

Proposal to Acquire Commonwealth Property Office Fund

Toronto, ON, Canada (October 10, 2013): Canada Pension Plan Investment Board issued a joint ASX release with DEXUS Property Group today. Below follows the release.

Proposal to acquire Commonwealth Property Office Fund

DEXUS Property Group (“DEXUS”) today announced that, with Canada Pension Plan Investment Board (“CPPIB”) (together the “Consortium”), it has made an indicative, non-binding proposal (the “Proposal”), to the responsible entity of Commonwealth Property Office Fund (“CPA”), Commonwealth Managed Investments Limited (“CMIL”), to acquire all of the issued units in CPA, other than those to which DEXUS is already entitled¹, by way of an informal trust scheme.

The Proposal, if implemented, will result in the Consortium acquiring a \$3.7 billion² prime grade Australian office portfolio.

Under the Proposal, the consideration comprises a mixture of DEXUS Stapled Securities and cash. This is designed to provide CPA Unitholders with both certainty of value and an opportunity to remain invested in a high quality internally-managed Australian office platform with strong growth prospects. The proposed cash/scrip mix (expressed per CPA Unit) is:

- \$0.680 in cash consideration, and
- 0.4516 DEXUS Stapled Securities

At a DEXUS trading price of \$1.04, the Proposal provides CPA Unitholders a headline offer price of \$1.150 per CPA unit³. The Consortium believes the Proposal, if implemented, will provide demonstrable value for CPA Unitholders:

| | NTA Value^b (at \$1.05 per DXS Stapled Security) | Headline Offer Price (at \$1.04 per DXS Stapled Security) |
|--|---|--|
| Proposal value | \$1.155 | \$1.150 |
| Proposal represents a premium/(discount) to CPA’s: | | |
| - 30 day VWAP on 23 July 2013 ^a (\$1.071) | 7.8% | 7.3% |
| - Closing price on 23 July 2013 ^a (\$1.085) | 6.4% | 6.0% |
| - Closing price on 10 October 2013 (\$1.155) | 0.0% | (0.4%) |
| - Stated 30 June 2013 NTA price (\$1.15) | 0.4% | 0.0% |

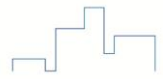
- a. The day prior to CMIL’s announcement that it had received a preliminary internalisation proposal from the Commonwealth Bank of Australia (CBA), which was released to the ASX on 24 July 2013.
- b. Represents the total value of the cash component of the offer price plus the value of the DXS scrip component at NTA per DXS Stapled Security.

In formulating the Proposal, the Consortium had regard to the transactions costs that both it and CPA would incur including costs arising under CPA’s debt facilities. The price that the Consortium is offering under the Proposal takes account of those transaction costs and recognises they will be incurred in implementing the Proposal.

¹ Under DEXUS’s forward contract with Deutsche Bank AG, announced to the ASX on 25 July 2013.

² CPA book value as at 30 June 2013.

³ DEXUS Stapled Security Price is based on the closing price of DEXUS Stapled Securities as at 10 October 2013.



Under the Proposal, DEXUS intends that the DEXUS Stapled Securities issued to CPA Unitholders will participate in the next distribution for the number of days they are on issue during the distribution period.

Any CPA Units which are issued to CPA convertible noteholders following a conversion of their notes prior to any approval of the Proposal by CPA Unitholders will be acquired under the Proposal. Under the Proposal, CPA convertible noteholders who submit valid conversion notices after CPA Unitholder approval is obtained (if any) will be cashed out by the responsible entity of CPA in accordance with the terms of the convertible notes.

Proposal benefits and rationale

The Proposal is designed to provide CPA Unitholders with an attractive premium for their units and on-going participation in the benefits associated with an investment in DEXUS.

The Proposal, if implemented, is in line with DEXUS's strategy and provides the following benefits to new and existing DEXUS Security holders:

- **Creates the leading owner and manager of prime grade Australian office**
 - Office Assets Under Management ("AUM") increases from \$7.8 billion to \$11.5 billion, with a 26% share of Sydney prime grade office
- **Brings together two complementary office portfolios**
- **Further enhances strong third party funds management platform**
 - Platform AUM increases from \$6.1 billion to \$8.0 billion
- **Creates a partnership with CPPIB, a global long-term investor with deep investment expertise in the real estate sector**
- **Generates accretion to Funds From Operations (FFO)⁴**
- **Positions DEXUS as one of the A-REIT sector's lowest cost operators**
 - Due to scalability of the DEXUS platform, MER reduces to sub 45 basis points⁵
- **Maintains DEXUS's financial strength**

CPPIB joint venture

After DEXUS announced entry into a forward contract which gave it the right to acquire a 14.9% interest in CPA, CPPIB, at the initiative of an intermediary, was introduced to DEXUS. The parties then commenced discussions on a confidential basis about the possibility of the parties working together to facilitate the consideration, negotiation and implementation of the Proposal.

The Proposal follows DEXUS's entry into a letter of co-operation with CPPIB (the "Co-operation Letter"), which sets out the terms upon which the Consortium parties have agreed to co-operate to determine whether they will implement the Proposal.

If the Proposal is implemented, CPA will become an unlisted fund, managed by DEXUS and owned equally by DEXUS and CPPIB.

