on the same basis if the Simplification Resolution is approved.

Foreign Securityholders should be aware that the distribution of this Explanatory Memorandum (including an electronic copy) in jurisdictions outside Australia, New Zealand and Singapore may be restricted by law. If you come into possession of this Explanatory Memorandum in jurisdictions outside Australia, New Zealand and Singapore then you should seek advice on, and observe any such restrictions. If you fail to comply with such restrictions, that failure may constitute a violation of applicable securities laws. Charter Hall WALE Limited disclaims all liabilities to such persons. This Explanatory Memorandum and the Stapled Securities have not been registered in any jurisdiction other than Australia.

This Explanatory Memorandum does not constitute an offer or recommendation of Stapled Securities in any jurisdiction or to any person to whom it would be unlawful to make such an offer. You should seek advice before receiving Stapled Securities in any country outside Australia, New Zealand and Singapore.

5.7 Governance

There will be no change to the governance of the REIT or the membership of the Board as a result of the Simplification Transaction i.e. the current Directors will continue to constitute the Board of Charter Hall WALE Limited and Charter Hall WALE Limited will continue to be the responsible entity of the REIT. Details of the members of the Board and their interests as at the date of the Notice of Meeting are listed at Section 8.7 of Part B of this Explanatory Memorandum.

5.8 Trading on ASX after the Simplification Transaction

Following the implementation of the Simplification Transaction, Stapled Securities will continue to trade on the ASX (ASX: CLW).

6. Financial information

6.1 Costs of the Simplification Transaction

The costs of implementing the Simplification Transaction are expected to be approximately $137,875 consisting of fees for legal and taxation advice and the costs of holding the Meeting. These costs will be met by drawing on available trust funds and will not materially reduce if the Simplification Transaction is not implemented.

6.2 Financing

As units in FSPT are being transferred by Securityholders to DIF in exchange for the issue by DIF of additional DIF units, no cash consideration will be payable to Securityholders and no debt funding is required to finance the acquisition of units in FSPT by DIF. All necessary consents from lenders in order for the Simplification Transaction to occur have been obtained on terms which Charter Hall WALE Limited considers can be fulfilled and there will not be any material changes to the REIT's financing arrangements as a result of the Simplification Transaction.

6.3 Financial information following the Simplification Transaction

A copy of the REIT's half-year audited Financial Report for the period from 1 July 2017 to 31 December 2017 was lodged with the ASX on 15 February 2018 and is available on the REIT's website at www.longwalereit.com.au.

The Simplification Transaction will not have any impact on the REIT's consolidated financial position or NTA and the Board does not expect that the Simplification Transaction will have a material impact on:

- the REIT's profit attributable to Securityholders;
- distribution guidance or policy as currently advised to the market; and
- the presentation of its consolidated financial report or the entities/operations that are in the consolidated financial report.

Currently the REIT presents its financial statements in the form of an audited financial report for the REIT on a consolidated basis together with two separate sets of audited financial reports for each of the two Stapled Trusts other than DIF. Following the Simplification Transaction, the REIT will only need to prepare one consolidated audited financial report for the REIT.

Explanatory Memorandum

7. Tax

7.1 General

This Section 7 of the Explanatory Memorandum provides a guide to the general Australian tax implications that should arise for Securityholders as a result of the implementation of the Simplification Transaction, based on income tax legislation enacted at the date of the Notice of Meeting. It does not purport to be a complete analysis to identify all potential tax consequences nor is it intended to replace the need for specialist tax advice in respect of the particular circumstances of individual Securityholders.

The Board recommends that all Securityholders consult their tax advisors as to the tax consequences of the Simplification Transaction. Non-resident Securityholders will also need to consider any implications to them under the tax regimes of countries other than Australia.

7.2 Australian income tax consequences

This Section 7 is applicable to Securityholders who are Australian residents for tax purposes and who hold their Stapled Securities on capital account. While this part also provides a general guide for Securityholders who are not Australian residents for tax purposes, it does not consider their position in detail.

This Section 7 is not applicable for Securityholders who do not hold their Stapled Securities as capital assets (for example Securityholders who hold their Stapled Securities as trading stock, revenue assets for the purposes of resale or profit or are subject to the operation of Division 230 of the Income Tax Assessment Act 1997).

Securityholders who hold their Stapled Securities on capital account should be eligible for Roll Over Relief in relation to any gain made on the exchange of their units in FSPT for units in DIF. Further, no adverse income tax consequences should arise for Securityholders as a result of the DIF Unit Consolidation which will occur (and is described further at step 2 of Section 5.1 of Part B of the Explanatory Memorandum) after the unit for unit exchange.

Charter Hall WALE Limited has applied for a Class Ruling on behalf of Australian resident Securityholders confirming that Securityholders will be eligible for CGT rollover relief under Subdivision 124-M of the Income Tax Assessment Act 1997 in relation to the exchange of their units in FSPT for units in DIF. Charter Hall WALE Limited expects the ATO to provide as draft Class Ruling shortly after the date of this Notice of Meeting. A link to the finalised Class Ruling will be made available on the REIT's website following publication by the ATO.

On the basis of the expected ATO rulings, the income tax implications for Securityholders are set out below:

Destapling of Stapled Securities

The legal mechanism giving effect to the stapled arrangement of the Stapled Trusts is contained within the REIT's Constitutions. The effect of destapling will merely vary existing contractual arrangements in place under the REIT's Constitutions. No change in ownership of the units in DIF, FSPT and Finance Trust occurs as a result of destapling and no other CGT event should occur as a result of the destapling. Accordingly, destapling of the Stapled Securities should not result in a CGT liability for Securityholders.

DIF units acquired by Securityholders for units in FSPT

For CGT rollover to apply, any capital gain otherwise made by Securityholders on disposal of their Stapled Securities should be disregarded and not reported in Securityholders' 2019 income tax returns. The cost base and reduced cost base in the new DIF units received by Securityholders should be equal to the aggregate cost base of their original units in DIF and FSPT.

If a Securityholder incurs a capital loss on disposal of their Stapled Securities, he/she is not eligible to elect CGT rollover. For these Securityholders and other Securityholders who do not elect CGT rollover, the cost base of the new DIF units will be equal to the market value of the new DIF units at the time of issue.

DIF Unit Consolidation

No unit in DIF will be cancelled as a result of the DIF Unit Consolidation described at Step 3 of Section 5.1 of Part B of this Explanatory Memorandum – rather the DIF Unit Consolidation should result in a merger of the new DIF units into the original DIF units held by Securityholders. Securityholders will not receive any capital proceeds consequent to the reduction in the number of units on issue, nor will there be a change to the proportionate interests held by each Securityholder in DIF.

Accordingly, no CGT event will occur as a result of the DIF Unit Consolidation and therefore there will be no taxable events arising for Securityholders.

The CGT cost base of each unit held in DIF post the DIF Unit Consolidation should be equal to the sum of the CGT cost bases of the new DIF units issued under the Simplification Transaction (see Step 3 of Section 5.1 of Part B of this Explanatory Memorandum) and the original DIF units held. For Securityholders who elect CGT rollover, this will be the same as the sum of the cost bases of the original DIF and FSPT's units held immediately prior to the Simplification Transaction. For Securityholders who do not elect CGT rollover, this will be equal to the sum of the cost bases of the original DIF units held immediately prior to the Simplification Transaction and the cost base of the new DIF units issued as part of the Simplification Transaction.

Disposal of Stapled Securities shares after the Simplification Transaction

As was the case prior to the Simplification Transaction, a disposal of Stapled Securities after the Simplification Transaction will be a CGT event and Australian resident shareholders will be required to calculate a capital gain or loss. Certain Securityholders who hold their shares on capital account (such as individuals and superannuation funds who have held their shares for more than 12 months) may be entitled to discounted CGT treatment (that is, 50% discount for individuals and one-third discount for superannuation funds).

CGT roll-over should apply to Securityholders who do not report the amount of the capital gain that would have otherwise been required on their 2019 income tax return. For the purposes of the 12-month ownership condition, they will be taken to have acquired the additional DIF units issued in consideration of the transfer of their FSPT units on the date that they acquired their original FSPT units as part of the three stapled securities. For Securityholders who do not elect CGT roll-over, they will be taken to have acquired the additional DIF units issued in consideration of the transfer of their FSPT units on the date of issue. The acquisition date of the existing DIF units will be unchanged.

Non-resident investors

To the extent that Securityholders are not Australian residents for tax purposes, any capital gain or loss they make in relation to their Stapled Securities as part of the Simplification Transaction steps described above should not be subject to CGT unless the non-resident Securityholders (together with its associates) have beneficially owned 10% or more of the issued units in FSPT at the time of the Simplification Transaction or for a 12 month period during the two years prior to Simplification Transaction.

Where a capital gain derived by a non-Australian resident Securityholder would be subject to CGT that non-Australian resident Securityholders' CGT position in relation to the Simplification Transaction steps described above should align with Australian resident Securityholders, with the exception that the 50% CGT discount would only apply to capital gains accruing pre 8 May 2012.

7.3 Stamp Duty

No stamp duty should be payable by Securityholders on their disposal of units in FSPT or the acquisition of DIF units (including their subsequent consolidation) pursuant to the Simplification Transaction.

7.4 GST

Securityholders should not be liable for (or be required to pay) GST on disposal of their FSPT units or in receipt of their additional DIF units.

7.5 What if the ATO declines to issue the Class Ruling or the Private Ruling?

If the ATO declines to issue the Class Ruling:

- Australian resident Securityholders should not trigger a capital gain in respect of the Simplification Transaction. However, Securityholders may have an acquisition date in relation to some of their units in DIF as at the date of Simplification Transaction. This may be relevant in determining eligibility for CGT discounting in the future.

If the ATO declines to issue the Private Ruling:

- Non-resident Securityholders may be subject to withholding tax calculated by reference to an amount exceeding the economic gain made on their investment in the REIT.

If the ATO declines to issue both the Class Ruling and the Private Ruling, both of the above points would apply.

Explanatory Memorandum

8. Additional Information

8.1 Implementation deed

Charter Hall WALE Limited as responsible entity of each Stapled Trust has entered into a Simplification Implementation Deed to document the arrangements to give effect to the Simplification Transaction. The Simplification Implementation Deed sets out the Conditions for the implementation of the Simplification Transaction. The approval of the Simplification Resolution by the requisite majority of Securityholders is a condition precedent to the implementation of the Simplification Transaction under the Simplification Implementation Deed.

8.2 Replacement stapling deed

On implementation of the Simplification Transaction a Replacement Stapling Deed will be entered into to reflect the change to the Stapled Trusts comprising the REIT. The Replacement Stapling Deed will otherwise be on the same terms as the Stapling Deed entered into around the date of the initial public offering of the REIT. A summary of the Stapling Deed entered into around the date of the initial public offering of the REIT is set out in Section 14.7 of the Charter Hall Long WALE REIT Product Disclosure Statement dated 27 September 2016 ("**PDS**").

8.3 Co-ownership agreement updates

If the Proposed Sale Resolution is passed by the requisite majority of Securityholders in the REIT, it is expected that a 50% interest in the ATO Adelaide property will be sold by FSPT to DOF FST on or about 13 August 2018 such that the ATO Adelaide property will be co-owned by FSPT and DOF FST. A co-ownership agreement will be entered into between FSPT and DOF FST to govern these co-ownership arrangements. A summary of the co-ownership agreement is set out in Section 7 of Part A of this Explanatory Memorandum.

