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29 January 2020

To Market Announcements Office
ASX Limited
Exchange Centre
20 Bridge Street
Sydney NSW 2000
Fax 1300 135 638

Dear Sir/Madam

Australian Unity Office Fund (ASX:AOF) – Off-market takeover offer

We act for SOF-XI Legs Holdings Limited ("**SOF-XI**"), a member of the Starwood Capital Group ("**Starwood**").

Please find **enclosed** an announcement of SOF-XI's intention to make, itself or through a Starwood affiliate, an all-cash, off-market takeover offer for all outstanding units in Australian Unity Office Fund (ARSN 113 369 627).

Yours sincerely



King & Wood Mallesons



STARWOOD CAPITAL GROUP ANNOUNCES ALL-CASH OFFER OF \$2.98 PER UNIT FOR AUSTRALIAN UNITY OFFICE FUND

- Investors representing 16.7% of AOF units have indicated their support for the Offer by entering into pre-bid agreements with Starwood
- The Offer Price represents a premium of 6.8% to AOF's NTA as at 30 June 2019 of \$2.79 per unit
- The all-cash Offer values AOF at \$485 million¹

MIAMI – January 28, 2020 – SOF-XI Legs Holdings Limited (**Starwood**), a controlled affiliate of the Starwood Capital Group, today announced it intends to make, itself or through an affiliate, an all-cash, off-market takeover offer (**Offer**) for all outstanding units in Australian Unity Office Fund (**AOF**) (ASX: AOF) for \$2.98 per unit (**Offer Price**). Investors representing in aggregate 16.7% of the AOF units have indicated their support for the Offer by entering into pre-bid agreements with Starwood.

Key attractions of the Offer for AOF unitholders

The all-cash Offer represents an opportunity for AOF unitholders to access liquidity in AOF at a certain value and at an effective price (after distributions²) above the previously recommended scheme proposal in late 2019 from Charter Hall Group / Abacus Property Group (**CHAB Scheme**).

Starwood believes its Offer represents an attractive opportunity for all unitholders to realise liquidity at a certain cash value.

In addition, the Offer Price represents a premium of:

- 6.8% to AOF's net tangible assets (**NTA**) as at 30 June 2019 of \$2.79 per unit and 4.6% to AOF's pro forma NTA of \$2.85 after adjusting for the estimated revaluations³
- 3.6% to the volume weighted average price (**VWAP**) of AOF units since the date of the CHAB Scheme vote⁴

Jeffrey Dishner, Senior Managing Director and Global Head of Real Estate Acquisitions at the Starwood Capital Group said: "Starwood's offer to acquire AOF for \$2.98 per unit provides unitholders with an opportunity to obtain liquidity at a certain price. The Offer Price also represents a premium to the current trading levels and NTA. We look forward to engaging with all stakeholders regarding the Offer as we work to successfully complete the transaction."

Offer conditions

The Offer will be subject to certain conditions, including FIRB approval and a 90% minimum acceptance condition. Full details of the conditions to the Offer are set out in the schedule to this announcement.⁵ The Offer is not subject to due diligence.

¹ AOF's market capitalisation at the Offer Price

² Starwood's cash Offer Price of \$2.98 per unit is of a higher value than the CHAB Scheme price of \$3.04 per unit, after adjusting for distributions of \$0.08 per unit which have been paid since the date of the scheme meeting

³ On 20 December 2019, AOF announced a provisional increase in NTA of \$0.06 per unit resulting from the revaluations of certain properties

⁴ The CHAB Scheme vote took place on 18 November 2019. The VWAP between 19 November 2019 and 28 January 2020 was \$2.88. VWAP is calculated based on cumulative value traded on the ASX and Chi-X divided by cumulative volume traded on the ASX and Chi-X. Source: IRESS

⁵ This includes a condition which will permit unitholders to receive ordinary course distributions but the consideration payable to unitholders will be reduced accordingly under customary offer terms

**Support of major investors**

Starwood has entered into pre-bid agreements with certain institutional investors⁶ pursuant to which, subject to certain conditions, they have collectively agreed to accept, or procure the acceptance of, 16.7% of AOF units, in aggregate, into the Offer and granted a call option to Starwood over these units. Full details of the pre-bid agreements are contained in the substantial holder notice to be lodged by Starwood.

