

# ASX Announcement

1 July 2015

## **Multiplex European Property Fund (ASX: MUE) Notice of Meeting and Explanatory Memorandum**

Brookfield Capital Management Limited, the Responsible Entity of Multiplex European Property Fund, today lodges a Notice of Meeting and Explanatory Memorandum for a meeting of unitholders to approve a proposal to sell the properties owned by the Fund and wind up the Fund.

The meeting will take place as follows:

Date: Monday, 27 July 2015

Time: 9:30am registration  
10:00am meeting commences

Venue: The Menzies Sydney Hotel  
14 Carrington Street  
Sydney NSW 2000

A Notice of Meeting and Explanatory Memorandum will be mailed to unitholders. Additional information about the Fund and its assets can be found at [www.au.brookfield.com](http://www.au.brookfield.com).

For more information about the unitholder meeting, please contact the meeting information line on 1800 685 455 (within Australia) or +61 1800 685 455 (outside Australia).

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## NOTICE OF MEETING AND EXPLANATORY MEMORANDUM

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In relation to a proposal to sell the properties owned by the Fund and wind up of the Fund.

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The Board of the Responsible Entity recommends that you vote in favour of the Resolution, in the absence of an alternative proposal which is considered to be superior and in the best interests of Unitholders.

Issued by Brookfield Capital Management Limited (ABN 32 094 936 866, AFSL No. 223809) as responsible entity for Multiplex European Property Fund (ARSN 124 527 206)

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The meeting of Unitholders will be held at:

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Place: The Menzies Sydney Hotel, 14 Carrington Street, Sydney NSW 2000 Australia

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Date: 27 July 2015

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Meeting Registration: 9:30am AEST

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Meeting Commences: 10:00am AEST

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# Important Notice

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## **WHAT IS THIS DOCUMENT?**

This Explanatory Memorandum provides Unitholders of Multiplex European Property Fund (ARSN 124 527 206) with an explanation of, and information about, a proposal for the sale of properties and wind up of the Fund.

The Notice of Meeting is included at Section 2.

## **PERSONAL INVESTMENT ADVICE**

The information contained in this Explanatory Memorandum and general recommendation of the Independent Directors to vote in favour of the Resolution is not personal financial product advice. It has been prepared without reference to your particular investment objectives, financial situation, taxation position or needs. It is important that you read the Explanatory Memorandum in its entirety and consider your own objectives, financial situation and needs before making any decision on how to vote on the Resolution set out in the Notice of Meeting. If you are in any doubt in relation to these matters, you should consult your investment, financial or other professional adviser.

## **PRIVACY**

Brookfield Capital Management Limited (ABN 32 094 936 866) (BCML) as responsible entity of the Fund (Manager) may collect personal information in the process of conducting the Meeting and implementing the Resolution, if approved.

Such information may include the Unitholder's name, contact details and unitholding, and the name of persons they have appointed to act as a proxy, corporate representative or attorney at the Meeting. The primary purpose of collecting personal information is to assist the Manager to conduct the Meeting and implement the Resolution, if approved. Personal information collected will not be used for any other purpose. Personal information of the type described above may be disclosed to print, mail and other service providers and related bodies corporate of the Manager.

Unitholders and persons appointed to act as a proxy, corporate representative or attorney at the Meeting have certain rights to access their personal information that has been collected and may contact the Manager in the first instance if they wish to access their personal information.

## **VOTING EXCLUSION**

The Manager will disregard any votes cast by a person who is not entitled to vote because of section 253E of the Corporations Act. This section provides that the Manager and its associates are not entitled to vote on a resolution if they have an interest in the resolution other than as a Unitholder.

Accordingly, members of the Brookfield Group will not vote on any of the resolutions proposed at the Meeting. However, associates of the Manager may vote as a proxy for another Unitholder who is not excluded from voting if the proxy specifies the way they are to vote on a resolution.