As set out in Section 5.1 of Part B of this Explanatory Memorandum, it is currently contemplated that following the Simplification Transaction, DIF (or a wholly owned sub-trust of DIF) would acquire all of the assets of FSPT, including FSPT's interest in ATO Adelaide. Following this acquisition and assuming the Proposed Sale has completed, DIF (or a wholly owned sub-trust of DIF) would be the new co-owner of the ATO Adelaide property and will hold a 50% interest in this property. To that end, it is expected that DIF (or a wholly owned sub-trust of DIF) would enter into accession arrangements in respect of the ATO Adelaide property. It is expected that the effect of these accession arrangements is that references in the previous co-ownership agreement to FSPT become references to the new co-owner, being DIF (or a wholly owned sub-trust of DIF). If DIF becomes the co-owner under the ATO Adelaide co-ownership agreement references to FSPT in the summary of the co-ownership agreement set out in Section 7 of Part A of this Explanatory Memorandum should then be read as references to DIF. However, if a wholly owned sub-trust of DIF becomes the co-owner under the ATO Adelaide co-ownership agreement, the reference to FSPT in the Subsidiary Trust Change of Control Event set out in the summary of the co-ownership agreement should be read as references to the wholly owned sub-trust of DIF and all other references to FSPT should be read as references to DIF.

8.4 ASX waivers and confirmation

Charter Hall WALE Limited has obtained the following waivers and confirmations from ASX in connection with the Simplification Transaction:

- **Listing Rule 7.1:** a waiver to allow DIF to issue DIF units as consideration for the transfer of FSPT units in connection with the Simplification Transaction without DIF Securityholder approval;
- **Listing Rule 10.11:** a waiver to allow DIF to issue DIF units to existing Securityholders who may be related parties of DIF (such as the directors of Charter Hall WALE Limited and Charter Hall Group entities) without Securityholder approval where the DIF units are issued in connection with the Simplification Transaction and all Securityholders participate in the Simplification Transaction on identical terms; and
- **Listing Rule 7.17:** a confirmation that the requirements of Listing Rule 7.17 are not applicable to the Simplification Transaction.
- **Listing Rule 7.18:** a confirmation that, on the basis the Simplification Transaction follows a timetable approved by ASX, ASX has no concerns as to the maintenance of an orderly market in the Stapled Securities during the course of implementing the Simplification Transaction.
- **Listing Rule 7.40:** a confirmation that the proposed timetable for the Simplification Transaction as set out in Section 4 of Part B of this Explanatory Memorandum is in accordance with Listing Rule 7.40.

In addition to the waivers and confirmations referred to above, Charter Hall WALE Limited has obtained an update of the waivers from Listing Rules 8.10 and 10.1 granted by ASX at the time of the REIT's 2017 Simplification to facilitate the stapling of the three Stapled Trusts together to form the REIT. These updated waivers are conditional on the Simplification Transaction being implemented and will facilitate the stapling of the Remaining Trusts together to form the restructured REIT following the Simplification Transaction.

8.5 ASIC modifications and exemptions

Charter Hall WALE Limited has obtained the following relief from ASIC in connection with the Simplification Transaction:

- **Part 7.9 of the Corporations Act:** relief from the requirement to provide a product disclosure statement in connection with the offer and issue of DIF units under the Simplification Transaction (or the on-sale of those DIF units);
- **Voting relief:** a modification of item 7 of section 611 of the Corporations Act to allow Securityholders to vote on the Simplification Resolution even though the units in FSPT held by all Securityholders will be sold to DIF in connection with the Simplification Transaction. Without this relief, item 7 of section 611 would prohibit any Securityholder whose units in FSPT were being acquired under the Simplification Transaction from voting on the Simplification Resolution. This would mean no Securityholder could vote as all Securityholders' units in FSPT will be acquired under the Simplification Transaction;
- **Unsolicited offer relief:** relief from the unsolicited offer provisions in Division 5A of Part 7.9 of the Corporations Act;
- **Standard stapled entity / trust relief:** as the REIT will be a two trust stapled structure (instead of a three trust stapled structure) following the Simplification Transaction, the following standard stapled entity / trust relief has been obtained in respect of the Remaining Trusts:
  - sections 601FC, 601FD and 601FE – relief required to enable Charter Hall WALE Limited's officers to act in the best interests of the Securityholders collectively rather than the interests of unit holders in a particular Remaining Trust and use information for the benefit of Securityholders collectively rather than separate interests of unitholders in a particular Remaining Trust;
  - Part 5C.7 – modification to allow Charter Hall WALE Limited to provide financial benefits out of scheme property of a Remaining Trust to the other Remaining Trust (and their controlled entities); and
  - section 1012D(3) – relief to permit the offer of stapled securities under a future distribution reinvestment plan without having to issue an additional product disclosure statement.
- **Financial Services Guide relief (section 941A):** relief from the requirement to prepare a Financial Services Guide and give it to Securityholders who are retail clients.

Explanatory Memorandum

8.6 Information about Stapled Securities

As at the date of this Notice, the number of Stapled Securities on issue is 232,300,142. The Simplification Transaction will involve additional DIF units being issued and DIF units being consolidated such that following completion of the Simplification Transaction the number of Stapled Securities on issue will remain unchanged and there will continue to be 232,300,142 Stapled Securities on issue (each of which will comprise one unit in each of the Remaining Trusts) and all 232,300,142 units in FSPT will be owned by DIF.

Following implementation of the Simplification Transaction, there will be no fractional entitlements because the Simplification Transaction will be implemented on a one for one basis.

8.7 Interests of Directors

The Directors of Charter Hall WALE Limited intend to vote any Stapled Securities that they hold in favour of the Simplification Resolution.

The table below shows the Stapled Securities held by the Directors and their related parties as at the date of the Notice of Meeting.

As with all other Securityholders, the number of Stapled Securities the Directors and their related parties hold will not change as a result of the Simplification Transaction.

Director	Number of Stapled Securities
Peeyush Gupta (Chairman)	394,243
Glenn Fraser (Non-executive Director)	44,325
Ceinwen Kirk-Lennox (Non-executive Director)	25,764
David Harrison (Executive Director)	290,458
Adrian Taylor (Executive Director)	Nil

8.8 Continuous disclosure

The REIT is a disclosing entity for the purposes of the Corporations Act and is subject to periodic reporting and continuous disclosure obligations under the Corporations Act and the ASX Listing Rules. In particular, the REIT has an obligation (subject to limited exceptions) to notify the ASX immediately on becoming aware of any information which a reasonable person would expect to have a material effect on the price or value of Stapled Securities. Publicly disclosed information about the REIT is available on the ASX website at www.asx.com.au.

8.9 Updates to the Simplification Transaction

The terms of the Simplification Transaction may change from time to time. If Charter Hall WALE Limited becomes aware of any significant change to the proposed Simplification Transaction or significant new circumstance affecting the Simplification Transaction between the date of issue of this Explanatory Memorandum and the date of the Meeting, Securityholders will be notified in such a way as Charter Hall WALE Limited determines is appropriate, subject to any relevant requirements of ASIC/ASX which may include making this information available on the REIT's website, www.longwalereit.com.au, an announcement on the ASX, an announcement at the Meeting or the issue of a supplementary document to this Explanatory Memorandum.

APPENDIX A

GLOSSARY

Glossary

$ or $A	Australian dollars.
ABN	Australian Business Number.
ARSN	Australian Registered Scheme Number.
ASIC	The Australian Securities and Investments Commission.
Asset Services Agreement	The Asset Services Agreement entered into between Charter Hall Holdings Pty Ltd and the REIT.
ASX	Australian Securities Exchange.
ASX Listing Rules	The official listing rules of the ASX.
ATO	Australian Taxation Office.
ATO Adelaide	The property located at 12-26 Franklin Street, Adelaide.
Board	The Board of directors of Charter Hall WALE Limited, as responsible entity of each of the Stapled Trusts.
CGT	Capital Gains Tax.
Charter Hall Group or Charter Hall	Charter Hall Limited (ACN 113 531 150) and Charter Hall Property Trust (ARSN 113 339 147) and their controlled entities.
Class Ruling	Ruling on whether scrip-for scrip roll-over relief will be available under Subdivision 124-M of the Income Tax Assessment Act 1997 (Cth) and related confirmations in respect of the newly issued units in DIF in consideration for the transfer of units in FSPT, to be obtained on behalf of investors in FSPT.
Constitution or Constitutions	The constitutions of each of the schemes comprising the REIT, as amended from time to time.
Corporations Act	Corporations Act 2001 (Cth).
DIF	Charter Hall Direct Industrial Fund (ARSN 144 613 641).
DIF Unit Consolidation	The consolidation of all DIF units in a ratio that results in the number of DIF units on issue being equal to the number of DIF units that were on issue immediately prior to the Simplification Transaction to facilitate the Remaining Trusts being restapled.
Director	A director of Charter Hall WALE Limited.
DOF or NB Direct	Charter Hall Direct Property Management Limited as responsible entity of Charter Hall Direct Office Fund (ARSN 116 064 343) or NB Direct Property Trust (ARSN 098 151 323), as the context requires.
DOF FST	Charter Hall Nominees Pty Limited (ACN 051 363 529) as trustee for the DOF Franklin Street Trust or DOF Franklin Street Trust, as the context requires.
Finance Trust or LWRFT	LWR Finance Trust (ARSN 614 713 138).
FSPT	The Responsible Entity as responsible entity of Franklin Street Property Trust (ARSN 614 714 206) or Franklin Street Property Trust (ARSN 614 714 206), as the context requires.
GST	Goods and Services Tax.
Independent Expert	Deloitte Corporate Finance Pty Limited (ACN 003 833 127).
Meeting	The Meeting of the REIT, to be held on Monday, 6 August 2018 at 10.00am at Level 20, No.1 Martin Place, Sydney NSW 2000.
Notice of Meeting	The notice of meeting which contains the Explanatory Memorandum.
NTA	Net tangible assets – calculated as the total assets of an entity, minus any intangible assets such as goodwill, patents and trademarks, less all liabilities.

Private Ruling	Australian Taxation Office ruling on the application of the capital gains tax provisions contained in the Income Tax Assessment Act 1997 (Cth) to the Simplification and related confirmations.
Proposed Sale	Proposed transaction between DOF FST and FSPT under which FSPT will sell a 50% interest in ATO Adelaide to DOF FST.
Proposed Sale Resolution	The resolution required to be passed to approve the exercise of the Put and Call Option Agreement and to approve the Proposed Sale, which will be considered and (if thought fit) approved by Securityholders at the Meeting.
Put and Call Option Agreement	The Put and Call Option Agreement entered into between FSPT and DOF FST in connection with the Proposed Sale.
Record Date	The date of the Securityholder register of the REIT for the purpose of determining Securityholder entitlements to Stapled Securities upon implementation of Simplification Transaction.
Register	The register of the Stapled Trusts.
REIT or CLW	Charter Hall Long WALE REIT, the stapled vehicle listed on the ASX comprising each of the Stapled Trusts or, if a Simplification Transaction is implemented, the stapled vehicle comprising the Remaining Trusts
Remaining Trusts	DIF and Finance Trust.
Responsible Entity	In respect of: DIF, FSPT and LWRFT: Charter Hall WALE Limited (ABN 20 610 772 202, Australian Financial Services Licence Number 486721); and DOF: Charter Hall Direct Property Management Limited (ABN 56 073 623 784, Australian Financial Services License Number 226849).
Roll-Over Relief	Scrip for scrip roll-over relief under Subdivision 124-M of the Income Tax Assessment Act 1997 (Cth)
Rulings	Each of the Class Ruling and Private Ruling.
Securityholder	A registered holder of Stapled Securities.
Simplification Transaction	The proposal to simplify the REIT structure by having the custodian of DIF acquire 100% of the units in FSPT in accordance with the steps described in Section 5.1 of Part B of the Explanatory Memorandum.
Simplification Resolution	The resolution required to be passed to implement the Simplification Transaction, which will be considered and (if thought fit) approved by Securityholders at the Meeting.
Stapled Security	A stapled security in the REIT comprising an ordinary unit in each of the Stapled Trusts.
Stapled Trusts	Prior to the implementation of the Simplification Transaction, DIF, FSPT and Finance Trust; and following the implementation of the Simplification Transaction, the Remaining Trusts, each of which is a Stapled Trust.
WALE	Weighted Average Lease Expiry

Interpretation

The following rules apply unless the context requires otherwise:

(a) The singular includes the plural, and the converse also applies.