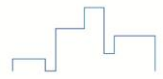
Darren Steinberg, Chief Executive Officer of DEXUS, said: "We are pleased to be able to partner with a leading long-term investor, with whom we have an established relationship to form the Consortium.

"The Consortium believes the Proposal represents an exciting opportunity for CPA Unitholders and has the capacity to deliver an attractive outcome for all stakeholders, in a timely manner.

"The Proposal is compelling and designed to deliver significant benefits to both CPA Unitholders and DEXUS Security holders. The Proposal aligns with our strategy of delivering superior risk adjusted returns for investors from high quality Australian real estate, primarily comprising CBD office buildings."

⁴ Refer to the presentation released to the ASX in relation to this Proposal.

⁵ Management Expense Ratio on an annualised basis. Refer to the presentation released to the ASX in relation to this Proposal.



Graeme Eadie, Senior Vice-President and Head of Real Estate Investments, CPPIB, said: “The Proposal is an excellent opportunity to expand our Australian core office portfolio and is in line with our strategy to invest in high-quality assets that are well positioned in their markets. As a long-term investor, we look forward to working alongside DEXUS in the advancement of this Proposal.”

The Consortium looks forward to progressing this Proposal with CMIL on an agreed and co-operative basis.

Conditions

The Proposal is conditional upon the successful completion of satisfactory due diligence and DEXUS and CPPIB Board approvals. Based on public information they have reviewed to date, DEXUS and CPPIB currently believe that the due diligence process can be completed within four to six weeks of receiving access to all relevant materials.

The Proposal is also conditional on the execution of a scheme implementation agreement by DEXUS, CPPIB and CMIL (or their nominees) under which the parties will agree to give effect to the Proposal. Any scheme implementation agreement will itself be subject to conditions, including material counterparty consents, approval of CPA Unitholders and approval by FIRB and the ACCC.

Ancillary Proposal

DEXUS has also submitted to the CBA an indicative and non-binding proposal outlining a potential facilitation of the Proposal and transition of the management of CPA (“Ancillary Proposal”).

Under the Ancillary Proposal, DEXUS has proposed that it would make a cash payment to the CBA and its relevant subsidiaries for among other things facilitating the Proposal and the transition of CPA management to DEXUS. The Ancillary Proposal will be subject to conditions including that the Proposal is implemented.

It is intended that an entity in the DEXUS Property Group will become the responsible entity of CPA on completion of the Proposal, assuming it is implemented.

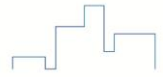
Substantial Holder Notice and on-market securities buy-back

A substantial holder notice evidencing that DEXUS and CPPIB have become associated in relation to the Proposal is attached to this announcement, together with a copy of the Co-operation Letter.

As a result of this development, DEXUS advises that it has decided to suspend the on-market securities buy-back announced to the market on 2 July 2013 (“buy-back”). DEXUS has acquired approximately 75 million securities since the buy-back was announced.

Attachment

- DXS Substantial Holder Notice (including Co-operation Letter)



For further information please contact:

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About DEXUS

DEXUS Property Group (DEXUS) is one of Australia's leading real estate groups, investing directly in high quality Australian office and industrial properties. With a total of \$13 billion of assets under management, DEXUS also actively manages office, industrial and retail properties located in key Australian markets on behalf of third party capital partners. DEXUS manages an office portfolio of over 900,000 square metres across Sydney, Melbourne, Brisbane and Perth and is one of the largest institutional owners of office buildings in the Sydney CBD, Australia's largest office market. DEXUS is a Top 50 entity by market capitalisation listed on the Australian Securities Exchange under the stock market trading code 'DXS' and is supported by more than 18,000 investors from 15 countries. With over 25 years of experience in commercial property investment, development and asset management, DEXUS has a proven track record in capital and risk management, providing service excellence to tenants and delivering superior risk-adjusted returns to investors. www.dexus.com

Download the DEXUS IR app to your preferred mobile device to gain instant access to the latest stock price, ASX Announcements, presentations, reports, webcasts and more.



DEXUS Funds Management Ltd ABN 24 060 920 783, AFSL 238163, as Responsible Entity for DEXUS Property Group (ASX: DXS)

About Canada Pension Plan Investment Board

Canada Pension Plan Investment Board (CPPIB) is a professional investment management organization that invests the funds not needed by the Canada Pension Plan (CPP) to pay current benefits on behalf of 18 million Canadian contributors and beneficiaries. In order to build a diversified portfolio of CPP assets, CPPIB invests in public equities, private equities, real estate, infrastructure and fixed income instruments. Headquartered in Toronto, with offices in London and Hong Kong, CPPIB is governed and managed independently of the Canada Pension Plan and at arm's length from governments. At June 30, 2013, the CPP Fund totalled C\$188.9 billion of which C\$20.9 billion represents real estate investments. For more information about CPPIB, please visit www.cpbib.com

CPPIB has agreed to the statements made by and references to CPPIB in this release. However, CPPIB has not authorised any of the statements made by DEXUS or the references to or concerning DEXUS Property Group in this release.