Financing

Starwood intends to finance the Offer from committed funds managed by Starwood Capital Group. SOF XI Legs Holdings Limited is a subsidiary of Starwood Global Opportunity Fund XI, a discretionary fund with total committed capital of approximately US\$7.55bn and sufficient undrawn capital to fund the Offer.

Bidder's Statement

More detailed information about the Offer will be contained in the Bidder's Statement to be sent to unitholders in due course.

Advisors

Rothschild & Co is acting as financial advisor and King & Wood Mallesons is acting as legal advisor to Starwood in relation to this Offer.

For further enquiries, please contact:**For Starwood Capital Group:**

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About Starwood Capital Group

Starwood Capital Group is a private investment firm with a core focus on global real estate, energy infrastructure and oil & gas. The Firm and its affiliates maintain 15 offices in six countries around the world, and currently have approximately 4,000 employees. Since its inception in 1991, Starwood Capital Group has raised over \$45 billion of equity capital, and currently has in excess of \$60 billion of assets under management. The Firm has invested in virtually every category of real estate on a global basis, opportunistically shifting asset classes, geographies and positions in the capital stack as it perceives risk/reward dynamics to be evolving. Over the past 28 years, Starwood Capital Group and its affiliates have successfully executed an investment strategy that involves building enterprises in both the private and public markets. Additional information can be found at starwoodcapital.com.

⁶ This includes unitholders holding relevant interests in aggregate in 11.22% of AOF units and other investors holding cash-settled equity swaps in aggregate in 5.44% of AOF units.



Schedule 1

1 Conditions of the Offer

The Offer will be subject to the following conditions, unless waived by Bidder:

- (a) **(minimum ownership)** during, or at the end of, the Offer Period, the number of Target Units in which Bidder and its associates together have relevant interests (disregarding any relevant interest that arise merely because of the operation of section 608(3) of the Corporations Act) is at least 90% of all the Target Units;
- (b) **(FIRB Act)** prior to the end of the Offer Period:
 - (i) the Treasurer (or the Treasurer's delegate) has provided a written no objection notification to the proposed acquisition by Bidder of Target either without conditions or with conditions acceptable to Bidder; or
 - (ii) following notice of the proposed acquisition by Bidder of Target having been given by Bidder to the Treasurer under the FIRB Act, the Treasurer has ceased to be empowered to make any order under Part 3 of the FIRB Act because the applicable time limit on making orders and decisions under the FIRB Act has expired;
- (c) **(regulatory approvals)** before the end of the Offer Period, all approvals, waivers, exemptions, declarations or consents that are required by law, or by or from any Public Authority, as are necessary to permit the Offer to be lawfully made to and accepted by Target Unitholders and to be completed are granted, given, made or obtained on an unconditional basis, remain in full force and effect in all respects, and do not become subject to any notice, intimation or indication of intention to revoke, suspend, restrict, modify or not renew the same;
- (d) **(no restraining orders)** during the period beginning on the Announcement Date and ending at the end of the Offer Period:
 - (i) there is not in effect any preliminary or final decision, order or decree issued by a Public Authority; and
 - (ii) no application is made to any Public Authority (other than by any member of the Bidder Group), or action or investigation is announced, threatened or commenced by a Public Authority, in consequence of, or in connection with, the Offer (other than a determination by ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act), which:
 - (iii) restrains, prohibits or impedes (or if granted could restrain, prohibit or impede), or otherwise materially adversely impacts on, the making of the Offer or the completion of any transaction contemplated by the Offer (whether subject to conditions or not) or the rights of Bidder in respect of Target and the Target Units to be acquired under the Offer; or
 - (iv) requires the divestiture by Bidder of any Target Units, or the divestiture of any assets of the Target Group, the Bidder Group or otherwise;
- (e) **(no material adverse effect)** that no specified event occurs that, whether individually or when aggregated with all such specified events, will or is reasonably likely to have:
 - (i) a material adverse effect on the assets and liabilities, financial position and performance, profits and losses or prospects of the Target Group; or
 - (ii) without limiting the generality of (i), the effect of:



- (A) a diminution in value of the consolidated net tangible assets of the Target Group by at least \$23,000,000 against what it would reasonably have been expected to be but for the specified event; or
- (B) a diminution in recurring Funds from Operations of at least \$1,400,000,

including as a result of making the Offer or the acquisition of Target Units pursuant to the Offer. For these purposes, a "specified event" is:

- (iii) an event or occurrence that occurs during the Offer Period;
 - (iv) an event or occurrence that occurs prior to the Offer Period but is only announced or publicly disclosed on or after the Announcement Date; or
 - (v) an event or occurrence that will or is likely to occur following the Offer Period and which has not been publicly announced prior to the Announcement Date;
- (f) **(distributions)** during the period commencing on the Announcement Date and ending at the end of the Offer Period, Target does not make or declare, or announce an intention to make or declare, any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie) except for:
- (i) any distribution which has been publicly announced by Target on the ASX before the Announcement Date; or
 - (ii) any quarterly distribution made in the ordinary course of business and consistent with prior practice;
- (g) **(no persons exercising rights under certain agreements or instruments)** during the period commencing on the Announcement Date and ending at the end of the Offer Period, no person exercises or purports to exercise, or states an intention to exercise, any rights under any provision of any agreement or other instrument to which a Target Group Member is a party, or by or to which a Target Group Member or any of its assets may be bound or be subject, which results, or could result, to an extent which is material in the context of the Target Group taken as a whole, in:
- (i) any monies borrowed by a Target Group Member being or becoming repayable or being capable of being declared repayable immediately or earlier than the repayment date stated in such agreement or other instrument;
 - (ii) any such agreement or other instrument being terminated or modified or any action being taken or arising thereunder;
 - (iii) the interest of a Target Group Member in any firm, joint venture, trust, corporation or other entity (or any arrangements relating to such interest) being terminated or modified; or
 - (iv) the business of a Target Group Member with any other person being adversely affected,
- as a result of the acquisition of Target Units by Bidder;
- (h) **(Facilitation Agreement):**
- (i) before the end of the Offer Period, Target obtains a report from an independent expert and, in that report, the independent expert opines (and does not alter, vary or amend that opinion before the end of the Offer Period) to the effect that no AUIREL Group Member will obtain a 'net benefit' (as that term is used in the Takeovers Panel Guidance Note 21: Collateral Benefits) as a result of any of the arrangements contained in any Facilitation Agreement; and



- (ii) before the end of the Offer Period, no Public Authority makes any preliminary or final decision, order or decree to the effect that a AUIREL Group Member will obtain a 'net benefit' (as that term is used in the Takeovers Panel Guidance Note 21: Collateral Benefits) as a result of any of the arrangements contained in any Facilitation Agreement;
- (i) **(prescribed occurrences)** during the period beginning on the Announcement Date and ending at the end of the Offer Period, none of the following events happen:
 - (i) Target converts all or any of its units into a larger or smaller number of units;
 - (ii) any Target Group Member resolves to reduce its capital in any way;
 - (iii) any Target Group Member:
 - (A) enters into a buy-back agreement; or
 - (B) resolves to approve the terms of a buy-back agreement under section 257C(1) or section 257D(1) of the Corporations Act;
 - (iv) any Target Group Member issues securities, or grants an option over its securities, or agrees to make such an issue or grant such an option;
 - (v) any Target Group Member issues, or agrees to issue, convertible notes;
 - (vi) any Target Group Member disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
 - (vii) any Target Group Member charges, or agrees to charge, the whole, or a substantial part, of its business or property;
 - (viii) any Target Group Member resolves to be wound up;
 - (ix) a liquidator or provisional liquidator of any Target Group Member is appointed;
 - (x) a court makes an order for the winding up of any Target Group Member;
 - (xi) an administrator of any Target Group Member is appointed under sections 436A, 436B or 436C of the Corporations Act;
 - (xii) any Target Group Member executes a deed of company arrangement; or
 - (xiii) a receiver or a receiver and manager is appointed in relation to the whole, or a substantial part, of the property of any Target Group Member;
- (j) **(no material acquisitions, disposals, new commitments or Property transactions)** except for any proposed transaction publicly announced by Target before the Announcement Date, none of the following events occurs during the period beginning on the Announcement Date and ending at the end of the Offer Period:
 - (i) any Target Group Member acquires, offers to acquire or agrees to acquire one or more companies, businesses or assets (or any interest in one or more companies, businesses or assets) for an amount in aggregate greater than \$1,000,000 or makes an announcement in relation to such an acquisition, offer or agreement;
 - (ii) any Target Group Member disposes of, offers to dispose of or agrees to dispose of one or more companies, businesses or assets (or any interest in one or more companies, businesses or assets) for an amount, or in respect of which the book value (as recorded in Target's statement of financial position as at 30 June 2019) is, in aggregate, greater than \$1,000,000 or makes an announcement in relation to such a disposition, offer or agreement;
 - (iii) any Target Group Member enters into, or offers to enter into or agrees to enter into, any agreement, joint venture, partnership, management agreement or commitment which would require expenditure, or the