(b) If a word or phrase is defined, its other grammatical forms have a corresponding meaning.

(c) A reference to legislation or to a provision of legislation includes a modification or re-enactment of it, a legislative provision substituted for it and a regulation or statutory instrument issued under it.

APPENDIX B

INDEPENDENT EXPERT'S REPORT

Charter Hall Long WALE REIT

Independent expert's report and Financial Services Guide

9 July 2018

The Proposed Sale is fair and reasonable to Non-Associated Unitholders

Financial Services Guide (FSG)

What is an FSG?

An FSG is designed to provide information about the supply of financial services to you.

Why are we providing this FSG to you?

Deloitte Corporate Finance Pty Limited (Deloitte Corporate Finance) (AFSL 241457) has been engaged by Charter Hall WALE Limited as Responsible Entity for Charter Hall Long WALE REIT to prepare an independent expert's report (our Report) in connection with the proposed sale of a 50% interest in 12-26 Franklin Street, Adelaide, to Charter Hall Direct Office Fund (the Proposed Sale). Charter Hall WALE Limited will provide our Report to you.

Our Report provides you with general financial product advice. This FSG informs you about the use of general financial product advice, the financial services we offer, our dispute resolution process and our remuneration.

What financial services are we licensed to provide?

We are authorised to provide financial product advice and to arrange for another person to deal in financial products in relation to securities, interests in managed investment schemes, government debentures, stocks or bonds, to retail and wholesale clients. We are also authorised to provide personal and general financial product advice and deal by arranging in derivatives and regulated emissions units to wholesale clients, and general financial product advice relating to derivatives to retail clients.

We are providing general financial product advice

In our Report, we provide general financial product advice as we have not taken into account your personal objectives, financial situation or needs, and you would not expect us to have done so. You should consider whether our general advice is appropriate for you, having regard to your own personal objectives, financial situation or needs.

If our advice is in connection with the acquisition of a financial product, you should read the relevant offer document carefully before making any decision about whether to acquire that product.

How are we remunerated?

Our fees are usually determined on a fixed fee or time cost basis plus reimbursement of any expenses incurred in providing the services. Our fees are agreed with, and paid by, those who engage us. You are not responsible for our fees.

We will receive a fee of $50,000 exclusive of GST in relation to the preparation of our Report. This fee is not contingent on the outcome of the Proposed Sale.

Apart from these fees, Deloitte Corporate Finance, our directors and officers, and any related bodies corporate, affiliates or associates, and their directors and officers, do not receive any commissions or other benefits.

All employees receive a salary, and, while eligible for annual salary increases and bonuses based on overall performance, they do not receive any commissions or other benefits as a result of the services provided to you.

The remuneration paid to our directors reflects their individual contribution to the organisation and covers all aspects of performance.

We do not pay commissions or provide other benefits to anyone who refers prospective clients to us.

Associations and relationships

The Deloitte member firm in Australia (Deloitte Touche Tohmatsu) controls Deloitte Corporate Finance. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu.

We, and other entities related to Deloitte Touche Tohmatsu, do not have any formal associations or relationships with any entities that are issuers of financial products. However, we may provide professional services to issuers of financial products in the ordinary course of business.

What should you do if you have a complaint?

If you have a concern about our Report, please contact us:

The Complaints Officer
PO Box N250
Grosvenor Place
Sydney NSW 1220

complaints@deloitte.com.au
Phone: +61 2 9322 7000

If an issue is not resolved to your satisfaction, you can lodge a dispute with the Financial Ombudsman Service (FOS).

FOS provides fair and independent financial services dispute resolution free to consumers.

www.fos.org.au
1800 367 287 (free call)
Financial Ombudsman Service
GPO Box 3 Melbourne VIC 3001

What compensation arrangements do we have?

Deloitte Australia holds professional indemnity insurance that covers the financial services we provide. This insurance satisfies the compensation requirements of the Corporations Act 2001 (Cth).

9 July 2018

Deloitte.

Deloitte Corporate Finance Pty Limited
A.B.N. 19 003 833 127
AFSL 241457
Grosvenor Place
225 George Street
Sydney NSW 2000
PO Box N250 Grosvenor Place
Sydney NSW 1220 Australia

DX: 10307SSE
Tel: +61 (0) 2 9322 7000
Fax: +61 (0)2 9254 1198
www.deloitte.com.au

The Independent Directors
Charter Hall WALE Limited
Responsible Entity of Charter Hall Long WALE REIT
Level 20, No. 1 Martin Place
Sydney NSW 2000
Australia

9 July 2018

Dear Independent Directors

Re: Independent expert's report

1 Introduction and background

Charter Hall Long WALE REIT (CLW or the REIT) is a property fund listed on the Australian Securities Exchange (ASX) that owns a portfolio of 81 Australian properties predominantly leased to corporate and government tenants on long term leases.

The responsible entity of CLW is Charter Hall WALE Limited (CHWALE or the Responsible Entity) and the manager of CLW is Charter Hall Holdings Pty Limited (Charter Hall Holdings or the Manager), an entity wholly owned by Charter Hall Limited (part of the Charter Hall Group).

CLW (through the Franklin Street Property Trust (FSPT)) currently owns a 100% interest in 12-26 Franklin Street, Adelaide (the ATO Adelaide Property). CLW also carries an associated asset on its balance sheet referred to as the Income Support Fund (ISF), which holds approximately $15.7m in cash (as at 30 June 2018) that is payable to the unitholders of CLW where, amongst other circumstances, the rental income from the ATO Adelaide Property falls below agreed levels.[1]

Charter Hall Nominees Pty Limited as trustee for the DOF Franklin Street Trust (DOF FST), which is a wholly owned sub-trust of NB Direct Property Trust (DOF) has made an offer to FSPT for a 50% interest in the ATO Adelaide Property for $135m (the Proposed Sale Price), together with 50% of the balance of the ISF at the time of settlement (the Proposed Sale).

CHWALE and Charter Hall Nominees Pty Limited are each wholly owned subsidiaries of Charter Hall Group Limited. Accordingly, CLW and DOF are considered related parties.

The Proposed Sale will be undertaken via FSPT entering into a Put and Call Option Agreement with DOF FST for the sale of the 50% interest in the ATO Adelaide Property to DOF FST. Refer to Section 1.1 of Part A of the Notice of Meeting for key terms of the proposed Put and Call Option Agreement.

Chapter 10.1 of the Listing Rules of the ASX (the Listing Rules) requires, when the divestment of a substantial asset to a related party is proposed, the preparation of a report by an independent expert stating whether the proposed transaction is fair and reasonable to the non-associated unitholders. The independent directors of CHWALE (the Independent Directors) have requested that Deloitte Corporate Finance Pty Limited (Deloitte Corporate Finance) provide an independent expert's report advising whether, in our opinion, the Proposed Sale is fair and reasonable to the CLW unitholders not associated with DOF or FSPT (the Non-Associated Unitholders).

We have prepared this report having regard to Chapter 10 of the Listing Rules and the Australian Securities and Investments Commission (ASIC) Regulatory Guide 76 (RG 76), ASIC Regulatory Guide 111 (RG 111) and ASIC Regulatory Guide 112 (RG 112).

[1] Refer to Section 3.5

This report is to be included in an explanatory memorandum (Explanatory Memorandum) prepared by the directors of CHWALE to be sent to unitholders of CLW (the Unitholders) and has been prepared for the exclusive purpose of assisting Non-Associated Unitholders in their consideration of the Proposed Sale. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the Non-Associated Unitholders and CLW, in respect of this report, including any errors or omissions however caused.

2 Basis of evaluation of the Proposed Sale

2.1 Purpose of the report

Chapter 10 of the Listing Rules states that when an entity enters into a transaction with certain persons such as a related party or a substantial holder, and the transaction involves a substantial asset, the transaction requires approval by securityholders not associated with the relevant person. The Listing Rules require the directors of the entity to commission a report by an independent expert stating whether the proposed transaction is fair and reasonable to the non-associated shareholders.

2.2 Guidance

In undertaking the work associated with this report, we have had regard to the Listing Rules, RG 76 in relation to related party transactions, RG 111 in relation to the content of expert's report and RG 112 in respect of the independence of experts.

Chapter 10 of the Listing Rules

Listing Rule 10.1 provides that any transaction involving a substantial asset between a listed entity and a related party of the entity requires unitholder approval. Accordingly, an IER is required to be commissioned under Listing Rule 10.10.2.

Neither the Listing Rules, nor the Corporations Act 2011 (Cth) provides a definition of fair and reasonable for the purposes of Listing Rule 10. However, Listing Rule 10 can encompass a wide range of transactions. Accordingly, fair and reasonable must be capable of broad interpretation to meet the particular circumstances of each transaction. This involves judgement on the part of the expert as to the appropriate basis of evaluation to adopt given the particular circumstances of the transaction.

As Chapter 10 of the Listing Rules provide little guidance on how related party transactions should be assessed, we have had regard to RG 76, as discussed below.

RG 76

According to RG 76, a related party transaction is any transaction through which a public company provides a financial benefit to a related party. As noted in paragraph RG 76.1, related party transactions involve conflicts of interest because related parties are often in a position to influence the decision of whether the benefit is provided to them, and the terms of its provision.

RG 76 refers to RG 111 and RG 112 for guidance on how the independent expert should assess related party transactions.

RG 111 and RG 112

RG 111 provides guidance in relation to the content of independent expert's reports prepared for a range of transactions. RG 111 notes that a related party transaction is:

- fair, when the value of the financial benefit being offered by the entity to the related party is equal to or less than the value of the benefit being received. In valuing the financial benefit given and the consideration received by the entity, an expert should take into account all material terms of the proposed transaction
- reasonable, if it is fair, or, despite not being fair, after considering other significant factors, shareholders should vote in favour of the transaction.

RG 112 primarily focuses on the independence of experts and provides little guidance on evaluating transactions.

2.3 Basis of evaluation

In evaluating whether or not the Proposed Sale is fair and reasonable to Non-Associated Unitholders, pursuant to Listing Rule 10.1, we have made a separate assessment of whether, or not, the Proposed Sale is 'fair' and 'reasonable' as required by RG 111.56.

We have taken into account the following factors in determining whether, or not, the Proposed Sale is fair and reasonable to the Non-Associated Unitholders:

Fairness

- how the Proposed Sale Price of $135m for a 50% interest in the ATO Adelaide Property compares with the assessed fair market value of the ATO Adelaide Property on a pro rata basis

Reasonableness

- whether the Proposed Sale is consistent with the broader investment strategy of CLW
- what implications the Proposed Sale has for CLW
- co-ownership arrangements associated with the Proposed Sale
- the waiver of disposal fees and no payment of agent fees by the Responsible Entity.

2.4 Role of the independent property valuer

Given that property valuations are not our area of expertise and requires specialised knowledge of market conditions in a particular area, we have relied on an expert in this field.

Valuations Services (SA) Pty Ltd, trading as Knight Frank Valuations (SA) (referred to as the IPV), is a property advisory firm that was engaged by CHWALE to prepare a report providing an independent assessment of the fair market value of the ATO Adelaide Property as at 31 March 2018 and to also confirm their opinion of value as at 30 June 2018 (the Detailed IPV Reports). For the purpose of this report, the IPV has prepared a summary report, providing a high level overview of the work undertaken by the IPV (the Summary IPV Report).

The IPV has consented for the Detailed IPV Reports to be provided to us and for the disclosure of their name and the Summary IPV Report in our independent expert's report.