Form 604

Corporations Act 2001
Section 671B

Notice of change of interests of substantial holder

To Company Name/Scheme Commonwealth Property Office Fund ("CPA")
ACN/ARSN ARSN 086 029 736

1. Details of substantial holder (1)

Name This notice is given by DEXUS Funds Management Limited ("DXFM"), as responsible entity of DEXUS Industrial Trust, DEXUS Diversified Trust, DEXUS Operations Trust and DEXUS Office Trust, on behalf of itself and on behalf of each of its related bodies corporate ("DEXUS Subsidiaries") that are held by DXFM as an asset of the DEXUS Office Trust

ACN/ARSN (if applicable) ACN 060 920 783

There was a change in the interests of the substantial holder on 11/10/13

The previous notice was given to the company on 11/09/13

The previous notice was dated 11/09/13

2. Previous and present voting power

The total number of votes attached to all the voting shares in the company or voting interests in the scheme that the substantial holder or an associate (2) had a relevant interest (3) in when last required, and when now required, to give a substantial holding notice to the company or scheme, are as follows:

| Class of securities (4) | Previous notice | | Present notice | |
|----------------------------|--|---|---|---|
| | Person's votes | Voting power (5) | Person's votes | Voting power (5) |
| Fully paid units ("Units") | To the extent that section 608(8) conferred the same relevant interest on DXFM as held by DBA as at 4 September 2013, DXFM had a relevant interest in 343,493,092 CPA units ("Units"). Under the document attached as Annexure A to the substantial holder notice ("Notice") lodged by DXFM on 25 July 2013 ("Arrangement"), DXFM has an enforceable right to acquire from Deutsche Bank AG ("DBA"), and after that acquisition DXFM will have the ability to vote, 350,000,000 Units. | To the extent that section 608(8) conferred the same relevant interest on DXFM as held by DBA as at 4 September 2013, the technical position is that DXFM had a relevant interest in Units with voting power of 14.64%. | There has been no change in relevant interests since the previous notice. | There has been no change in relevant interests since the previous notice. |

3. Changes in relevant interests

Particulars of each change in, or change in the nature of, a relevant interest of the substantial holder or an associate in voting securities of the company or scheme, since the substantial holder was last required to give a substantial holding notice to the company or scheme are as follows:

| Date of change ¹ | Person whose relevant interest changed | Nature of change (6) | Consideration given in relation to change (7) | Class and number of securities | Person's votes affected |
|-----------------------------|--|----------------------|---|--------------------------------|-------------------------|
|-----------------------------|--|----------------------|---|--------------------------------|-------------------------|

¹ Note, there have been some changes to the collar referenced in the Form 604 lodged by DEXUS with ASX on 25 July 2013. See Annexure A for a description of those changes.

| | | | | | |
|-----|-----|-----|-----|----------|-----|
| | | | | affected | |
| N/A | N/A | N/A | N/A | N/A | N/A |

4. Present relevant interests

Particulars of each relevant interest of the substantial holder in voting securities after the change are as follows:

| Holder of relevant interest | Registered holder of securities | Person entitled to be registered as holder (8) | Nature of relevant interest (6) | Class and number of securities | Person's votes |
|-----------------------------|---|--|--|---|---|
| DXFM | <p>Unknown.</p> <p>However, as described in Section 2, as far as DXFM is aware, DBA currently holds a relevant interest in 343,493,092 Units and DXFM may be taken to have a relevant interest in those Units by reason of the Arrangement.</p> <p>Refer to the substantial holder notice lodged by DBA and appearing on ASX on 9 September 2013 for further information about the registered holder of Units in which DBA has a relevant interest.</p> | <p>Unknown.</p> <p>Refer to the substantial holder notice lodged by DBA and appearing on ASX on 9 September 2013 for further information about the person entitled to be registered as holder of Units in which DBA has a relevant interest.</p> <p>Note, however, that under the Arrangement, DXFM has an enforceable right to acquire from DBA, and after that acquisition DXFM will become the registered holder and have the ability to vote, 350,000,000 Units.</p> | <p>As described in Section 2, DBA is not the owner of units. However, under section 608(8), it may be taken to have a relevant interest in Units by reason of the Arrangement.</p> | <p>To the extent that section 608(8) confers the same relevant interest on DXFM as held by DBA as at 4 September 2013, DXFM had a relevant interest in 343,493,092 Units.</p> <p>However, under the Arrangement, DXFM has an enforceable right to acquire from DBA, and after that acquisition DXFM will have the ability to vote, 350,000,000 Units.</p> | <p>To the extent that section 608(8) confers the same relevant interest on DXFM as held by DBA as at 4 September 2013, DXFM had a relevant interest in Units with voting power of 14.64%.</p> <p>However, under the Arrangement, DXFM has an enforceable right to acquire from DBA, and after that acquisition DXFM will have the ability to vote, 350,000,000 Units representing voting power of 14.9% in CPA.</p> |

5. Changes in association

The persons who have become associates (2) of, ceased to be associates of, or have changed the nature of their association (9) with, the substantial holder in relation to voting interests in the company or scheme are as follows:

| Name and ACN/ARSN (if applicable) | Nature of association |
|-----------------------------------|---|
| CPPIB | <p>On 11 October 2013, CPPIB and DXFM entered into the Letter (copy attached as Annexure B) in relation to a possible transaction involving CPPIB and DXFM offering to acquire units in CPA.</p> <p>Accordingly, the parties to the Letter are associates pursuant to section 12 of the Corporations Act.</p> |