foregoing of revenue, by any Target Group Member of an amount which is, in aggregate, more than \$1,000,000, other than in the ordinary course of business, or makes an announcement in relation to such an entry, offer or agreement; or

- (iv) without limiting the generality of the foregoing:
- (A) any of the Properties (or any part of, or interest in, any of them) is disposed of, sold or transferred, or is agreed to be disposed of, sold or transferred, or any of the Properties otherwise cease to be owned by the Target Group;
 - (B) any Security Interest is created or arises over any of the Properties;
 - (C) any Target Group Member enters into any commitment (including a lease or agreement for lease) in relation to any development, redevelopment or refurbishment project for a new or existing the Target Group asset where the total project cost exceeds \$1,000,000 (including incentives) whether or not previously contemplated;
 - (D) any of the Properties are destroyed or there is any physical damage to any Property such that the amount or value of the destruction or damage exceeds or would reasonably be expected to exceed \$1,000,000 after recovery of any insured amounts;
 - (E) there is a material amendment or variation of any term in any Material Lease;
 - (F) any tenant under a Material Lease gives notice that it intends to terminate, or will not renew, the relevant Material Lease;
 - (G) any tenant under a Material Lease surrenders or threatens to surrender the relevant Material Lease;
 - (H) any party to a Material Lease is in default or potential default under the relevant Material Lease, and:
 - (aa) that default, which if remediable is not remedied within any applicable grace periods, would or would be likely to give rise to a right of termination by the non-defaulting party; or
 - (ab) in the case of any such default or potential default by the tenant party to the relevant Material Lease:
 - the default is waived where the financial impact on the Target Group will be in excess of \$1,000,000 (individually or in aggregate); or
 - any member of the Target Group accepts as a compromise of such matter less than the full compensation due to the relevant member of the Target Group where the financial impact of the compromise on the Target Group is more than \$1,000,000 (individually or in aggregate);
 - (I) any tenant under a Material Lease fails to make any payment due under the applicable lease and such payment is outstanding for a period in excess of 30 days;
 - (J) any tenant under a Material Lease becomes Insolvent; or
 - (K) any Target Group Member incurring or agreeing to incur an amount of capital expenditure in excess of \$1,000,000 (in aggregate across all the Properties), other than capital expenditure that has been



fully and fairly announced by Target to ASX before the Announcement Date as intended to be incurred or committed or capital expenditure in the day to day operating activities of the business of the Target Group conducted in the same manner as before the Announcement Date;