The IPV undertook this work and prepared the Detailed IPV Reports and the Summary IPV Report having regard to the definition of market value, which is defined as the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.

A copy of the Summary IPV Report is provided in Appendix 2 and we have discussed the IPV and their work in Section 5.4.

3 Profile of CLW

3.1 Introduction

CLW was listed on the ASX on 8 November 2016 following an initial public offering of $0.8 billion. The initial portfolio comprised of 66 properties in the office, industrial and retail property sectors of Australia (with a combined value of approximately $1.25 billion), and has since grown to 81 properties with a combined value of approximately $1.5 billion as at 31 December 2017.

Key metrics of the property portfolio are summarised below (pro forma 31 December 2017).

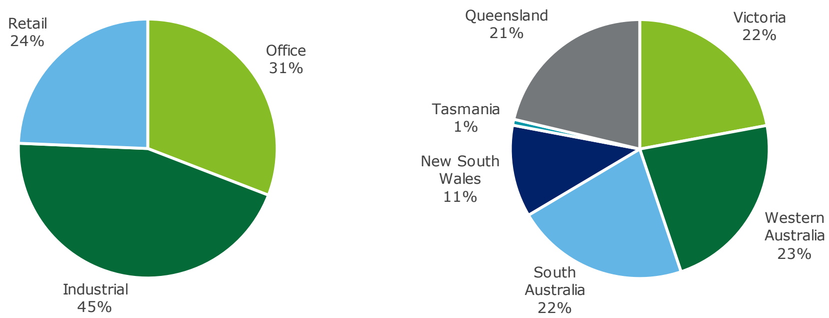
Table 1: CLW's property portfolio[1]

Portfolio	No. of properties	No. of States	Valuation[2,3] ($m)	WACR[4] (%)	WALE[5] (years)	Occupancy (%)	WARR[6] (%)
Office	3	3	462.8	6.0	10.4	100.0	3.4
Industrial	20	5	678.6	6.5	9.7	100.0	2.8
Retail	58	6	374.1	5.9	16.0	100.0	1.9
Total	**81**	**6**	**1,515.5**	**6.2**	**11.3**	**100.0**	**2.8**

Notes:
1. Includes the Virgin Australia Head Office building, which was acquired on 4 January 2018, and the Grace Worldwide facility, which the REIT has unconditionally agreed to sell in August 2018
2. Reflects values at CLW ownership level
3. Values as at 31 December 2017
4. WACR – weighted average capitalisation rate, weighted by value (based on CLW's ownership interest)
5. WALE – weighted average lease expiry, weighted by gross passing income as at 31 December 2017
6. WARR – weighted average rental review, weighted by gross passing income as at 31 December 2017

Source: CLW interim financial report

Figure 1: Sector and geographic diversity of CLW's portfolio (by value)[1]



Note:
1. As at 31 December 2017 and includes the Virgin Australia Head Office building, which was acquired on 4 January 2018, and the Grace Worldwide facility, which the REIT has unconditionally agreed to sell in August 2018

Source: CLW interim financial report

The majority of CLW's tenants are described as operating in non-discretionary industries, with approximately 70% of gross passing income (as at 31 December 2017 pro forma) represented by Government tenants and food and liquor retailers.[2]

The ATO Adelaide Property is one of the three assets held in CLW's office portfolio and represented 58% of the value of CLW's office portfolio as at 31 December 2017. At an estimated value of $270m for a 100% interest, the ATO Adelaide Property is the largest asset in CLW's portfolio, representing 18% of the total value of CLW's properties (on a net interest basis as at 31 December 2017). The next largest asset in the portfolio is the Metcash Distribution Centre, Perth, which is valued at $169m and represents 11% of the portfolio by value.

The ATO Adelaide Property's anchor tenant is the Australian Taxation Office (ATO). Further discussion on the ATO Adelaide Property is provided in Section 3.5.

[2] Woolworths Limited / ALH Group, Coles, Metcash, the ATO and Australia Post

3.2 CLW investment policies

CLW's primary objective is "to provide investors with stable and secure income and the potential for both income and capital growth through an exposure to a portfolio with a long WALE".

According to CLW's Product Disclosure Statement (PDS) dated 26 September 2016, CLW will be actively managed to achieve this investment objective by focusing on high quality Australasian properties that are predominantly leased to corporate and Government tenants on long term leases.

The strategy of CLW is summarised as follows:

Table 2: CLW's property portfolio

Item	Description
Portfolio growth	Grow the portfolio through direct and indirect investments across multiple real estate sectors
Tenant mix	Focus on assets that are predominantly leased to tenants with strong covenants on long term leases and pro-actively manage lease duration and tenant relationships
Portfolio diversity	Diversify the portfolio across multiple real estate sectors, geographies and tenants
Gearing	Maintain a conservative capital structure within a targeted balance sheet gearing[1] range of 25% to 35%
Distribution policy	Target the distribution of 100% of Operating Earnings[2]

Notes:
1. Calculated as the ratio of net drawn debt (excluding unamortised debt establishment costs) to total tangible assets, less cash
2. According to CLW's 2017 annual report, Operating Earnings is a financial measure which represents profit under Australian Accounting Standards adjusted for net fair value movements, non-cash accounting adjustments such as straight lining of rental income and amortisations and other unrealised or one-off items.

Source: CLW PDS

Since listing in late 2016:

- the portfolio has grown from 66 properties valued at $1.25 billion to 81 properties valued at $1.52 billion as at 31 December 2017 (pro forma), with the WALE at IPO moderating from 12.1 years to 11.3 years largely reflecting the passage of time and a broadly neutral contribution from asset acquisitions. The portfolio's current WARR of 2.8% remains consistent with that at IPO (2.9%)
- the distribution of the portfolio by sector has become more balanced across the office, industrial and retail sectors, respectively:
  - IPO: 29%/47%/24%
  - 31 December 2017: 31%/45%/24%
- balance sheet gearing has moderately increased from 23% at IPO to 29% as at 31 December 2017 (pro forma for the Virgin Australia Head Office acquisition). Look-through interest rate hedging is currently at 75% compared with the minimum targeted levels of 50% set out in the PDS
- CLW has outperformed the earnings per share (EPS) targets set out in the supplementary PDS (FY2017: actual EPS of 16.2 cents versus target of 16 cents; 1H2018: actual EPS of 13 cents versus target of 12.8 cents).

3.3 Capital structure

Equity

CLW currently has 232.3m units on issue, with Charter Hall Group representing the largest unitholder at 20.4%, with the balance held by institutional and retail investors.

Recent transactions involving the REIT's capital comprise a simplification exercise undertaken in 2017 (to reduce the number of stapled trusts within the structure from seven to three) and an equity raising of $94.1m completed in December 2017, the proceeds of which were used to fund the acquisition of the Virgin Australia Head Office building at 56 Edmondstone Road, Brisbane in early January 2018.

Debt

CLW's debt facilities and current financial exposure are summarised below.

Table 3: Summary of debt facilities[1]

	Unit	Limit	Drawn	Maturity
Balance sheet debt				
Syndicated debt facility (tranches A, B and C)	$'m	470.0	384.5	Feb-22
Joint venture debt (CLW interest level)				
LWIP[2] debt facility	$'m	67.5	63.0	Sep-20
LWIP US Private Placement (USPP)	$'m	90.0	90.0	May-27
Weighted average cost of debt[3]	%		4.1	
Weighted average debt maturity term	years		4.8	
Balance sheet gearing[4]	%		28.6	
Look-through gearing[4]	%		35.7	
Interest rate hedging summary[5]				
Look through debt hedged	%		63.0	
Weighted average hedge maturity term	years		5.2	

Notes:
1. As at 31 December 2017
2. LWIP – Long WALE Investment Partnership, which is 45% owned by CLW. The LWIP facility is a $150m syndicated debt facility (CLW interest: $67.5m)
3. For the 1H2018 period, excludes amortisation of debt costs
4. Reflects pro-forma 31 December 2017 gearing adjusted for the settlement of Virgin Australia Head Office on 4 January 2018
5. Excludes $100m 7-year swap entered in April 2018. Inclusive of this swap, look through debt hedged is 75% and pro-forma weighted average hedge term is 5.6 years.

Source: CLW interim financial report

As at 31 December 2017 (pro forma post the settlement of the Virgin Australia Head Office building) CLW has approximately $95m of cash and undrawn debt facilities available, however $49.3m was used to fund the final payment for the Woolworthswas distribution centre development in Dandenong, which took place in March 2018.

3.4 Financial information

Selected financial information attributable to CLW is summarised below.

Table 4: Financial performance since IPO

	Unit	FY2017[1] Audited	1H2018 Reviewed	FY2018 Guidance[2]
Net property income	$'m	52.5	42.9	
Interest income	$'m	0.2	0.1	
Total income	$'m	**52.7**	**43.0**	
Operating expenses	$'m	(5.6)	(4.4)	
Simplification costs (December 2017 entitlement offer)	$'m	(0.2)	-	
Finance costs	$'m	(13.3)	(11.3)	
Operating earnings	$'m	**33.6**	**27.3**	
EPS	cents	16.2	13.0	26.4
Distribution per security (DPS)	cents	16.2	13.0[3]	26.4[3]

Notes:
1. Reflects period from 10 November 2016 to 30 June 2017
2. As per earnings guidance disclosed by CHWALE on 15 February 2018
3. Excludes distribution paid on units issued under the December 2017 entitlement offer

Source: CLW annual and interim reports

CLW's actual EPS returns over FY2017 and 1H2018 have exceeded those set out in the PDS by 1.5% and 1.8%, respectively, and CLW's FY2018 earnings guidance forecasts EPS to be 3.1% ahead of the PDS target. CHWALE has paid out 100% of each period's earnings in line with the PDS payout target.

The gross passing rental income from the ATO Adelaide Property represented 19.9% of CLW's total income and 24.7% of CLW's operating earnings for 1H2018.

Table 5: Financial position as at 31 December 2017

$'m (unless otherwise noted)	30-Jun-17 Audited	31-Dec-17 Reviewed
Cash and cash equivalents	2.9	94.8
Receivables	4.4	4.6
Other assets	4.9	1.2
Total current assets	**12.2**	**100.6**
Investment properties	760.4	798.4
Investments accounted for using the equity method	402.3	420.1
Investment in financial assets at fair value	17.2	17.3
Derivative financial instruments	0.6	0.7
Total non-current assets	**1,180.5**	**1,236.5**
Total assets	**1,192.7**	**1,337.1**
Payables	4.4	3.9
Distribution payable	13.3	15.1
Other liabilities	0.0	1.2
Current liabilities	**17.7**	**20.2**
Borrowings	356.7	382.2
Derivative financial instruments	0.9	0.7
Total non-current liabilities	**357.6**	**382.9**
Total liabilities	**375.3**	**403.1**
Net assets	**817.4**	**934.0**
Net assets per security	$3.93 per unit	$4.02 per unit
Balance sheet gearing[1,3]	29.9%	28.6%
Look-through gearing[2,3]	37.7%	35.7%

Notes:
1. Calculated as the ratio of net drawn debt (excluding unamortised debt establishment costs) to total tangible assets, less cash
2. Calculated as the ratio of net drawn debt (excluding unamortised debt establishment costs) to total tangible assets, less cash, based on the non-IFRS pro forma proportionately consolidated statement of financial position, which adjusts for the REIT's share of the debt, assets and cash held in equity accounted investments
3. Reflects proforma gearing adjusted for the settlement of Virgin Australia Head Office on 4 January 2018

Source: CLW annual and interim reports

As at 31 December 2017:

- cash on hand includes the proceeds raised from the entitlement offer completed in December 2017, the purpose of which was to acquire the Virgin Australia Head Office building ($91m payment settled in early January 2018)
- non-current financial assets of $17.3m refers to the funds set aside for the ISF (refer to Section 3.5 below)
- according to CLW's interim results presentation, CLW recorded 12.1% asset growth over the six-month period, which was driven by:
  - the proceeds from the December 2017 entitlement offer held as cash prior to settlement of the Virgin Australia Head Office acquisition
  - the acquisition of the Bunnings South Mackay (Queensland) and the ALH leased Bridge Inn Hotel (Victoria), offset by the disposal of the Prestons Hotel (Victoria)
  - $21m in gross property revaluations.