## **KEY DATES**

**Date of issue of this Explanatory Memorandum:**

1 July 2015

**Meeting Record Date:**

7:00pm on 25 July 2015

**Latest date and time for receipt of proxy forms (with any power of attorney) for the Meeting:**

10:00am on 25 July 2015

**Unitholders meeting to be held at:**

The Menzies Sydney Hotel, 14 Carrington Street, Sydney NSW 2000

## **FORWARD LOOKING STATEMENTS**

This Explanatory Memorandum contains historical and forward looking statements. All statements other than statements of historical fact are, or may be deemed to be, forward looking statements. All forward looking statements in this Explanatory Memorandum reflect the current expectations of the Manager and its directors concerning future results and events. The statements contained in this Explanatory Memorandum about the impact that the Resolution may have on the Fund's operations, and the advantages and disadvantages expected to result should the Resolution be passed, are forward looking statements. These forward looking statements and the financial performance of the Fund are subject to various risks which may be beyond the control of the Fund or the Manager. As a result, the Fund's actual results of operations and earnings following implementation of the proposed changes set out in this Explanatory Memorandum may differ significantly from those that are expected in respect of timing, amount or nature, and may never be achieved.

Various business risks could affect future results of the Fund following implementation of the proposed changes set out in this Explanatory Memorandum, causing these results to differ materially from those expressed, implied or projected in any forward looking statements. Further, any number of unknown or unpredictable facts also could have material adverse effects on future results of the Fund following implementation of the proposed changes set out in this Explanatory Memorandum.

# Contents

The forward looking statements included in this Explanatory Memorandum are made only as at the date of this Explanatory Memorandum. The Manager cannot assure Unitholders that forward looking statements or implied results or events will be achieved. Subject to any continuing obligations under the Corporations Act or at law, the Manager does not give any undertaking to update or revise any change in expectation or any change in events, conditions or circumstances on which any such statement is based.

## DISCLAIMER

Information concerning the Fund and the intentions, views and opinions of the Manager contained in this Explanatory Memorandum have been prepared by the Manager and are the responsibility of the Manager.

The historical information is derived from sources believed to be accurate at the date of this Explanatory Memorandum. However, no representation or warranty, express or implied, is made as to the fairness, accuracy, completeness or correctness of any information, opinion or conclusion contained in this Explanatory Memorandum. To the maximum extent permitted by law, neither the Manager nor any of its directors, officers, employees, agents, advisers or intermediaries, nor any other person, accepts any liability for any loss arising from the use of this Explanatory Memorandum or its contents or otherwise arising in connection with it, including, without limitation, any liability from fault or negligence on their part.

The historical information in this Explanatory Memorandum is, or is based upon, information that has been released to the market. It should be read in conjunction with the Fund's other periodic and continuous disclosure announcements, including the Fund's half year financial results for the period ended 31 December 2014, lodged with ASX Limited (ASX) on 24 February 2015, and announcements to ASX available at [www.asx.com.au](http://www.asx.com.au).

The information in this Explanatory Memorandum remains subject to change without notice. The Manager reserves the right to withdraw or vary the timetable for implementing the Resolution without notice. The pro forma financial information provided in this Explanatory Memorandum is for illustrative purposes only and is not represented as being indicative of the Manager's views on the future financial condition and/or performance of the Fund.

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## ASX INVOLVEMENT

A copy of this Explanatory Memorandum has been lodged with ASX. Neither ASX nor any of its officers take any responsibility for the contents of this Explanatory Memorandum.

## RESPONSIBILITY FOR INFORMATION

Subject to the disclaimer above the information contained in this Explanatory Memorandum has been prepared by the Manager and is the responsibility of the Manager.

## DEFINED TERMS

Capitalised terms used in this document have the meaning given to them in the Glossary, as set out in Section 8 of this Explanatory Memorandum.

## CURRENCY AND FINANCIAL DATA

Unless stated otherwise, all dollar values are in Australian dollars (A\$) and financial data is presented as at the date stated.

## TIME

Unless stated otherwise, all references to time are to Australian Eastern Standard Time (AEST).

## DATE

This Explanatory Memorandum is dated 1 July 2015.

# 1. Letter from the Chairman of the Manager

Dear Unitholder

Brookfield Capital Management Limited (BCML or Manager), in its capacity as responsible entity of Multiplex European Property Fund (Fund), has been undertaking a sale process for all of the Fund's German properties in accordance with the terms of a debt standstill agreement with its lender. ASX Listing Rules require BCML to seek approval of Unitholders prior to concluding the sale of all of the Fund's properties.

## WHAT IS THE PROPOSED SALE?

The Manager is seeking approval of Unitholders to sell the 61 properties owned by one of the Fund's wholly owned German Partnerships (German Partnerships) to a third party institutional investor for gross proceeds of €168 million (Proposed Sale). Neither BCML, nor any related entity, will play any ongoing role in the management of the properties should the Proposed Sale occur. Completion of the sale of all the requisite number of properties under the agreement is expected to occur before 31 August 2015. Further details on the terms of Agreement for the Proposed Sale are set out in Section 5.5.