- (k) **(responsible entity)** except for any proposed transaction publicly announced by Target before the Announcement Date, none of the following events occurs during the period beginning on the Announcement Date and ending at the end of the Offer Period:
- (i) AUIREL implements, or agrees or proposes to implement, any transaction or proposal under which the management of Target is 'internalised';
 - (ii) AUIREL is removed or replaced as responsible entity of Target or an agreement is entered into to remove or replace AUIREL as responsible entity of Target;
 - (iii) a change of Control occurs or is agreed to occur in respect of AUIREL;
 - (iv) the Target Unitholders resolve to remove or replace AUIREL as responsible entity of Target;
 - (v) a meeting being convened to consider a resolution for the removal, retirement or replacement of AUIREL as responsible entity of Target;
 - (vi) an order is made by any court, or any application being made in any court, for the appointment of a temporary responsible entity of Target in accordance with the Corporations Act; or
 - (vii) Target effects or facilitates the resettlement of all of the rights, property and undertaking which are the subject of the trust constituted by the Target constitution of whatever kind and wherever situated and whether present or future;
- (l) **(tax election)** during the period beginning on the Announcement Date and ending at the end of the Offer Period, unless agreed with the Bidder, no Target Group Member makes any tax election inconsistent with the tax election in the financial year ended 30 June 2019 or adopts a taxation treatment that is different to that adopted in the financial year ended 30 June 2019;
- (m) **(new financing)** except for any proposed transaction publicly announced by Target before the Announcement Date, during the period beginning on the Announcement Date and ending at the end of the Offer Period, no Target Group Member raises any new debt (except under existing facilities), amends any existing debt arrangements (including to provide any additional indemnities or amend any existing indemnities), enters into any derivative contracts or issues or procures the issue of any new guarantees;
- (n) **(no claim or litigation on foot or pending)** during the period beginning on the Announcement Date and ending at the end of the Offer Period:
- (i) no claim or litigation against AUIREL or any Target Group Member where if successful, the financial impact on the Target Group will be \$1,000,000 or more is made, commenced, threatened in writing to be made or commenced, is announced, or is made known to Bidder or AUIREL (whether or not becoming public), other than that which has been fully and fairly publicly disclosed to the ASX by Target prior to the Announcement Date; and
 - (ii) neither:



- (A) the consideration under the Offer is required to be increased from the amount stipulated in the Bidder's Statement; nor
- (B) Bidder or any of its Associates is required or reasonably likely to be required to pay any amount to any one or more Target Unitholders in connection with the Offer,

as a result of:

- (C) any litigation that is commenced, is threatened to be commenced, announced or is made known to Bidder (whether or not becoming public); or
- (D) any preliminary or final decision or order of any Public Authority, other than as a result of Bidder publicly undertaking to increase the consideration under the Offer or lodging a notice of variation under section 650D of the Corporations Act relating to an increase of the consideration under the Offer.



2 Glossary

Announcement Date the date of announcement of the Offer.

ASIC means Australian Securities and Investments Commission.

Associate has the meaning given in section 12 of the Corporations Act.

ASX means ASX Limited or the market operated by it, as the context requires.

AUIREL means Australian Unity Investment Real Estate Limited (ABN 86 606 414 368) in its capacity as responsible entity of Target.

AUIREL Group means AUIREL and each of its Related Bodies Corporate and **AUIREL Group**

Member means any member of the AUIREL Group.

Bidder means SOF-XI Legs Holdings Limited or its nominee which makes the Offer.

Bidder Group means Bidder and each of its Related Bodies Corporate .

Control has the meaning given in section 50AA of the Corporations Act.

Corporations Act means the *Corporations Act 2001* (Cth).

Facilitation Agreement means any agreement entered into between the Bidder or its nominee and an AUIREL Group Member in connection with the role of that AUIREL Group Member in the management of the Target Group.

Funds from Operations means, in respect of Target, "funds from operations" calculated in a manner that is consistent with the methodology for the calculation of underlying and recurring "funds from operations" in the financial statements for Target for the 12 month period ending 30 June 2019. For the avoidance of doubt, in respect of Target, "funds from operations" is calculated by reference to the Property Council of Australia's definition of "funds from operations" pursuant to which the statutory Australian Accounting Standards net profit is adjusted for non-cash changes in investment properties, non-cash impairment of goodwill, non-cash fair value adjustments to financial instruments, amortisation of incentives and leasing costs, rental straight-line adjustments and other unrealised or one-off items (including any costs incurred in connection with the Offer).