6. Addresses

The addresses of persons named in this form are as follows:

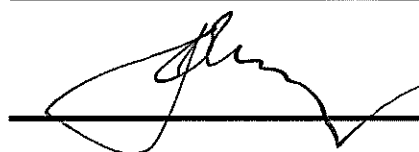
| Name | Address |
|------|---|
| DXFM | Level 25, Australia Square, 264 – 278 George St, Sydney, 2000 |

Signature

print name **John Easy**

capacity **Company Secretary**

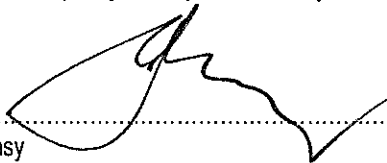
sign here



date **11/10/13**

Annexure A

This is Annexure A of 1 page referred to in Form 604 Notice of change of substantial holder by DEXUS Funds Management Limited (ACN 086 029 736) in its capacity as responsible entity of the DEXUS Office Trust.



.....
Name: John Easy
Capacity: Company Secretary
Date: 11/10/13

Details of changes to the collar arrangement between DEXUS Funds Management Limited ("DXFM"), in its capacity as responsible entity of the DEXUS Office Trust, and Deutsche Bank AG ("DB")

On 25 July 2013, DXFM stated in its Form 603 lodged with ASX that it had entered into a cash-settled collar with DB in respect of 350,000,000 fully paid units ("Units") in the Commonwealth Property Office Fund ("Collar").

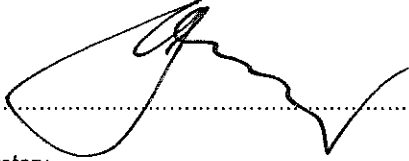
Additional disclosures about the key terms of the collar were made in an announcement lodged with ASX on 8 August 2013.

Since 8 August 2013, DXFM has partially closed-out the Collar so that now the number of Units to which the Collar relates is 285,361,341 Units. DEXUS paid an aggregate of \$259,247.00 to DB for the close-out.

Other than the number of Units to which the Collar relates, the key terms of the Collar are unchanged.

Annexure B

This is Annexure B of 13 pages referred to in Form 604 Notice of change of substantial holder by DEXUS Funds Management Limited (ACN 086 029 736) in its capacity as responsible entity of the DEXUS Office Trust.

A handwritten signature in black ink, appearing to read 'John Easy', is written over a horizontal dotted line.

Name: John Easy
Capacity: Company Secretary
Date: 11/10/13

The Co-Operation Letter follows.

11 October 2013

DEXUS Funds Management Limited, in its capacity
as responsible entity of DEXUS Property Group
("DEXUS")
Level 25, Australia Square
264 George St, Sydney 2000
Attention: John Easy

Canada Pension Plan Investment Board
("CPPIB")
One Queen Street East
Suite 2500, Toronto
Ontario M5C 2W5, Canada
Attention: Graeme Eadie

Dear Sirs

Co-operation letter

1 Background to the Proposal

- 1.1 DEXUS acquired, under a forward contract entered into on 25 July 2013 ("**Forward Contract**"), the right to acquire a 14.9% interest in the Commonwealth Property Office Fund ("**CPA**").
- 1.2 After DEXUS announced its interest under the Forward Contract, CPPIB, at the initiative of an intermediary, was introduced to DEXUS and the parties commenced discussions on a confidential basis about the possibility of DEXUS and CPPIB working together to facilitate the consideration, negotiation and implementation of a proposal under which DEXUS and CPPIB (or their controlled entities) would acquire all the units in CPA ("**Proposal**"). A Confidentiality Agreement ("**Confidentiality Agreement**") was signed in connection with those discussions.
- 1.3 The parties will approach Commonwealth Managed Investments Limited ("**CMIL**") as responsible entity of CPA, on or about the date that this letter is signed and will seek, in accordance with the terms of this letter and on a co-operative basis, to discuss the Proposal with CMIL and, in particular, to:
 - (a) request a short period of confirmatory due diligence in respect of CPA; and
 - (b) determine whether they can agree acceptable terms of a Proposal.

To the extent the parties consider that they can agree acceptable terms of a Proposal (including the arrangements between them) and receive satisfactory due diligence from CMIL by 10 November 2013, they will seek, in accordance with this letter, to proceed with the Proposal.

- 1.4 It is intended that the Proposal will be implemented by way of an informal trust scheme ("**Scheme**") under which a Consortium will acquire all the units in CPA. Although the parties may agree otherwise, they do not intend as at the date of this letter to implement the Proposal by a Chapter 6 takeover. Indicative terms of the Proposal are annexed.

- 1.5 This letter sets out the basis on which the parties have agreed to co-operate in relation to determining whether they will proceed with the Proposal. Despite anything else in this letter, the parties will have no obligation to proceed with the Proposal until they are each satisfied in their absolute discretion with all matters in respect of it.