## WHY ARE THE PROPERTIES BEING SOLD?

The Fund's debt facility with Hypothekbank Frankfurt AG (Financier) matured without repayment by the German Partnerships in April 2014 at which time the LVR calculated under the debt facility was 104%. Notwithstanding this, the Financier agreed to a standstill in enforcement of its rights under the facility until 15 October 2014. This was subsequently extended to 31 December 2014 and then to 30 September 2015.

This standstill is subject to ongoing satisfaction of a number of conditions, including implementing a business plan for sale of all of the Fund's properties to repay outstanding bank debt. The Proposed Sale has been pursued in accordance with the business plan which included the sale of the nursing home properties completed in January 2015.

The Financier has indicated that it supports the terms of the Proposed Sale and would favourably consider a further extension to the standstill agreement to facilitate completing the sale of the properties if completion of the sale of some or all of the properties was not finalised by 30 September 2015. If the Proposed Sale does not proceed, the Financier has indicated that it will reserve its rights in relation to the debt facility (which may include the Financier exercising enforcement rights to dispose of the Fund's properties).

## WHAT OTHER OPTIONS HAVE BEEN CONSIDERED?

BCML has given consideration to alternative strategies for the Fund.

It is considered that the options open to the Fund are limited by the ongoing tax audits of the Fund's wholly owned German

Partnerships. An adverse outcome to the German tax audit for the 2007 to 2010 years may result in Trade Tax estimated to be up to €29.8 million (A\$42.5 million) being payable in the German Partnerships (calculated at 31 May 2015). A summary of the current status of the tax audits is set out in Section 5.4.

In light of the potential liabilities that may arise from the German tax audits and the current level of debt in the German Partnerships BCML does not believe it to be in the best interests of Unitholders to pursue a recapitalisation/ refinancing in order to satisfy the obligations to the Financier. Options for the Fund are essentially to proceed with a sale process managed by BCML or to default on the terms of the standstill, which may result in the Financier (or its representatives) proceeding with enforcement action and disposing of the properties. BCML believes that a managed sales process, as has been conducted to date, is more likely to optimise value and is preferable for Unitholders rather than a distressed sale process conducted by the Financier or a receiver.

## WHAT HAPPENS TO THE FUND IF THE PROPOSED SALE IS APPROVED BY UNITHOLDERS?

If the Proposed Sale is approved by Unitholders and implemented, the Fund will have no assets other than cash and receivables.

The Proposed Sale of the remaining 61 properties, together with part use of existing cash reserves held in the partnerships, is expected to facilitate repayment of the debt facility which currently stands at €169.8 million having already been repaid by €61.6 million from completion of the sale of the nursing home properties.

Subject to the outcome of the tax audits currently being conducted on the German Partnerships (as detailed in previous ASX announcements), cash will be returned to investors periodically as the Fund's offshore subsidiaries are merged or liquidated. The Fund will be wound up at completion of the distribution of cash to Unitholders.

ASX has advised that it may require suspension of the Fund's Units following completion of the sale of the majority of the Fund's properties if it considers that the Fund has ceased to satisfy the requirements to remain listed set out in Chapter 12 of the ASX Listing Rules. From the date of suspension, no further trading in the Fund's Units would be allowed. As a result, Unitholders will not be able to trade their Units. Distributions will be made during the period of any suspension or following a delisting as outlined in Section 5, with the final distribution not anticipated to be made until 2018. The timing for any suspension and subsequent de-listing will be determined following consultation between ASX and the Manager.

**HOW MUCH WILL I RECEIVE IF THE PROPERTIES ARE SOLD?**

Subject to a number of important assumptions set out in Section 5.6.2, it is currently estimated that settlement of the Proposed Sale and wind up of the Fund may result in a total Fund net cash surplus of approximately A\$20.7 million or 8.4 cents per unit to be distributed progressively over the period to early 2018. However, those assumptions are subject to significant uncertainties. If the assumptions are not met, this may result in a materially lower or no cash surplus being available for distribution to Unitholders.