Insolvent means, in relation to a person:

- (a) it is (or states that it is) an insolvent under administration or insolvent (each as defined in the Corporations Act);
- (b) it is in liquidation, in provisional liquidation, under administration or wound up or has had a Controller appointed to its property;
- (c) it is subject to any arrangement (including a deed of company arrangement or scheme of arrangement), assignment, moratorium, compromise or composition, protected from creditors under any statute or dissolved (in each case, other than to



carry out a reconstruction or amalgamation while solvent on terms approved by the other parties to this document);

- (d) an application or order has been made (and in the case of an application which is disputed by the person, it is not stayed, withdrawn or dismissed within 14 days), resolution passed, proposal put forward, or any other action taken, in each case in connection with that person, which is preparatory to or could result in any of the things described in any of the above paragraphs;
- (e) it is taken (under section 459F(1) of the Corporations Act) to have failed to comply with a statutory demand;
- (f) it is the subject of an event described in section 459C(2)(b) or section 585 of the Corporations Act (or it makes a statement from which another party to this document reasonably deduces it is so subject);
- (g) it is otherwise unable to pay its debts when they fall due; or
- (h) something having a substantially similar effect to any of the things described in the above paragraphs happens in connection with that person under the law of any jurisdiction.

Material Lease means any lease for premises on, or right to occupy, any Property under which the rent or occupancy fee or charge (as applicable) payable by the tenant or occupier (as applicable) is greater than \$250,000 per annum.

Offer means the offer by Bidder under an off-market takeover bid to acquire Target Units (and for the avoidance of doubt includes each such offer made to an individual Target Unitholder pursuant to that offer).

Offer Period means the period during which the Offer is open for acceptance.

Properties means:

- (a) 2 Eden Park Drive (and also referred to as 3 Eden Park Drive), Macquarie Park, New South Wales (Lot 3 on DP1020108);
 - (b) 5 Eden Park Drive, Macquarie Park, New South Wales (Lot 15 on DP1148612);
 - (c) 10 Valentine Avenue, Parramatta, New South Wales (Lot 2 on DP1119257);
 - (d) 30 Pirie Street, Adelaide, South Australia (Volume 6177 Folio 723);
 - (e) 150 Charlotte Street, Brisbane, Queensland (Lot 1 on Registered Plan 189266, title reference 50151983);
 - (f) 32 Phillip Street, Parramatta, New South Wales (Lot 12 on DP790350);
 - (g) 64 Northbourne Avenue, Canberra, Australian Capital Territory (Block 6 Section 26 City, Volume 1538 Folio 99);
 - (h) 241 Adelaide Street (and also referred to as 243 Adelaide Street), Brisbane, Queensland (Lot 1 on Registered Plan 948 title reference 17132167 and Lot 695 on CP SL12260, title reference 40006547 and tenure reference SL 0/207463); and
 - (i) 468 St Kilda Road, Melbourne, Victoria (Volume 10460 Folio 746),
- and any land that is adjacent to any of the above properties that is owned by the Target Group, and **Property** means any one of them.

Public Authority means any governmental, semi-governmental, administrative, fiscal, judicial or quasi-judicial body, department, commission, authority, tribunal, agency or entity.



Related Body Corporate has the meaning given in section 50 of the Corporations Act but as if all references in that section to "subsidiary" were replaced with references to "Subsidiary" as defined in this Glossary.

Security Interest has the meaning given in section 51A of the Corporations Act.

Subsidiary of an entity means another entity which is a subsidiary of the first entity within the meaning of the Corporations Act but as if all references to "body corporate" and "body" were replaced with references to "entity" and, without limitation: (i) a trust may be a subsidiary of an entity, for the purposes of which a unit or other beneficial interest will be regarded as a share; (ii) an entity may be a subsidiary of a trust if it would have been a subsidiary if that trust were a body corporate; (iii) where a trust is a subsidiary of an entity, the trustee of that trust (acting in that capacity) will also be a subsidiary of that entity; and where the relevant entity is a trust, a reference to controlling the composition of the entity's board is taken to be a reference to controlling the appointment of the trustee or responsible entity of the trust.

Target means Australian Unity Office Fund (ARSN 113 369 627) and includes where applicable the Australian Unity Office Fund acting through its responsible entity.

Target Group means Target and each of its Subsidiaries and **Target Group Member** means any member of the Target Group.

Target Units means ordinary units in the issued capital of Target.

Target Unitholders means holders of Target Units.

Treasurer means the Treasurer of the Commonwealth of Australia.