In addition, CLW had a $49.3 million commitment in respect of the development of the Woolworths Dandenong distribution centre in Victoria (paid in March 2018), which was not reflected in the financial statements of the REIT.

3.5 Profile of the ATO Adelaide Property

Overview

The ATO Adelaide Property, of which 50% is proposed to be sold pursuant to the Proposed Sale, is located at 12-26 Franklin Street, within the Adelaide central business district (CBD) and was constructed in 2012 specifically designed to meet ATO and Australia Post requirements. The ATO Adelaide Property, which is currently managed by Charter Hall, consists of office accommodation over 17 levels (plus mezzanine), 114 under cover car spaces and ground floor for retail trading.

Table 6: The ATO Adelaide Property details as at 30 June 2018

Description	
Location	12-26 Franklin Street, Adelaide
Sector	Commercial
Tenant/s	ATO (84.4% of NLA); Australia Post (14.2% of NLA); SA Lotteries and retail café (1.4% of NLA)
NABERS Rating	5.5 Star (Energy); 4.0 Star (Water)
Market value ($)	$270m
Valuation at IPO ($)	$263.5m
Vacancy	0.0%
WALE (years)	WALE by income: 8.8 years | WALE by area: 8.6 years
Gross income ($)	$19,310,673 (at passing rents)
Initial yield (%)	5.79%
Net lettable area	37,315.5m^2
Age of premises	Approximately 6 years

Notes:
1. NABERS – National Australian Built Environment Rating System
Source: Detailed IPV Reports

Tenant profile and rental agreement

ATO lease

The lease to the ATO is for a term of 15 years expiring in 2027 with two further renewal options, each for five years. The lease provides for fixed annual reviews to 3.75%, except at the commencement of Years 6 and 11, at which time rent is reviewed to market (effective), with a "cap" and "collar" (110% and 90% of the rent payable immediately preceding review). The Year 6 market review was recently undertaken, as per the terms of the rental agreement, with a resulting rent of $542/m^2 for the office component of the ATO tenancy.

Under the terms of the lease, if the parties fail to agree to a new rent, the rent will be determined by a valuer agreed and appointed by both parties. The valuer must determine the open market rental value of the premises assuming that the premises are available with vacant possession, and taking into account a number of factors.

The valuer is not to take into account any special interest of the tenant, its sub-tenants or their respective predecessors in title including the fact that the tenant is a sitting tenant.

At the time of acquiring the ATO Adelaide Property, the mid-term rent review clauses for the ATO were considered to have a potential negative impact on rental growth. To mitigate the downsides associated with the lease agreement, in acquiring the ATO Adelaide Property, $17m was deposited into an escrow account by the vendor (the ISF).

The amount was principally paid to compensate the REIT for any potential reduction of rental income from the ATO lease which may eventuate as a result of scheduled market rent reviews in November 2017 and November 2022. Under the terms of the ISF agreement, each year on the first of November, if the Net Operating Income[3] received by the REIT in respect of the ATO Adelaide Property, is lower than the Net Operating Income that would have been received by the REIT in respect of the ATO Adelaide Property if the Net Operating Income received by the REIT grew at 3.25% per annum, the REIT will receive a cash payment for the difference in Net Operating Income (from the ISF account).

[3] Net Operating Income – the sum of rent payable by the tenant to the REIT under the terms of their lease less any direct property expenses and outgoings payable by the REIT.

If on the ATO lease expiry date there are any funds in the ISF, the REIT must pay those funds to the previous owner. The current balance as at 30 June 2018 is approximately $15.7m (initial amount plus interest less amount drawn down to date).

The utilisation of the ISF has not been reflected in the valuation of the ATO Adelaide Property and DOF FST will pay 50% of the balance of the ISF at the time of settlement to take up their share.

Australia Post lease

Administration lease: the lease to Australia Post (relating to the administration and office area) commenced in February 2013 with fixed annual reviews to 3.5% p.a. except at the end of the initial ten-year term, which is reviewed to market (capped at 8.0% increase). The lessee has two further automatic options to renew, each for a term of five years.

Commercial Distribution Centre (CDC) lease: the lease to Australia Post (relating to the retail post office, post office boxes, annex and delivery centre) commenced in February 2013 with fixed annual reviews to 3.5% p.a. except at the end of the initial ten-year term and every second renewal (i.e. every 10 years thereafter), which is reviewed to market (capped at 8.0% increase). The lessee has 16 further automatic options to renew, each for a term of five years. Each option will be automatically exercised, unless Australia Post gives prior notice.

3.6 Management and other fees

CHWALE, as the Responsible Entity, appointed a wholly owned subsidiary of Charter Hall Group as the manager of the REIT, being Charter Hall Holdings (the Manager). The Responsible Entity is entitled to receive a management fee for acting as the Manager of the REIT equivalent to 0.45% of the REIT’s Gross Asset Value.

In addition to the Management Fee payable to the Manager, the Manager is entitled to receive a fee of 1% of the acquisition or disposal price of any transaction undertaken by the REIT. In addition, other fees and costs may be payable by the REIT to members of the Charter Hall Group for services provided to the REIT including fees under the Property Management Agreement and Asset Services Agreement.

As per the terms of the Proposed Sale, the Responsible Entity has agreed to waive the 1% divestment fee. Furthermore, no agent’s fees will be payable as no agent was appointed to facilitate the sale.

4 Market analysis

In assessing the reasonableness of the Proposed Sale, we have had regard to the current market for commercial properties in Adelaide. Based on our review of the Detailed IPV Reports, we understand that:

- the South Australian Government has committed to a three-year phase-out of stamp duty on commercial property transactions from December 2015 (it will be fully abolished from 1 July 2018), along with minor changes to the State Land Tax, aimed at stimulating local and foreign investment in the South Australian commercial property market
- the South Australian unemployment rate has decreased 0.6% to 5.6% in March 2018, the lowest levels seen since November 2012. There have been various company closures and consolidations within the state, which has resulted in a number of job losses, particularly within manufacturing and mining related industries. Overall, the unemployment rate has improved, decreasing from 7.3% since April 2017
- white collar employment is forecast to increase marginally over the next financial year with the expectation of annual growth of approximately 1.1% in FY2019, maintaining a similar level over the subsequent two to three-year period
- Adelaide CBD vacancy rates have decreased marginally from 16.1% to 15.4% in the six months to January 2018. The vacancy rates continue to remain above the ten-year average of 9.9%
- recent leasing deals of notable size in the area have been predominately existing tenants moving to consolidate into more efficient use of space and renewals being negotiated in advance with attractive incentives on offer
- average prime yields in the Adelaide CBD remain 100-200 basis points above the Eastern Seaboard, enhancing Adelaide’s reputation as a more affordable investment opportunity, however the gap in yields is considered to reflect purchasers pricing risk associated with the Adelaide CBD market
- although the vacancy rate has dropped overall, it is still a highly competitive environment in the CBD Prime market, which has allowed tenants to be more selective with the quality and pricing of leases.

5 Factors considered

In determining whether, or not, the Proposed Sale is fair and reasonable to the Non-Associated Unitholders, we have considered the matters set out below.

5.1 Rationale for the Proposed Sale

As discussed in Section 4 above, the REIT has a large proportion of the value of its portfolio in South Australia. The ATO Adelaide Property represents the largest property in the portfolio and the ATO tenancy is the largest single tenancy exposure in the REIT's portfolio. The Adelaide CBD office market has limited scale given that the ATO Adelaide Property represents 6.3% of the total prime grade office stock in the Adelaide CBD.

The sale of the 50% interest in the ATO Adelaide Property will decrease the REIT's overall exposure to the South Australian market (and the ATO Adelaide Property and the ATO tenancy).

The cash available following the Proposed Sale, will allow the Responsible Entity to acquire additional properties to diversify income sources and the lease expiry profile of the REIT.

5.2 Background to DOF

DOF is an unlisted property fund investing in a diversified portfolio of Australian CBD office properties. It currently has 11 properties throughout Australia, with a portfolio valuation of $1.3 billion as at 31 May 2018. The fund has an initial term ending in December 2019, at which time all investors will be offered the opportunity to redeem their investment. Thereafter, DOF will have rolling five year terms.

DOF has experienced substantial capital inflows in its recent history such that its contributed equity has grown from $0.5bn as at 1 July 2014 to $1.1bn as at 31 May 2018. The Manager is of the view that DOF will continue on past the December 2019 review event.

5.3 Co-Ownership Agreement

FSPT and DOF will enter into a Co-Ownership Agreement in relation to the ongoing management of the ATO Adelaide Property and to ensure that the terms of any leases over the ATO Adelaide Property are complied with.

The Co-Ownership Agreement, sets out the following key terms:

- establishment of an Owner Committee, with equal representation from FSPT and DOF. The Owner Committee will have full and sole power to direct the ownership, management, maintenance and control of the ATO Adelaide Property (with the exception of certain items set out in the Co-Ownership Agreement). If at any time the Owner Committee is unable to reach agreement in respect of an issue or there is a genuine dispute between the parties, the dispute will first try to be resolved by a nominated representative for each DOF and FSPT. If the dispute is unable to be resolved by the nominated representative, the dispute will be resolved through mediation
- pre-emptive rights for each party, in relation to the other party's interest in the ATO Adelaide Property. Each party must give the other party first right of refusal if they are intending to sell their interest in the ATO Adelaide Property, subject to certain timeframe requirements and other conditions
- if either party is to default on the Co-Owners Agreement, by breach of a material provision, change of control, default under any mortgage secured by the ATO Adelaide Property or an insolvency event, the other party has the right to acquire the remaining interest in the ATO Adelaide Property, it does not already own (subject to certain conditions)
- a valuation of the ATO Adelaide Property is to occur every financial year, unless either party notifies the other party in writing that it believes that there has been a material change in the value of the ATO Adelaide Property, in which event a valuation of the ATO Adelaide Property should be undertaken as soon as practicable.

5.4 The fair market value of the ATO Adelaide Property

The IPV was engaged to prepare the Detailed IPV Reports which provide an assessment of the fair market value of the ATO Adelaide Property. We have relied on the IPV's assessment for the purposes of our report.

We have reviewed the Detailed IPV Reports and consider them appropriate for our purposes for the following reasons:

- the IPV is independent of both CLW and DOF, in accordance with the requirements of RG 112

- there was no restriction on the scope of the IPV's work
- the assessment undertaken by the IPV was completed for the purposes of the Proposed Sale, as well as statutory revaluation and first mortgage security purposes. For the purposes of their assessment, the IPV refers to the following definition of market value as defined by the International Valuation Standards Committee (IVSC) and endorsed by the Australian Property Institute (API):

  The estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently, and without compulsion.

  We consider this definition of market value to be consistent with fair market value, which is defined as the amount at which assets or liabilities would change hands between a knowledgeable, willing buyer and a knowledgeable, willing seller, neither being under a compulsion to buy or sell
- the assessment was undertaken by professionals who hold the appropriate qualifications and have experience in valuing prime commercial properties
- the methodology used in undertaking the valuation of the ATO Adelaide Property is consistent with methodologies generally applied in the industry. The capitalisation of net income and discounted cash flow approaches were used in arriving at the fair market value of the ATO Adelaide Property, and the outcomes from these approaches were cross-checked using the direct comparison approach. The assumptions and valuation metrics used by the IPV are not unreasonable and not inappropriate for the purposes of estimating the fair market value of the ATO Adelaide Property.