The Fund had retained cash of approximately \$5.8 million (2.3 cents per unit) in Australia as at 31 May 2015. Expenses incurred by the Fund outside of Germany will continue to be met from these cash reserves until wind up of the Fund is complete. The Fund's Australian entities are not party to the debt facility with the Financier. The Financier has no recourse to the Fund's assets held in Australia.

Timing of repatriation of any excess cash reserves from Germany and the amount distributed to Unitholders will ultimately be determined by a number of factors including:

- German tax audits undertaken on the German Partnerships and any binding decisions made by the German tax authorities
- operating performance of the properties until the sale is completed
- the timing of completion of the sale of all properties and satisfaction of relevant conditions for the sale
- foreign exchange fluctuations
- warranty claims in relation to the sales and release of cash from escrow accounts on expiry of warranty periods relating to property sales
- net cash available in Australia after payment of operating expenses; and
- completion of any necessary restructuring of the entities owned by the Fund and time and costs incurred in winding up the Fund.

Further details relating to these assumptions and their potential impact on cash returns to Unitholders are set out in Section 5.

As such, there is no guarantee that any proceeds will be available for distribution to Unitholders.

Subject to resolution of the German tax audits it is estimated that it will take until early 2018 to complete the wind up of the Fund. Further information in relation to the wind up is set out in Section 5.

**WHAT APPROVAL OF UNITHOLDERS IS REQUIRED?**

In order to implement the Proposed Sale and subsequent wind up of the Fund, the Manager is proposing one Resolution for Unitholders' consideration.

Unitholders must approve the Proposed Sale as required by ASX Listing Rule 11.2 by an ordinary resolution.

To be passed, the ordinary resolution requires approval by more than 50% of votes cast on the resolution at the Meeting by Unitholders entitled to vote on the Resolution.

**WHICH UNITHOLDERS ARE ELIGIBLE TO VOTE ON THE RESOLUTION?**

Unitholders eligible to vote on the Resolution are persons who are registered holders of Units on the Meeting Record Date (being 7:00pm on 25 July 2015) with the exception of Brookfield Group and any other holder of Units who is an associate of BCML and Mr Allan McDonald (as defined in the Corporations Act).

**OWNERSHIP OF THE FUND BY BROOKFIELD GROUP**

Brookfield Group currently holds a direct interest of 20.1% in the Fund. In addition, Brookfield Group manages and holds a 62% interest in BAO Trust (ARSN 160 276 559) which has a 5.1% interest in the Fund.

**IMPLEMENTATION OF THE RESOLUTION**

If the Resolution is approved by Unitholders, subject to other conditions being satisfied or waived and the purchaser not rescinding the contract, completion of the Proposed Sale is expected to occur before 31 August 2015.

Conditions for implementation of the Proposed Sale are set out in Section 5.

The Manager will announce to ASX when all of the conditions have been satisfied or waived.

**IF THE RESOLUTION IS NOT PASSED**

In order for the Proposed Sale to be implemented, the Resolution must be passed by Unitholders.

If the Resolution is not passed by Unitholders, the Proposed Sale will not take place (although the Financier may itself pursue the sale through enforcement of the debt facility).

The business plan provided to the Financier under the terms of the standstill agreement requires a sale of the remaining properties in order to repay the debt facility. If a sale does not proceed as provided under the terms of the standstill, the Financier may seek to enforce security against the properties. In these circumstances, control of the property sales would be lost and the Fund may not receive an equivalent value for the properties as has been conditionally agreed.

Further, it may be necessary to halt or suspend trading of the Fund on the ASX pending confirmation from the Financier of its intentions regarding its enforcement rights under the terms of the standstill agreement and the debt facility.

# 1. Letter from the Chairman of the Manager (continued)

## KEY ADVANTAGES AND DISADVANTAGES OF THE RESOLUTION

### Reasons why you might vote FOR the Resolution

Key advantages of the Proposal as set out in Section 6 of the Explanatory Memorandum are:

- the Financier may enforce its security against the properties and sell the properties for less than that agreed under the Proposed Sale, with the result that the amount you receive for your Units may be reduced; and / or
- you may receive cash distributions in excess of the current ASX trading price (subject to the assumptions set out in section 5.6);

### Reasons why you might vote AGAINST the Resolution

Key disadvantages of the Proposal as set out in Section 6 of the Explanatory Memorandum are:

- the properties may increase in value in the future, or a Financier sale process may achieve a greater value, resulting in Unit values and cash distributions in excess of those contemplated under the current proposal. However, as the Board considers that this could only arise through an immediate recapitalisation and refinancing of the Fund, in the present circumstances of the German tax audit it is not considered that it is commercially practicable to pursue this option;
- you will not be able to trade your Units pending receipt of remaining distributions, with the final distribution not anticipated to occur before 2018; and/or
- an alternate proposal which is considered to be superior may emerge in the future.