2 Process

The parties agree to conduct negotiations with each other and CMIL in accordance with the following process:

- (a) negotiate with each other the terms upon which they would be willing to enter into a consortium ("**Consortium**") including the structure of the Consortium and the establishment of an acquisition vehicle or vehicles desirable to give effect to the Consortium participating in the Proposal;
- (b) approach CMIL and seek to conduct confirmatory due diligence over a 4 to 6 week period in accordance with a scope to be agreed by the parties; and
- (c) if they decide to proceed with the Proposal, negotiate the terms of the Scheme and the agreements necessary to implement a Scheme and work together with CMIL, to implement the Proposal.

3 Conduct

- 3.1 Prior to 10 November 2013, each party must use reasonable endeavours to co-operate with the other party to determine whether they can agree acceptable terms of a Proposal (including the Consortium arrangements).
- 3.2 The parties agree, having regard to the stage of their engagement with CMIL, that they must:
- (a) use reasonable endeavours to co-operate with the other party and negotiate acceptable terms with CMIL and/or each other, as applicable, upon which the Proposal may be implemented;
 - (b) provide reasonable information, details and explanation of all matters necessary to progress or implement the Proposal;
 - (c) not unreasonably delay any action or decision necessary in order to progress or implement the Proposal;
 - (d) work diligently to seek those internal approvals that are necessary in order to:
 - (i) Enter into an Implementation Agreement with CMIL in relation to the Proposal ("**Implementation Agreement**");
 - (ii) Enter into transaction documents in relation to the structure of the Consortium post-implementation of the Proposal; and
 - (iii) Implement the Proposal;
 - (e) use their reasonable endeavours to procure promptly those external approvals that are necessary in order to implement the Proposal;

- (f) provide any information and other assistance that the other party reasonably requests in order for it to obtain its own external approvals;
- (g) use reasonable endeavours to promptly procure any funding they require to meet any obligations they have with respect to the Proposal; and
- (h) devote appropriate resources as required to progress the Proposal in an expeditious manner.

The parties obligations under paragraphs 3.1(c), (d), (e) and (g) above are subject to acceptable terms for the Proposal being agreed with CMIL.

- 3.3 Any negotiations with CMIL are to be conducted jointly and each party must be given a reasonable opportunity to attend and participate in any negotiations or communications with CMIL in respect of the Proposal. No party may bind the other with respect to the negotiations with CMIL and the terms of any final Proposal require unanimous approval of each party.
- 3.4 The parties must seek to agree any public announcement of the Proposal or material developments in relation to the Proposal prior to release of that announcement. However, nothing in this paragraph will prevent any party from making a public announcement if required by law or the rules of any stock exchange.

4 Term

- 4.1 The agreement between the parties evidenced by this letter commences on the date of this letter and continues in full force and effect in accordance with its terms until the earliest of:
 - (a) the parties mutually agreeing, in writing, that this agreement terminates;
 - (b) either party giving notice of termination to the other on or before 10 November 2013, in any of the following circumstances:
 - (i) CMIL has not agreed to a period of confirmatory due diligence access for a period of at least 4 weeks;
 - (ii) CMIL has agreed to a period of confirmatory due diligence access for a period of at least 4 weeks but has not, in the reasonable opinion of the party giving the notice, provided access to substantially all of the materials sought; or
 - (iii) the party giving the notice, acting reasonably and in good faith, considers that acceptable terms of a Proposal (including the Consortium arrangements) cannot be agreed between the parties or between the parties and CMIL (as relevant); or
 - (c) the provision of a written notice of termination by one party (the "**Terminating Party**") in accordance with clause 4.2 where the party giving the notice is entitled to do so.
- 4.2 Either party may give written notice of termination of this letter, if:
 - (a) the other party consents;
 - (b) an Implementation Agreement is not entered into by the Consortium and CMIL before 24 December 2013 and the parties, acting reasonably and following consultation, cannot agree

the terms for implementing an alternative proposal for the acquisition of all of the units in CPA by 24 January 2014;

- (c) the Proposal is not implemented by 30 June 2014 and the Consortium is able to terminate any Implementation Agreement that has been entered into at that time;
- (d) the other party does not take the actions necessary or fails to secure the necessary approvals (whether external or internal) to either:
 - (i) enter into an Implementation Agreement that has been agreed between CMIL and at least one party to this letter; or
 - (ii) fulfil the conditions or other obligations of the Consortium under the Implementation Agreement;
- (e) there is, in the reasonable opinion of either party, a material adverse issue discovered during due diligence by the parties in circumstances in which the parties, acting reasonably and following consultation, cannot agree the terms for implementing an alternative proposal for the acquisition of all of the units in CPA that remedies or substantially mitigates the issue within 10 business days of the issue being discovered and either:
 - (i) the Implementation Agreement has not been executed; or
 - (ii) the Implementation Agreement has been executed, and the Consortium is entitled to terminate the Implementation Agreement; or
- (f) prior to the time a binding Implementation Agreement is entered into with CMIL, the party giving the notice, in its absolute discretion, considers that acceptable terms of a Proposal (including the Consortium arrangements) cannot be agreed between the parties or between the parties and CMIL (as relevant).