We have reviewed the IPV's work, which also included holding discussions with the IPV, and nothing has come to our attention with respect to the methodologies, assumptions and inputs used that would cause us to question the IPV's work or their assessment.

We also note that the IPV's valuation:

- was undertaken on a going concern basis in accordance with current use
- was undertaken as at 31 March 2018 and the IPV later confirmed their opinion as at 30 June 2018. Accordingly, the valuation is current as at the date of our report
- a capitalisation rate of 5.75% to 6.0% has been adopted having regard to sales evidence from recent transactions in the Adelaide and interstate markets and comparisons between these properties and the ATO Adelaide Property. These transactions reflect market yields in the range of 5.30% to 7.77%.

  In determining the rent for the office component of the ATO tenancy, a rent of $\$542/m^2$ has been determined, which is based on a maximum fall of 10% (collar) from the previous rent ($\$602/m^2$), as per the recent rent review undertaken. The IPV notes this is consistent with rental evidence and has noted the ATO lease would be at the high end of the market rents in Adelaide at $\$530/m^2$ p.a. to $\$550/m^2$ p.a. gross
- assumes a 10-year cash flow period insofar the discounted cash flow methodology is concerned, with the IPV assuming the property is sold at the beginning of the 11th year at a core market yield of 6.75%. The IPV has adopted inflationary increases in the face rental payments over the projection period, with the exception of the ATO lease. The IPV has assumed the market review clauses will result in a further 10% decline on the rental payable associated with the ATO lease at the second market review date and as such has applied the effective rental stream from November 2022
- additional payments via the ISF will be made to the ISF stakeholders. The IPV has not factored these payments in the analysis undertaken, as the ISF is treated as a separate asset
- we have set out the valuation outcome under each of the valuation approaches in the table below

Table 7: Summary of the IPV's valuation opinion as at 30 June 2018

	Capitalisation approach	Discounted cash flow approach
Valuation range under each valuation approach (100%)	$262m to $273m	$274m
The IPV's assessment of the fair market value of ATO Adelaide Property (100%)	**$270m**	

Source: Detailed IPV Reports

- allows for property selling costs in accordance with normal property valuation methodologies

- the value is not inconsistent with recent valuations of the ATO Adelaide Property undertaken over the course of the past two years.

  Set out below is the market value of the property as at 30 June 2018, along with the historical independent valuations as at 30 June 2016 to 30 June 2018.

  Table 8: Historical market valuation summary

	30 June 2016[1]	31 March 2018	30 June 2018
Market value of property	$263.5m	$270.0m	$270.0m
Implied capitalisation rate	6.0%	5.9%	5.8%
WALE (by income)	10.8	9.1	8.8

  Note:
  1. Valuation of the ATO Adelaide Property as at 30 June 2016 was undertaken by Jones Lang LaSalle as part of the Prospectus published as part of the Initial Public Offering documents

  Source: Detailed IPV Reports, CLW Prospectus, Deloitte analysis

  As highlighted above, the IPV's assessment of the value of the ATO Adelaide Property as at 30 June 2018 represents an increase of 2.5% since the date of the initial public offering, notwithstanding that the WALE (by income) has reduced to 8.8 years (by income) as at 30 June 2018 and despite characterising the Adelaide and broader South Australian economy as weak
- the ATO Adelaide Property has been valued on a standalone basis by the IPV as at 30 June 2018 and represents a "control" value (i.e. assumes 100% ownership of the asset). Whilst we note the Proposed Sale is for 50%, which may not be considered a control percentage, it is not uncommon in the property sector for no discounts to be applied for minority holdings. In addition, given the common ownership of CHWALE and DOF, we note the future strategy of the ATO Adelaide Property may be closer aligned than where the other owner was an unrelated third party.

Having regard to the above, we have relied on the Detailed IPV Reports in the preparation of our report.

5.5 The impact of the Proposed Sale on CLW

The Proposed Sale has the following implications for CLW and its unitholders:

- reduced exposure to one asset and therefore also the specific characteristics of the associated lease (e.g. the market review mechanisms and tenant)
- reduces exposure to the Adelaide markets, however (in relative terms) slightly increases CLW's exposure to the Western Australian market
- it will free up cash allowing CLW to consider several options, including:
  - pay down debt
  - grow the portfolio by acquisitions, potentially further improving portfolio diversification
  - pursue other capital programs, e.g. unit buy-backs and the payment of distributions (although unlikely).

We understand that whilst the proceeds will be initially used to pay down debt, the Manager is actively evaluating acquisitions, which could be value accretive.

5.6 Other factors

In addition to the Proposed Sale, the Responsible Entity of CHWALE has proposed an internal trust simplification pursuant to which CHWALE will be simplified from a group comprising three stapled trusts to two stapled trusts (the Simplification Transaction). The Simplification Transaction does not impact the underlying economic interest of unitholders in the REIT or its assets or the fees payable in connection with the management of the REIT.

It is expected the Proposed Sale will be completed prior to the implementation of the Simplification Transaction. The Proposed Sale is not contingent on the Simplification Transaction or vice versa. The Simplification Transaction will not impact unitholders' investment in CHWALE (or the exposure to the ATO Adelaide Property).

6 Summary and conclusion

6.1 Summary

In our opinion, the Proposed Sale is fair and reasonable to the Non-Associated Unitholders. In arriving at this opinion, we have had regard to the following factors.

Fairness

The Proposed Sale Price is at fair market value

The Proposed Sale Price of $135m for 50% of the ATO Adelaide Property is consistent with the IPV's assessed fair market value on a pro rata basis. Accordingly, it is our opinion that the Proposed Sale is fair.

Reasonableness

In accordance with ASIC Regulatory Guide 111 an offer is reasonable if it is fair. On this basis, in our opinion the Proposed Sale is reasonable. We have also considered the following factors in assessing the reasonableness of the Proposed Sale.

The Proposed Sale is aligned with CLW's strategy to reduce concentration risk in the South Australian office property market

The Proposed Sale will reduce the REIT's overall exposure to the South Australian market from approximately 22% to 15% (on an income basis, and prior to reinvestment)[4], as well as reducing its exposure to the ATO Adelaide Property and the ATO tenancy.

The Proposed Sale will enable further diversification

The cash available following the Proposed Sale will allow the REIT to diversify income sources and the expiry profile of tenancies.

Co-ownership arrangements

If the Proposed Sale is completed, the ATO Adelaide Property will become a property which is co-owned by the REIT and DOF, with each party holding a 50% interest. The REIT and DOF will enter into a Co-Ownership Agreement to govern their co-ownership arrangements.

The Responsible Entity of CHWALE will no longer be able to exercise full discretion in its decision making with respect of the ATO Adelaide Property. As the REIT will be a co-owner of the ATO Adelaide Property, certain material decisions in relation to the ATO Adelaide Property will require the agreement of DOF. The Responsible Entity of DOF does not have the requirement to act in the best interests of CHWALE unitholders, however as DOF and CHWALE are related entities within the Charter Hall Group, we consider that there is likely to be alignment in decision making or, at least, a strong willingness by both parties to arrive at a mutually satisfactory outcome. Decision-making alignment may be a greater risk if the ATO Adelaide Property was co-owned by an unrelated third party.

Under the Co-Ownership Agreement with DOF, DOF will have certain pre-emptive rights to acquire CHWALE's remaining interest in the ATO Adelaide Property in the event CHWALE decides to sell its remaining interest and vice-versa. These pre-emptive rights set out certain terms and time-frames that either party must adhere to when dealing with its respective interest in the ATO Adelaide Property, which may restrict any future sale event.

Waiver of disposal and agent fees

The Responsible Entity is entitled to receive a fee of 1% of the acquisition or disposal price of any transaction undertaken by the REIT. As per the terms of the Proposed Sale, the Responsible Entity has agreed to waive the 1% divestment fee of $1.43m[5]. Furthermore, no agent's fees will be payable as no agent was appointed to facilitate the sale.

---

[4] Current as at the date of the report

[5] Calculated as 1% of the aggregate of $135m purchase price plus 50% of the ISF balance being approximately $7.69m (based on the 31 August 2018 estimated ISF balance of $15.38m)

6.2 Conclusion

In our opinion, the Proposed Sale is fair and reasonable to Non-Associated Unitholders. An individual unitholder's decision in relation to the Proposed Sale may be influenced by his or her particular circumstances. If in doubt the Non-Associated Unitholders should consult an independent adviser, who should have regard to their individual circumstances.

This opinion should be read in conjunction with our detailed report which sets out our scope and findings.

Yours faithfully

Tapan Parekh
Authorised Representative
AR Number: 461009

Stephen Reid
Authorised Representative
AR Number: 461011

Appendix 1: Context to the report

Individual circumstances

We have evaluated the Proposed Sale for Non-Associated Unitholders as a whole and have not considered the effect of the Proposed Sale on the particular circumstances of individual investors. Due to their particular circumstances, individual investors may place a different emphasis on various aspects of the Proposed Sale from the one adopted in this report. Accordingly, individuals may reach different conclusions to ours on whether the Proposed Sale is fair and reasonable to Non-Associated Unitholders. If in doubt investors should consult an independent adviser, who should have regard to their individual circumstances.

Limitations, qualifications, declarations and consents

The report has been prepared at the request of the Independent Directors of CHWALE and is to be included in the Explanatory Memorandum to be given to Non-Associated Unitholders for approval of the Proposed Sale in accordance with Listing Rule 10. Accordingly, it has been prepared only for the benefit of the Independent Directors and Non-Associated Unitholders in their assessment of the Proposed Sale outlined in the report and should not be used for any other purpose. Neither Deloitte Corporate Finance, Deloitte Touche Tohmatsu, nor any member or employee thereof, undertakes responsibility to any person, other than the Non-Associated Unitholders and the Independent Directors of CHWALE, in respect of this report, including any errors or omissions however caused. Further, recipients of this report should be aware that it has been prepared without taking account of their individual objectives, financial situation or needs. Accordingly, each recipient should consider these factors before acting on the Proposed Sale.

Statements and opinions contained in this report are given in good faith but, in the preparation of this report, Deloitte Corporate Finance has relied upon the completeness of the information provided by CHWALE and its officers, employees, agents or advisors (as set out below in 'Sources of Information'). Deloitte does not imply, nor should it be construed, that it has carried out any form of audit or verification on the information and records supplied to us. Drafts of our report were issued to CHWALE management for confirmation of factual accuracy.

In recognition that Deloitte Corporate Finance may rely on information provided by CHWALE and its officers, employees, agents or advisors, CHWALE has agreed that it will not make any claim against Deloitte Corporate Finance to recover any loss or damage which CHWALE or CLW may suffer as a result of that reliance and that it will indemnify Deloitte Corporate Finance against any liability that arises out of either Deloitte Corporate Finance's reliance on the information provided by CHWALE and its officers, employees, agents or advisors or the failure by and its officers, employees, agents or advisors to provide Deloitte Corporate Finance with any material information relating to the Proposed Sale.

Deloitte Corporate Finance also relied on the Detailed IPV Reports prepared by Valuations Services (SA) Pty Ltd, trading as Knight Frank Valuations (SA). Deloitte Corporate Finance assessed the professional competence and objectivity of the IPV and believes the work performed is appropriate and reasonable. Deloitte Corporate Finance has received consent from the IPV for our reliance on and inclusion of their opinion in the preparation of this report.

Deloitte Corporate Finance holds the appropriate Australian Financial Services licence to issue this report and is owned by the Australian Partnership Deloitte Touche Tohmatsu. The employees of Deloitte Corporate Finance principally involved in the preparation of this report were Tapan Parekh, Director, B.Bus, M.Comm, CA, F.Fin and Stephen Reid, Director, M App. Fin. Inv., B.Ec, CA. Each has many years of experience in the provision of corporate financial advice, including specific advice on valuations, mergers and acquisitions, as well as the preparation of expert reports.