For the reasons outlined above, the Manager believes the Proposed Sale is preferable in the circumstances.

## RECOMMENDATION OF THE BOARD

Having regard to the potential advantages and disadvantages of the Resolution (described in Section 6) and in the current circumstances of the Fund, and in the absence of an alternative offer which is considered to be superior and in the best interests of Unitholders, the Board is of the opinion that the Resolution is in the best interests of Unitholders and unanimously recommends that you vote in favour of the Resolution.

## MEETING TO CONSIDER THE RESOLUTION

A Meeting of Unitholders to consider the Proposal will be held on 27 July 2015 at:

The Menzies Sydney Hotel,  
14 Carrington Street,  
Sydney NSW 2000  
Meeting commencing at 10:00am (AEST).

## FUND INFORMATION

Information regarding the financial position of the Fund can be found in the Fund's interim report and financial report for the half year ended 31 December 2014, lodged with ASX on 24 February 2015, and available at [www.au.brookfield.com](http://www.au.brookfield.com).

## YOUR VOTE IS IMPORTANT

In order for the Resolution to be approved, more than 50% of Unitholders present and voting at the Meeting must approve the Resolution (see Section 2). Members of Brookfield Group who are associates of the Manager will not vote on the Resolution.

This Explanatory Memorandum contains important information relating to the Resolution, including reasons for the Manager's recommendation and a description of potential advantages and disadvantages of the Resolution.

Please read this Explanatory Memorandum carefully and in its entirety before making your decision and voting (whether in person, by corporate representative, attorney or by proxy) at the Meeting.

Additional information about the Fund and its assets can be found at [www.au.brookfield.com](http://www.au.brookfield.com).

Enquiries regarding the Resolution may be directed to Multiplex European Property Fund Information Line on 1800 685 455 (within Australia) or +61 1800 685 455 (from outside Australia). Alternatively, contact your investment, tax, legal or other professional adviser.

I look forward to your participation at the Meeting on 27 July 2015 and encourage you to vote in favour of the Resolution. Thank you for your ongoing support of the Fund.

Yours faithfully



Allan McDonald



## 2. Notice of Meeting

### NOTICE OF MEETING

Notice is hereby given by Brookfield Capital Management Limited (ABN 32 094 936 866) as responsible entity for Multiplex European Property Fund (ARSN 124 527 206) that a meeting of Unitholders (Meeting) will be held at:

**Place:** The Menzies Sydney Hotel, 14 Carrington Street  
Sydney NSW 2000

**Date:** 27 July 2015

**Time:** Registration 9:30am (AEST)

Meeting commencing at 10:00am (AEST).

In accordance with section 252S(1) of the Corporations Act 2001 (Cth), Brookfield Capital Management Limited has appointed Mr Allan McDonald, or, failing him, Ms Barbara Ward to act as Chair.

### BUSINESS OF THE MEETING

The business of the Meeting will consist of the following:

#### Resolution:

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

“That, for the purposes of Listing Rule 11.2, and for all other purposes, the sale of all of the assets of Multiplex European Property Fund and the subsequent winding up of Multiplex European Property Fund in accordance with its constitution and the Corporations Act 2001 (Cth), including the de-listing of the Fund in the course of the wind-up process as described in the Explanatory Memorandum accompanying this resolution are approved.”

### Voting Exclusions

BCML will disregard any votes cast on the Resolution by any person who may obtain a benefit, except a benefit solely in the capacity of a holder of ordinary securities, if the Resolution is passed, and any associate of such a person.

As a consequence of the above voting exclusions, the Manager has determined that neither BCML nor any of its associates will be able to vote on the Resolution. This includes Multiplex German Investment Pty Ltd, Brookfield Capital Management Limited as responsible entity of the BAO Trust and Mr Allan McDonald (who between them currently hold approximately 25.3% of the Units).

However, BCML need not disregard a vote if it is cast by a person as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form, or it 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.



Neil Olofsson  
Company Secretary  
1 July 2015

The accompanying Explanatory Memorandum forms part of this Notice and should be read in conjunction with it. Unless otherwise defined, this Notice and terms used in this Notice have the same meaning as set out in the Glossary in Section 8 of the Explanatory Memorandum.