4.3 Subject to paragraphs 4.4 and 4.5, upon termination of this letter, no party will have any further rights or obligations under it other than obligations arising under paragraphs 8 and 9.

4.4 (a) If a Terminating Party terminates this letter in accordance with paragraphs 4.2 (b), (e) or (f), the exclusivity and standstill obligations in clauses 5 and 6 will survive and continue to apply to that Terminating Party for a period of 7 months from the date of termination. The other party will cease to be bound by those obligations.

(b) If a Terminating Party terminates this letter in accordance with paragraph 4.2(d), the exclusivity and standstill obligations in clauses 5 and 6 will survive and continue to apply to the party other than the Terminating Party for a period of 7 months from the date of termination. The Terminating Party will cease to be bound by those obligations.

(c) If this letter is terminated in accordance with paragraph 4.1(a), 4.1(b), 4.2(a) or 4.2(c), neither party will be bound by the exclusivity and standstill obligations in clauses 5 and 6.

4.5 If a Terminating Party terminates this letter in accordance with paragraph 4.2(b) or (e) then for 6 months following that termination, the other party must offer the Terminating Party a reasonable opportunity to participate in any alternative transaction it proposes to enter into (whether alone or with other parties) in relation to CPA (on substantially the same terms as that other party's participation to the extent possible).

5 Exclusivity

5.1 From the date of this letter and until the end of the "*Exclusivity Period*" (defined at paragraph 5.3 below), each party must:

- (a) ensure that neither it nor any of its officers, employees, advisors or agents ("**Representatives**"):
 - (i) solicits, invites, facilitates, encourages or initiates any enquiries, negotiations or discussions; or
 - (ii) communicates any intention to do any of these things,

with a view to obtaining any offer, proposal or expression of interest from any person in relation to a transaction other than the Proposal which involves a person acquiring or offering to acquire (whether alone or with another person):
 - (iii) 20% or more of the units in CPA; or
 - (iv) all or a majority of the assets of CPA (either by number or by value),

(that transaction being a "**Competing Transaction**");
- (b) ensure that neither it nor any of its Representatives:
 - (i) negotiates or enters into; or
 - (ii) participates in negotiations or discussions with any other person regarding,

a Competing Transaction, even if that person's Competing Transaction was not solicited, invited, facilitated, encouraged or initiated by that party or any of its Representatives or the person has publicly announced the Competing Transaction; and
- (c) promptly inform the other party if it or any of its Representatives is approached by a third party with or in respect of a Competing Transaction and, if requested by the other party, must provide in writing to the other party:
 - (i) the identity of the third party; and
 - (ii) details of:
 - (A) the Competing Transaction made by the third party making the approach; and
 - (B) any discussions with the third party in respect of the Competing Transaction.

5.2 Each party represents and warrants that, as at the date of this agreement, other than any discussions with the other party in respect of the Proposal, it and its Representatives are not currently in negotiations or discussions in respect of any Competing Transaction with any person.

5.3 For the purposes of this letter, "*Exclusivity Period*" for either party means the period from the date of this letter to the latter of the date that falls:

- (a) 7 months from the date this letter is entered into; and
- (b) to the extent paragraph 4.4(a) or (b) applies to that party, 7 months from the date that party provided or received (as applicable) the relevant notice of termination.

6 Standstill

6.1 Each party represents and warrants that, so far as it is aware, as at the date that is two business days before the date of this letter, neither it, nor any of its "*associates*" in relation to CPA, has a "*relevant interest*" in CPA units which in aggregate exceeds:

- (a) in the case of DEXUS, 14.64% of the total issued CPA units;
- (b) in the case of CPPIB, 0% of the total issued CPA units.

6.2 Each party undertakes to the other that it will not, and that none of its controlled entities will:

- (a) acquire any "*relevant interest*" in CPA units during the applicable Exclusivity Period; or
- (b) acquire or increase their interest under any derivative contract in respect of CPA units,

without the prior approval of the other party, except as otherwise disclosed in writing to the other party or to ASX Limited prior to the date of this agreement.

6.3 Each party acknowledges that, as a result of this agreement and the Proposal they may possess or come to possess "*inside information*" within the meaning of Part 7.10, Division 3 of the Corporations Act. Each party undertakes that it will not, and will ensure that its Representatives in possession of that "*inside information*" do not:

- (a) deal, or cause or procure another person to deal, in; or
- (b) otherwise engage in any conduct (or cause or procure any other person to engage in any conduct) in relation to,

any securities where to do so would amount to a breach of any of the provisions of Part 7.10 of the Corporations Act.

6.4 Each party acknowledges and agrees that nothing in this agreement confers on a party the power to:

- (a) exercise, or control the exercise of, a right to vote attached to; or
- (b) dispose of, or control the exercise of a power to dispose of,

any CPA units in which any other party has a "*relevant interest*".

6.5 Paragraph 6.2 does not apply to DEXUS in the following circumstances:

- (a) DEXUS's "*relevant interest*" changes as a result of actions by its counterparty under the Forward Contract;

- (b) DEXUS acquiring CPA units in accordance with the terms of the Forward Contract; and
- (c) DEXUS increases its "*relevant interest*" at any stage or increases or acquires an interest in any derivative contract (up to a maximum total interest in CPA units of 19.9%).