Consent to being named in disclosure document

Deloitte Corporate Finance Pty Limited (ACN 003 833 127) of 225 George Street, Sydney, NSW, 2000 acknowledges that:

- CHWALE proposes to issue the Explanatory Memorandum in respect of the Proposed Sale of 50% of the ATO Adelaide Property from FSPT to DOF FST
- the Explanatory Memorandum will be issued in hard copy and be available in electronic format
- it has previously received a copy of the draft Explanatory Memorandum (draft Explanatory Memorandum) for review

- it is named in the Explanatory Memorandum as the 'independent expert' and the Explanatory Memorandum includes its independent expert's report as an annexure to the Explanatory Memorandum.

On the basis that the Explanatory Memorandum is consistent in all material respects with the draft Explanatory Memorandum received, Deloitte Corporate Finance Pty Limited consents to it being named in the Explanatory Memorandum in the form and context in which it is so named, to the inclusion of its independent expert's report as an annexure to the Explanatory Memorandum and to all references to its independent expert's report in the form and context in which they are included, whether the Explanatory Memorandum is issued in hard copy or electronic format or both.

Deloitte Corporate Finance Pty Limited has not authorised or caused the issue of the Explanatory Memorandum and takes no responsibility for any part of the Explanatory Memorandum, other than any references to its name and the independent expert's report as included as an annexure to the Explanatory Memorandum.

Sources of information

In preparing this report, we have had access to the following principal sources of information:

- transaction documents, including the Explanatory Memorandum and sale and purchase agreement
- Income Support Deed Poll and Income Support Deed Poll – Amendment
- Draft ATO Adelaide Property Co-Ownership Agreement
- internal management information
- the Detailed IPV Reports and the Summary IPV Report
- annual report for CLW for the year ended 30 June 2017
- interim financial report for CLW for the half year ended 31 December 2017
- CLW Product Disclosure Statement (PDS) and Supplementary PDS issued by CHWALE on 27 September 2016 and 27 October 2016, respectively
- CLW corporate website
- other publicly available information, media releases and brokers reports on CLW and the property industry / sectors.

In addition, we have had discussions and correspondence with certain directors and executives, including Avi Anger, Fund Manager, CLW and Mark Bryant, Group General Counsel and Company Secretary, Charter Hall Group, in relation to the above information and to current operations and prospects.

Appendix 2: The Summary IPV Report

30 June 2018

The Directors
Charter Hall WALE Limited
Level 20, No. 1 Martin Place
SYDNEY NSW 2000

Our Reference: 166975

Dear Directors

RE: VALUATION: ATO – 12-26 FRANKLIN STREET, ADELAIDE SA 5000
30 JUNE 2018

Instructions

We refer to instructions issued by Mr Michael Prodinger, Transaction Manager, Charter Hall dated 21 June 2018 on behalf of Charter Hall WALE Limited ("CHWL") as Responsible Entity for the Franklin Street Property Trust ("Manager") requesting Knight Frank Valuations to prepare a market valuation of the freehold interest of the abovementioned property subject to the existing lease agreements as at 30 June 2018. The purpose of the valuation was for a related party sale as well as statutory revaluation and first mortgage security purposes. We also specifically limited the reliance of the valuation for the purposes of a related party sale such that it may not be relied on by the purchaser.

We provide this summary of our valuation for inclusion in an Explanatory Memorandum. This summary provides an outline of the key factors which have been considered in arriving at our opinion of value. For further information, reference should also be made to our Valuation Reports (Full Valuation Report with valuation date 31 March 2018 (our ref: 165071), and Short Form Update report as at 30 June 2018 (our ref: 166003) held by Charter Hall.

Basis of Valuation

Market Value as defined by the International Valuation Standards Committee (IVSC) and endorsed by the Australian Property Institute (API) and embodied within the current Corporations Law. We also confirm the valuation has been concluded in accordance with AASB 140, the definition of Fair Value, IFRS 13 and AASB 13. We refer to our Valuation Reports for further detail in relation to these.

Level 25, 91 King William Street, Adelaide SA 5000 T+61 (0) 8233 5222 F+61 (0) 8231 0122
GPO Box 167, Adelaide SA 5000
www.knightfrank.com.au

Information

In formulating our valuation, we have relied upon property information provided by Ms Kimberley Gillan and Mr Adrian de Leiros, Charter Hall, including, but not limited to the following:

- Tenancy schedule
- Outgoings Budget 2018/19
- Rates and Taxes notices
- Copies of Lease Agreements
- Capital Expenditure Budget
- Electricity Contract
- NLA Surveys
- *"Valuer's Determination as at 1 November 2017"* (Independent rental determination for ATO tenancy, completed by Ernst & Young, issued 28 June 2018)

We noted in our 30 June 2018 valuation report that we had not been provided with any documentation relating to any proposed sale of the property, and that we had valued the property independently, without regard to any specific terms of sale.

Where possible, within the scope of our retainer and limited to our expertise as valuers, we have reviewed this information including by analysis against industry standards. Based upon that review, we have no reason to believe that the information is not fair and reasonable or that material facts have been withheld. However, our enquiries are necessarily limited by the nature of our role and we do not warrant that we have identified or verified all of the matters which a full audit, extensive examination or "due diligence" investigation might disclose.

We have disregarded the presence of any mortgage or other financial liens pertaining to the property.

Valuation Summary

We have assessed the market value of the property subject to the existing leases, as at 30 June 2018, at **$270,000,000 (GST Exclusive),** subject to the qualifications, conditions and assumptions contained within this letter and our full valuation report.

Brief Description of the Property

The property is positioned on the northern side of Franklin Street, some 65 metres west of its intersection with King William Street, and the location of the Adelaide GPO. The property sits within the Adelaide CBD "Core" Office precinct.

To the immediate east is a 20-level office building under construction due for completion in late 2019. Further to the east of this site, a major re-development of the Adelaide General Post Office is mooted, to include a hotel and premium ground floor retail complex, benefiting from frontage to on the north western corner of King William and Franklin Streets.

The subject property comprises a modern high rise likely "A" grade office tower comprising basement, ground floor and 17 upper levels. The major tenant is the Commonwealth Government (Australian Taxation Office (ATO), with portion of the property leased to Australia Post, SA Lotteries, and a ground floor retail cafe.

The lease to the ATO (84.4% of NLA) is for a term of 15 years expiring 2027 with two (2) further options each for five (5) years. The lease provides for fixed annual reviews to 3.75%, except at the commencement of Years 6 (2017) and 11, at which time rent is reviewed to market (effective), with a “cap” and “collar” (110% and 90% of the rent payable immediately preceding review). We have sighted a copy of the Valuer’s Determination of rent for the ATO lease as at 1 November 2017 (report issued 28 June 2018) which resulted in the rent for the office component decreasing to 90% (the collar) of the passing rent immediately prior to the market review. This calculation derives an office rental rate at $542.25/m² p.a. The market rent determined for the storage and car park components however was $32,006 p.a. above the rent paid immediately prior to the market review.

There are 2 leases [(‘Administration’ & ‘City Delivery Centre (‘CDC’)] to Australia Post (14.2% of NLA). Rents for both leases commenced at a below market rate, with fixed annual reviews to 3.5% p.a. except at the end of the initial ten (10) year term which is reviewed to market (capped at 8.0% increase). The CDC lease relates to Australia Post operations (post office & boxes, delivery centre, annex) providing 16 further automatic options to renew, each for a term of five (5) years. It would therefore seem likely that this accommodation will be a long-term proposition for Australia Post.

There is a total of 114 secured undercover car parking spaces within the basement (0.31 car parks per 100m², or 1 car park per 323m²).

Tenancy Overview

The property is subject to five (5) leases as follows:

1. Commonwealth of Australia (Australian Taxation Office)
2. Australia Post (Administration Lease)
3. Australia Post (CDC Lease)
4. Public Caffe (Ground Floor retail lease)
5. South Australian Government (Minister for Transport & Infrastructure) trading as SA Lotteries

Income Profile

We have assessed the net market income for the property as at the date of valuation to be **$15,755,887** per annum plus GST.

The market income is based on our review and analysis of the leases and tenancy information provided. We note that should any of the information provided be found erroneous or has varied, we reserve the right to review and if necessary, amend our valuation.

Valuation Methodology

The valuation has been determined via reconciliation between the Capitalisation of Net Market Income approach and Discounted Cash Flow (DCF) analysis (10 year) methods of valuation, with support by Direct Comparison.

Under the Capitalisation approach, the assessed net market income as at the date of valuation is capitalised at an appropriate market yield to establish the property's market value fully leased. Appropriate capital adjustments are then made where necessary to reflect the specific cash flow profile and the general characteristics of the property.

The Discounted Cash Flow approach incorporates the estimation of future annual cash flows over a 10-year investment horizon from the valuation date by reference to expected rental growth rates, ongoing capital expenditure, terminal sale value and acquisition and disposal costs. The present value of future cash flows is then determined by the application of an appropriate discount rate (target IRR) to derive a net present value for the property as at the valuation date.

Valuation Analysis & Assumptions

In undertaking our valuation, we have considered relevant sales including but not limited to, the following;

Property Address	Sale Date	Sale Price	Core Market Yield	IRR	Rate/sq.m NLA	W.AL.E*
Local Sales Evidence						
80 Grenfell Street*	U/C	$184,600,000	6.10%	7.35%	$7,875/m²	7.2
11 Waymouth Street	Mar-18	$202,500,000	6.56%	7.68%	$6,532/m²	6.4
45 Pirie Street	Aug-17	$105,000,000	7.77%	8.27%	$5,145/m²	4.0
25 Grenfell Street	Jan-17	$125,100,000	7.48%	8.31%	$4,929/m²	5.0
91 King William St (50% interest)	Dec-16	$88,500,000	6.93%	7.96%	$5,638/m²	3.1
Interstate Sales						
105 Phillips Street, Parramatta	May-17	$229,000,000	5.30%	6.80%	$9,077/m²	11.9
Green Square South Tower, 505 St Pauls Terrace, Fortitude Valley	Mar-17	$205,500,000	5.43%	N/A	$11,664/m²	10.5
50 Marcus Clarke, Canberra	Mar-17	$321,000,000	5.69%	5.72%	$7,985/m²	8.2
Twenty8 Freshwater Place, Melbourne	Aug-16	$286,000,000	5.91%	7.68%	$8,415/m²	3.6
* *(Weighted Average Lease Expiry) income weighted* ***U/C** *- Under Contract* ***IRR** *- Internal Rate of Return*						

Material variables adopted in undertaking the valuation include, but are not limited to, the following.

- Assessed Gross Market Income of $19,422,689 per annum
- Assessed Market Outgoings of $3,666,802 per annum
- Assessed net market income of $15,755,887per annum
- Capitalisation rate range of 5.75% to 6.00% adopted for the Capitalisation approach.
- Adjustment period for imminent expiries and capital expenditure of up to 24 months
- No specific capital expenditure adjustments
- An average of 2.9% pa rental growth over the 10-year DCF horizon.
- 10-year Discount rate of 6.75%.