## 3. Information for Unitholders

### 3.1 KEY DATES

#### Key Dates Relevant to the Meeting

Latest date and time for receipt of proxy forms (with any power of attorney) for the Meeting	25 July 2015 at 10.00am
Meeting Record Date	25 July 2015 at 7.00pm
Unitholders' meeting to be held at The Menzies Sydney Hotel, 14 Carrington Street, Sydney NSW 2000	27 July 2015 at 10.00am

### 3.2 WHAT YOU NEED TO DO

#### Step 1 – read the Explanatory Memorandum

The Explanatory Memorandum sets out information relating to the Meeting of Unitholders to consider the Resolution and includes the Notice of Meeting.

Information contained in the Explanatory Memorandum and Notice of Meeting is important. Please read this document carefully and if necessary seek your own independent advice on any aspects about which you are not certain.

If, prior to 7.00pm (AEST) on 25 July 2015, you have sold all of your Units, please disregard this document.

#### Step 2 – Vote

The Meeting is scheduled for 10.00am (AEST) on 27 July 2015 at The Menzies Sydney Hotel, 14 Carrington Street, Sydney NSW 2000.

You can vote on the Resolution by attending the Meeting (or having an attorney or, in the case of a body corporate, corporate representative attend on your behalf) or by completing and returning the Proxy Form accompanying this Explanatory Memorandum. Proxy Forms must be received by 10.00am (AEST) on 25 July 2015.

For details on how to complete and lodge the Proxy Form, or having your corporate representative or attorney attend the Meeting, please see below.

### 3.3 QUORUM REQUIREMENTS

The quorum requirement for the Meeting is at least two Unitholders present in person or by attorney, representative or proxy.

If a quorum is not present within 15 minutes after the scheduled Meeting time, the Meeting will be adjourned as the Responsible Entity of the Fund meeting directs.

### 3.4 VOTING DETAILS

#### Voting Eligibility

All Unitholders on the Fund Register as at 7.00pm (AEST) on 25 July 2015 are eligible to vote unless they are otherwise excluded as set out in the Notice of Meeting.

In order for the steps relevant to the Resolution to be implemented, the Resolution must be approved by the requisite majority as specified in Section 2.

The Notice of Meeting is set out in Section 2 of this Explanatory Memorandum. A personalised Proxy Form is enclosed with this Explanatory Memorandum.

#### Voting

The Chair of the Meeting has advised that he intends to demand a poll so that the Resolution is decided on a poll. On a poll, each Unitholder has one vote for each dollar of the value of Units held by the Unitholder. Each person present as proxy, attorney or representative of a Unitholder has one vote for each dollar of the value of Units held by the Unitholder that person represents. Generally speaking, your Unit value is equal to the last sale price of Units on ASX on the last trading day before the Meeting.

You are not required to exercise all your votes in the same way, or to cast all your votes.

#### Jointly Held Units

If your Units are jointly held, only one of the joint holders is entitled to vote. If both joint holders are present at the Meeting, only the vote of the person named first in the Fund Register counts.

#### Individuals

If you plan to attend the Meeting, we ask you to arrive at the venue at least 30 minutes prior to the designated Meeting time so that we may check your Units against the Fund Register and note your attendance.

### Corporations

In order to vote at the Meeting, a corporation that is a Unitholder may appoint a proxy or may appoint a person to act as its representative. The appointment of a representative must comply with section 253B of the Corporations Act. The representative should bring evidence of his or her appointment to the Meeting, including any authority under which it is signed.

### Appointing a Proxy

If you are entitled to attend and vote at the Meeting, but cannot attend, you can appoint a proxy to attend and vote on your behalf. You may nominate one or two persons to vote on your behalf at the Meeting. A proxy need not be a Unitholder.

If two proxies are appointed, each proxy may be appointed to represent a specified number or proportion of your votes. If no such number or proportion is specified, each proxy may exercise half your votes.

To ensure that all Unitholders can exercise their rights to vote on the proposed resolution, a Proxy Form is enclosed which tells you what you need to do to lodge a valid proxy.