7 Substantial holder notice

- 7.1 The parties agree that, as a result of entering into this letter, the parties have become "associates" in relation to CPA, with aggregate "*voting power*" in CPA Units of more than 5%.
- 7.2 The parties agree to co-operate with each other in relation to the obligation of each party to lodge any substantial holding notice required by Chapter 6C of the Corporations Act (including by way of a joint notice).

8 Advisors and Costs

- 8.1 The parties agree to appoint the following to act as their joint advisers (each an "**Advisor**"):
 - (a) King & Wood Mallesons, as legal adviser;
 - (b) Deloitte, as tax advisor; and
 - (c) PwC, as accounting advisor.
- 8.2 DEXUS and CPPIB have each separately appointed their own financial advisors (each a "**Financial Advisor**").
- 8.3 It is acknowledged that the parties will incur costs and expenses in relation to the Proposal including, but not limited to legal, tax, property and accounting due diligence costs ("**Transaction Costs**"). For the avoidance of doubt, Transaction Costs will not include any costs or expenses which are incurred for services, including from any Advisor, which are not provided for the benefit of the Consortium but for the benefit of one of the members of the Consortium. They will also not include fees payable to any Financial Advisor (which will be borne by the party that appointed them).
- 8.4 All Transaction Costs will be borne equally between the parties and, subject to any agreement of the parties otherwise, must be agreed by each party prior to the cost or expense being incurred. The Transaction Costs the subject of this clause are limited to costs incurred and agreed before the date of termination of this letter. If this letter terminates and one party elects to continue with an alternative proposal, that party will be responsible for all costs in respect of that proposal.

9 Miscellaneous

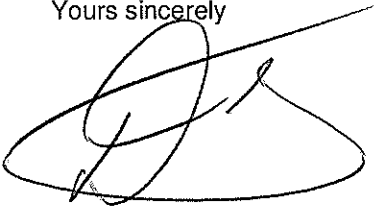
- 9.1 A party may exercise a right or remedy or give or refuse its consent in any way it considers appropriate (including by imposing conditions), unless this agreement expressly states otherwise.
- 9.2 If a party does not exercise a right or remedy fully or at a given time, the party may still exercise it later.
- 9.3 A party is not liable for loss caused by the exercise or attempted exercise of, failure to exercise, or delay in exercising a right or remedy under this agreement.

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- 9.4 By giving its approval or consent a party does not make or give any warranty or representation as to any circumstance relating to the subject matter of the consent or approval.
- 9.5 The rights and remedies provided in this agreement are in addition to other rights and remedies given by law independently of this agreement.
- 9.6 A provision of this agreement or a right created under it, may not be waived or varied except in writing, signed by the party or parties to be bound.
- 9.7 The parties acknowledge and agree that this agreement and the performance of this agreement do not represent or imply a partnership, agency, fiduciary relationship, joint venture, distribution or any other category of commercial or personal relationship between the parties recognised at law or in equity as giving rise to forms of specific rights and obligations.
- 9.8 Other than the Confidentiality Agreement, which continues to bind the parties in relation to its subject matter, this agreement constitutes the entire agreement of the parties about its subject matter and supersedes all previous agreements, understandings and negotiations on that subject matter.
- 9.9 A party may not assign or otherwise deal with its rights under this agreement without prior consent of the other parties.
- 9.10 This agreement may be executed in counterparts. All counterparts when taken together are to be taken to constitute one instrument.
- 9.11 This letter is governed by the laws in force in New South Wales. The parties submit to the non-exclusive jurisdiction of the laws of that place.
- 9.12 Notices under this letter must be in writing and can be sent by fax, e-mail or post to:
- (a) In the case of CPPIB:
- Name:** Graeme Eadie
Address: One Queen Street East Suite 2500, Toronto Ontario
M5C 2W5, Canada
E-mail: geadie@cppib.ca
- (b) In the case of DEXUS:
- Name:** John Easy
Address: PO Box R1822 Royal Exchange NSW 1225
Facsimile: +612 9017 1102
E-mail: john.easy@dexus.com
- 9.13 In this letter:
- (a) "*associate*" has the meaning it is given in section 12 of the Corporations Act;
- (b) "*business day*" means a day that is not a Saturday, Sunday or public holiday in Sydney;
- (c) "*related body corporate*", "*relevant interest*" and "*voting power*", have the meaning they are given in the Corporations Act;

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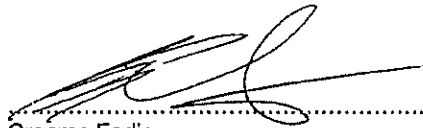
Yours sincerely

A handwritten signature in black ink, appearing to be 'D. Steinberg', written over a horizontal line.

Darren Steinberg
Chief Executive Officer
As authorised signatory for
DEXUS Funds Management Limited,
in its capacity as responsible entity
of the trusts that comprise the
DEXUS Property Group

DEXUS and CPPIB

Yours sincerely

A handwritten signature in black ink, appearing to read 'G. Eadie', written over a horizontal dotted line.