Summary of Value

The assessed value of **$270,000,000** (GST exclusive) reflects the following investment parameters:

Initial Yield %	Core Market Yield %	IRR Rate (%)	Rate/m² NLA
5.79%	5.82%	6.94%	$7,236

Qualifications & Disclaimers

- Knight Frank Valuations have prepared this summary which appears in this Explanatory Memorandum for Charter Hall WALE Limited (“CHWL”) as Responsible Entity for the Franklin Street Property Trust (“Manager”). Knight Frank Valuations were involved only in the preparation of this summary and the valuation referred to herein, and specifically disclaim liability to any party in the event of any omission from, or false or misleading statement included in, the Explanatory Memorandum or other document, other than in respect of our valuations and this letter. The Valuation Reports and this Summary letter are strictly limited to the matters contained within those documents, and are not to be read as extending, by implication or otherwise, to any other matter in the information memorandum.
- Knight Frank Valuations has consented to this summary being included in this Explanatory Memorandum, but Knight Frank Valuations is not providing advice about a financial product, nor the suitability of the investment. Such an opinion can only be provided by a person that holds an Australian Financial Services Licence. Knight Frank Valuations does not hold such a licence and is not operating under any such licence in providing its opinions of value as detailed in this summary and our valuation reports.
- References to the value and other matters contained within this summary letter have been extracted from our Valuation Reports. The Valuation Report draws attention to the key issues and considerations impacting value and provides a detailed assessment and analysis in addition to key critical conditions, assumptions, disclaimers, limitations, qualifications and recommendations. We recommend that this Summary letter must be read and considered together with the Valuation Report.
- In the case of information contained within the valuation which is of a projected nature, we must emphasise that specific assumptions have been made which appear reasonable based upon current market perceptions. It follows that any one of the assumptions set out in the text of this summary may be proved incorrect during the course of time and no responsibility can be accepted in this event and regular update valuations should be obtained to determine the effect on value associated with any movements in the market. Any forecasts, including but not limited to, financial cash flow projections or terminal value calculations noted within this report are a valuation tool only undertaken for the purpose of assisting to determine the market value. No party may rely upon any financial projections or forecasts within this report on the understanding that they are undertaken for the specific purpose of determining the market value only and therefore should not be represented in any way as providing an indication of likely future profit or realisable cash flow.
- Our valuation is current at the date of valuation only. The value assessed herein may change significantly and unexpectedly over a relatively short period (including as a result of general market movements or factors specific to the particular property). We do not accept liability for losses arising from such subsequent changes in value.
- Without limiting the generality of the above comment, we do not assume any responsibility or accept any liability where this valuation is relied upon after the expiration of ninety (90) days from the date of valuation, or such earlier date if you become aware of any factors that have any effect on the valuation.

- Knight Frank Valuations has prepared this letter based upon information provided. We have no reason to believe that the information is not fair and reasonable or that material facts have been withheld and this valuation is conditional upon this information being correct.
- This valuation does not purport to be a site or structural survey of the improvements, nor was any such survey undertaken. Overall, our valuation is conditional upon any detailed reports with respect to the structure and service installation of the improvements not revealing any defects or inadequacies requiring significant capital expenditure.
- Any objective information, data or calculations set out in the Valuation will be accurate so far as is reasonably expected from a qualified valuer, reflecting due skill, care and diligence.
- Limited liability by a scheme approved under Professional Standards Legislation (Scheme) which includes Valuations Services (SA) Pty Ltd and the valuer(s) signing this report.
- Knight Frank Valuations has received fees in connection with the preparation of our valuation and this summary. The fee is not in any way linked to nor has it influenced the opinion of value noted and Knight Frank Valuations does not have any pecuniary interest Explanatory Memorandum for Charter Hall WALE Limited (“CHWL”) as Responsible Entity for the Franklin Street Property Trust (“Manager”) and has provided this report solely in its capacity as independent professional advisor.

Yours faithfully
KNIGHT FRANK VALUATIONS SA

NICK BELL
BBus (Property) FAPI
Certified Practising Valuer

JAMES PLEDGE
Director

Deloitte.

About Deloitte

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see www.deloitte.com/au/about for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Deloitte provides audit, tax, consulting, and financial advisory services to public and private clients spanning multiple industries. With a globally connected network of member firms in more than 150 countries, Deloitte brings world-class capabilities and high-quality service to clients, delivering the insights they need to address their most complex business challenges. Deloitte has in the region of 225,000 professionals, all committed to becoming the standard of excellence.

About Deloitte Australia

In Australia, the member firm is the Australian partnership of Deloitte Touche Tohmatsu. As one of Australia's leading professional services firms, Deloitte Touche Tohmatsu and its affiliates provide audit, tax, consulting, and financial advisory services through approximately 6,000 people across the country. Focused on the creation of value and growth, and known as an employer of choice for innovative human resources programs, we are dedicated to helping our clients and our people excel. For more information, please visit Deloitte's web site at www.deloitte.com.au.

Corporate Directory

Charter Hall WALE Limited
Level 20, No.1 Martin Place
Sydney NSW 2000
GPO Box 2704
Sydney NSW 2001

Directors
Peeyush Gupta
Glenn Fraser
Ceinwen Kirk-Lennox
David Harrison
Adrian Taylor

Company Secretary
Mark Bryant

Legal Adviser
King & Wood Mallesons
Level 61, Governor Phillip Tower
1 Farrer Place
Sydney NSW 2000

Independent Expert
Deloitte
225 George Street
Sydney NSW 2000

Auditor
PricewaterhouseCoopers
One International Towers Sydney
Watermans Quay
Barangaroo NSW 2000

Securities Exchange
Australian Securities Exchange Limited

Principal Register
Link Market Services
Level 12
680 George Street
Sydney NSW 2000

Telephone:	+61 1300 303 063
Facsimile:	+ 61 2 9287 0303
Proxy Facsimile:	+ 61 2 9287 0309

This page has been
left blank intentionally

www.charterhall.com.au

Charter Hall

Charter Hall

Charter Hall Long WALE REIT
ARSN 144 613 641

LODGE YOUR VOTE

ONLINE
www.linkmarketservices.com.au

BY MAIL
Charter Hall Long WALE REIT
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235 Australia

BY FAX
+61 2 9287 0309

BY HAND
Link Market Services Limited
1A Homebush Bay Drive, Rhodes NSW 2138; or
Level 12, 680 George Street, Sydney NSW 2000

ALL ENQUIRIES TO
Telephone: 1300 303 063 Overseas: +61 1300 303 063

X99999999999

PROXY FORM

I/We being a member(s) of Charter Hall Long WALE REIT and entitled to attend and vote hereby appoint:

STEP 1

APPOINT A PROXY

☐ **the Chairman of the Meeting (mark box)**

OR if you are **NOT** appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate you are appointing as your proxy

or failing the person or body corporate named, or if no person or body corporate is named, the Chairman of the Meeting, as my/our proxy to act on my/our behalf (including to vote in accordance with the following directions or, if no directions have been given and to the extent permitted by the law, as the proxy sees fit) at the General Meeting of the Company to be held at **10.00 AM on Monday, 06 August 2018 at Charter Hall Group, Level 20, No. 1 Martin Place, Sydney NSW 2000** (the **Meeting**) and at any postponement or adjournment of the Meeting.

The Chairman of the Meeting intends to vote undirected proxies in favour of each item of business.

STEP 2

VOTING DIRECTIONS

Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the Meeting.

Please read the voting instructions overleaf before marking any boxes with an ☒

Resolutions

Resolutions	For	Against	Abstain*
1 Proposed Sale of 50% of ATO Adelaide	☐	☐	☐
2 Simplification	☐	☐	☐

* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

STEP 3

SIGNATURE OF SECURITYHOLDERS – THIS MUST BE COMPLETED

Securityholder 1 (Individual)	Joint Securityholder 2 (Individual)	Joint Securityholder 3 (Individual)
Sole Director and Sole Company Secretary	Director/Company Secretary (Delete one)	Director

This form should be signed by the securityholder. If a joint holding, either securityholder may sign. If signed by the securityholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the company's constitution and the *Corporations Act 2001* (Cth).

HOW TO COMPLETE THIS SECURITYHOLDER PROXY FORM

YOUR NAME AND ADDRESS

This is your name and address as it appears on the Company's security register. If this information is incorrect, please make the correction on the form. Securityholders sponsored by a broker should advise their broker of any changes. **Please note: you cannot change ownership of your securities using this form.**

APPOINTMENT OF PROXY

If you wish to appoint the Chairman of the Meeting as your proxy, mark the box in Step 1. If you wish to appoint someone other than the Chairman of the Meeting as your proxy, please write the name of that individual or body corporate in Step 1. A proxy need not be a securityholder of the Company.

DEFAULT TO CHAIRMAN OF THE MEETING

Any directed proxies that are not voted on a poll at the Meeting will default to the Chairman of the Meeting, who is required to vote those proxies as directed. Any undirected proxies that default to the Chairman of the Meeting will be voted according to the instructions set out in this Proxy Form.

VOTES ON ITEMS OF BUSINESS – PROXY APPOINTMENT

You may direct your proxy how to vote by placing a mark in one of the boxes opposite each item of business. All your securities will be voted in accordance with such a direction unless you indicate only a portion of voting rights are to be voted on any item by inserting the percentage or number of securities you wish to vote in the appropriate box or boxes. If you do not mark any of the boxes on the items of business, your proxy may vote as he or she chooses. If you mark more than one box on an item your vote on that item will be invalid.

APPOINTMENT OF A SECOND PROXY

You are entitled to appoint up to two persons as proxies to attend the Meeting and vote on a poll. If you wish to appoint a second proxy, an additional Proxy Form may be obtained by telephoning the Company's security registry or you may copy this form and return them both together.

To appoint a second proxy you must:

(a) on each of the first Proxy Form and the second Proxy Form state the percentage of your voting rights or number of securities applicable to that form. If the appointments do not specify the percentage or number of votes that each proxy may exercise, each proxy may exercise half your votes. Fractions of votes will be disregarded; and

(b) return both forms together.

SIGNING INSTRUCTIONS

You must sign this form as follows in the spaces provided:

Individual: where the holding is in one name, the holder must sign.

Joint Holding: where the holding is in more than one name, either securityholder may sign.

Power of Attorney: to sign under Power of Attorney, you must lodge the Power of Attorney with the registry. If you have not previously lodged this document for notation, please attach a certified photocopy of the Power of Attorney to this form when you return it.

Companies: where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the *Corporations Act 2001*) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please indicate the office held by signing in the appropriate place.

CORPORATE REPRESENTATIVES

If a representative of the corporation is to attend the Meeting the appropriate "Certificate of Appointment of Corporate Representative" should be produced prior to admission in accordance with the Notice of Meeting. A form of the certificate may be obtained from the Company's security registry or online at www.linkmarketservices.com.au.

LODGEMENT OF A PROXY FORM

This Proxy Form (and any Power of Attorney under which it is signed) must be received at an address given below by **10.00 AM on Saturday, 04 August 2018,** being not later than 48 hours before the commencement of the Meeting. Any Proxy Form received after that time will not be valid for the scheduled Meeting.

Proxy Forms may be lodged using the reply paid envelope or:

ONLINE

www.linkmarketservices.com.au

Login to the Link website using the holding details as shown on the Proxy Form. Select 'Voting' and follow the prompts to lodge your vote. To use the online lodgement facility, securityholders will need their "Holder Identifier" (Securityholder Reference Number (SRN) or Holder Identification Number (HIN) as shown on the front of the Proxy Form).

BY MOBILE DEVICE

QR Code

Our voting website is designed specifically for voting online. You can now lodge your proxy by scanning the QR code adjacent or enter the voting link **www.linkmarketservices.com.au** into your mobile device. Log in using the Holder Identifier and postcode for your securityholding.

To scan the code you will need a QR code reader application which can be downloaded for free on your mobile device.

BY MAIL

Charter Hall Long WALE REIT
C/- Link Market Services Limited
Locked Bag A14
Sydney South NSW 1235
Australia

BY FAX

+61 2 9287 0309

BY HAND

delivering it to Link Market Services Limited*
1A Homebush Bay Drive
Rhodes NSW 2138

or

Level 12
680 George Street
Sydney NSW 2000

* During business hours (Monday to Friday, 9:00am–5:00pm)

IF YOU WOULD LIKE TO ATTEND AND VOTE AT THE GENERAL MEETING, PLEASE BRING THIS FORM WITH YOU. THIS WILL ASSIST IN REGISTERING YOUR ATTENDANCE.