A Proxy Form may be returned in the reply paid envelope provided. Alternatively, you may deliver your completed Proxy form:

(a) By mail:

Multiplex European Property Fund  
C/- Link Market Services Limited  
Locked Bag A14  
Sydney South NSW 1235

(b) By fax:

(02) 9287 0309

(c) By hand:

Deliver to Link Market Services Limited  
Level 12, 680 George Street  
Sydney NSW 2000

The Proxy Form must be received no later than 48 hours before the Meeting, failing which the Proxy Form will be disregarded for the purpose of the Meeting.

### Voting Intentions of Chairman

The Manager has appointed Allan McDonald, or failing him, Barbara Ward to Chair the Meeting. If the Chair of the Meeting is your proxy and you do not specifically direct how your proxy is to vote on the Resolution, you will be taken to have directed the Chair of the Meeting to vote in favour of the Resolution and the Chair of the Meeting will exercise your votes in favour of the Resolution.

### 3.5 ENQUIRIES

If you have questions about the Resolution, attending the Meeting, how to vote or the Proxy Forms, please contact the information line on 1800 685 455 (if you are in Australia) or on (+61 1800 685 455 if you are outside Australia) Monday to Friday between 8.30am and 5.30pm (AEST) or consult your financial or other professional advisers.

## 4. Details of the Resolution

### 4.1 ASX LISTING RULES REQUIREMENTS

The information contained in this Explanatory Memorandum and the Resolution to be considered by Unitholders as set out in the Notice of Meeting in Section 2 have been prepared to ensure compliance with ASX Listing Rules requirements.

ASX Listing Rule 11.1 provides that in circumstances where an entity proposes to make a significant change to the nature or scale of its activities, full details must be provided to the ASX as soon as practicable. ASX Listing Rule 11.2 provides that:

If the significant change involves the entity disposing of its main undertaking, the entity must get the approval of holders of its ordinary securities and must comply with any requirements of ASX in relation to the notice of meeting. The notice of meeting must include a voting exclusion statement. The entity must not enter into an agreement to dispose of its main undertaking unless the agreement is conditional on the entity getting that approval. Rules 11.1.1 and 11.1.3 apply.

The Resolution seeks the approval of Unitholders for the sale of the 61 properties owned by the Fund and includes the voting exclusions in Section 2.

Chapter 12 of the ASX Listing Rules requires that the level of an entity's operations must, in ASX's opinion, be adequate to warrant its continued listing. Chapter 12 also allows ASX to suspend quotation of an entity's securities where half or more of an entity's total assets is cash. ASX has advised that it may require suspension of the Fund's securities on the basis of Chapter 12 of the ASX Listing Rules. The timing for any suspension and subsequent de-listing will be determined following consultation between ASX and the Manager.

The Resolution also seeks Unitholder approval for the wind up of the Fund. Clause 21 of the Fund Constitution provides that the Fund will terminate on a date determined by BCML and advised to Unitholders. If the Resolution is passed by Unitholders, the Fund will hold only cash and receivables; accordingly, BCML will commence steps to wind up the Fund and return net cash proceeds to Unitholders over the following period. The timing of any return of such proceeds will depend on a number of factors as set out in section 5.6 including resolution of the German tax audits. Assuming no adverse German tax audit activity, it is anticipated that net proceeds (if any) would be returned to Unitholders by early 2018. However, this timing is dependent on a number of factors outside the Manager's control.

The Resolution also seeks Unitholder approval for the ultimate de-listing of the Fund. ASX Listing Rule 17.11 provides that ASX may remove an entity from the official list at the entity's request. De-listing of the Fund will occur at a time determined following consultation between ASX and the Manager.

## 5. Details of the Proposed Sale and Potential Returns for Unitholders

### 5.1 BACKGROUND TO THE PROPOSED SALE

The Fund's debt facility with Hypothekbank Frankfurt AG (Financier) matured without repayment by the German Partnerships in April 2014 at which time the LVR calculated under the debt facility was 104%. Notwithstanding, the Financier agreed a standstill under the facility to 15 October 2014 which was subsequently extended to 31 December 2014 and then to 30 September 2015.

This standstill is subject to ongoing satisfaction of a number of conditions, including implementation of a business plan that will see all of the Fund's properties sold to repay outstanding bank debt. Further detail in relation to the conditions attaching to the standstill is set out in Section 5.3.

In order to avoid a default of the standstill agreement, and a potential forced liquidation sale of the properties, BCML has pursued the business plan. During 2014 the German Partnerships entered into sale agreements for the six nursing homes owned by the Fund and €61.6 million of net proceeds has been used to partially pay down the debt facility.