Graeme Eadie
As authorised signatory for
Canada Pension Plan Investment Board

Annexure: Indicative Terms of the Proposal (including Consortium arrangements)

| Proposed offer structure | |
|--|---|
| Parties | <p>The Proposal to be made by Dexus Office Trust Australia ("The Consortium"), an entity to be established and initially held on a 50/50 basis by:</p> <ul style="list-style-type: none"> - DEXUS Property Group ("DEXUS"); and - Canada Pension Plan Investment Board ("CPPIB"); <p>or their nominated related bodies corporate, (together the "Investors" and each an "Investor").</p> |
| Investment | <p>The Consortium will seek to own 100% of the units in ASX-listed Commonwealth Property Office Fund ("CPA") (the "Investment").</p> |
| Structure | <p>Parties to consider structure of any vehicle used to acquire CPA (including the capital structure).</p> |
| Bid structure | <p>An informal "trust scheme", being a proposal that the responsible entity of CPA will agree to put to members of CPA under which they will approve:</p> <ul style="list-style-type: none"> - The acquisition by The Consortium of all of the CPA units under item 7 of section 611 of the Corporations Act; and - Amendments to the constitution of CPA to enable the Proposal to be implemented. <p>The "trust scheme" is to be documented in an Implementation Agreement which will be subject to standard terms, conditions, representations, warranties and termination rights.</p> |
| Bid price | <p>\$0.680 in cash and 0.4516 DEXUS Stapled Securities for each CPA unit.</p> |
| Equity Contributions | <p>It is intended that each Investor will contribute 50% of the equity capital required to acquire the Investment by way of: cash, CPA units held by each party, and/or (in DEXUS's case only) the issuance of DEXUS Stapled Securities that will form part of the bid consideration.</p> |
| Board recommendation | <p>The Consortium is seeking a unanimous recommendation from the CPA responsible entity board to CPA unitholders on the Consortium's acquisition proposal (in the absence of a superior proposal and subject to customary fiduciary carve-outs).</p> |
| Governance structure for the Investment post-acquisition | |
| Investment strategy/objectives | <p>The Consortium, with the assistance of DEXUS Funds Management Limited ("DXFM") as manager (the "Manager"), will seek to maximise the value of the Investment and distributions from the Investment by:</p> <ul style="list-style-type: none"> - Applying DEXUS's full service, integrated office management platform; - Selectively repositioning assets within the portfolio to improve portfolio value; and - Focusing on the completion of current development opportunities within the Investment. |
| Co-owner Committee | <p>The Investors will establish a Co-owner Committee ("CC") that will be responsible for the review, endorsement or approval (as appropriate) of key investment decisions and related party matters:</p> <ul style="list-style-type: none"> - Each Investor will be equally represented on the CC; - The CC will meet quarterly or more frequently as required; and |

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| | |
|--|--|
| | <ul style="list-style-type: none"> - Each representative of an Investor shall be entitled to vote in proportion to their ownership interest. <p>A number of specific decisions will be reserved to the CC (to be agreed between the parties).</p> |
| Investor rights | Investors will enter into an agreement to detail arrangements for the ongoing investment in and management of the Investment. This will include impact of default, not meeting cash calls, and other similar events to be agreed, as well as pre-emptive rights, transfer restrictions and a liquidity/exit mechanism to be agreed. |
| DEXUS Management roles | <p>DEXUS will be appointed (where possible) as manager of the Investment and the assets of CPA under investment/property/development management agreements (IMA/PMA/DMA) for fees to be agreed.</p> <p>DEXUS's services will include asset management, property management, development management, project management and any other relevant services. DEXUS will be responsible for day-to-day decisions.</p> <p>DEXUS to be able to be removed "<i>with cause</i>" as manager. Specific triggers to be agreed.</p> |
| Conflicts and competing interests | Insofar as DEXUS or CPPIB has existing ownerships, arrangements or mandates which may give rise to competing interests, a mechanism for disclosure and transparency will be agreed. Standard DEXUS leasing conflicts management process to be applied. Conflicts policy to be agreed to cover other conflicts. |
| Administration of Investment post-acquisition | |
| Reporting | <p>Investors will receive customary reports (details and timeframe for provision of the reports to be agreed) associated with such an investment, including:</p> <ul style="list-style-type: none"> - Quarterly report, including unaudited management accounts, asset updates, investment performance, leasing activity, capital management and liquidity, market commentary, future outlook, disputes and conflict issues and events - Annual audited financial statements, Annual taxation statements, Annual budget - Three year investment plan (incorporating the annual budget), revised annually - Copies of all investment proposals - Monthly portfolio performance snapshot (i.e. 2 pager plus financials), including investment performance, unit value and commentary on any key issues. <p>The Investor documentation will also include appropriate valuation and conflicts policies as agreed.</p> |
| Operating costs | <p>DEXUS is entitled to recover third party expenses incurred on a cost recovery basis in the proper administration and management of the Investment Vehicle. These costs and expenses include, but are not limited to, professional advisory fees for legal, tax, audit, accounting, custodian and valuation services.</p> <p>Costs and expenses to be in accordance with the approved annual budget.</p> <p>DEXUS will not be entitled to recover costs for its own resources and the cost of providing those resources or costs associated with its outsourcing to CBRE of services which would typically be included in a PMA under a facilities management services outsourcing agreement.</p> |