Brookfield Financial commenced the sale process of the remaining 61 properties as a single portfolio, which was released to the market in September 2014. There was a high level of interest, and following first round bids, a second round was undertaken with a number of reputable international investors. After a number of parties submitted bids, one party entered due diligence.

On 9 March 2015, BCML announced that a conditional agreement had been executed to sell the remaining 61 properties owned by the German Partnerships in order to provide sufficient cash to enable the remainder of the debt facility to be repaid.

### 5.2 FINANCIAL STATUS OF THE FUND

The following table shows the change in value (in Australian dollars) of the properties and net assets of the Fund since inception in 2007 to 31 December 2014 (prior to the sale of the five remaining nursing homes). Whilst the performance of the Fund has been largely affected by the fall in value of the properties, a fall in the value of the Euro against the Australian dollar has also contributed to the Fund's performance over the period.

Million (A\$)	Mar 07	Jun 08	Jun 09	Jun 10	Jun 11	Jun 12	Jun 13	Jun 14	Dec 14	Since Inception
Nursing Homes	125.3	119.4	104.9	83.4	80.3	70.3	79.8	82.5	83.0 <sup>1</sup>	(42.3)
Remaining Portfolio	475.8	437.6	384.1	301.4	261.3	214.0	236.3	234.2	249.0	(226.8)
Total Investment Properties	601.1	557.0	489.0	384.8	341.6	284.3	316.1	316.7	332.0	(269.1)
Other net assets / liabilities	13.0	24.8	(23.2)	21.0	58.3	28.2	16.8	26.2	25.4	12.4
Interest bearing liabilities	(379.2)	(379.1)	(402.4)	(328.3)	(312.6)	(285.8)	(327.4)	(336.3)	(330.4)	48.8
Net Asset Value of the Fund	234.9	202.7	63.4	77.5	87.3	26.7	5.5	6.6	27.0	(207.9)
Net Assets (cents per unit)	95.12	82.09	25.68	31.40	35.34	10.80	2.22	2.68	10.95	(84.17)
Distributions (cents per unit)	0.00	10.60	5.00	4.50	2.50	15.75	10.00	0.00	0.00	48.35
Exchange Rate	0.6049	0.6104	0.5751	0.705	0.7401	0.8095	0.7067	0.6882	0.6746	

<sup>1</sup> Excludes the Wiesbaden property which was disposed during the period for gross proceeds of €8.5 million, with proceeds used to reduce interest bearing liabilities.

## 5. Details of the Proposed Sale and Potential Returns for Unitholders (continued)

### Property Performance Since Inception

Valuation of the properties when measured in Euro has been impacted by a combination of an increase in capitalisation rates, reflecting weaker market conditions, and a decrease in the weighted average lease expiry (WALE) of the portfolio. For the purposes of direct comparison, the Wiesbaden nursing home, which was sold during the period to 31 December 2014 is included in the table below at its gross selling price of €8.5 million.

	March 2007				December 14			
	Valuation	Rental Income € (p.a)	Cap Rate Ranges (%)	Avg Cap Rate (%)	Valuation	Rental Income € (p.a)	Cap Rate Ranges (%)	Avg Cap Rate (%)
Nursing homes	74.0	5.0	6.15 - 6.18	6.16	64.5 <sup>(1)</sup>	5.3	7.25 - 8.25	8.00
Logistics / Warehouses	34.5	2.2	6.02 - 6.23	6.12	17.4	2.1	7.25 - 8.00	7.75
Office / Hotel	39.5	2.6	6.08 - 6.26	6.15	26.6	1.8	6.75 - 10.5	8.42
Retail	207.0	13.3	4.95 - 6.79	6.60	125.8	13.7	6.25 - 11.0	9.17
<b>Total</b>	<b>355.0</b>	<b>23.1</b>		<b>6.10</b>	<b>234.3</b>	<b>23.0</b>		<b>8.33</b>
Occupancy Rate				98				96
WALE (years)				9.8				7.55

(1) Assumes for purposes of comparison that Wiesbaden nursing home sold during 2014 included in portfolio at sale price of €8.5 million.

### Fund status as at 30 April 2015 (unaudited)

Net assets of the Fund as at 30 April 2015 are estimated to be \$29.8 million (12.1 cents per unit). This reflects receipt of the €2 million received from the German Tax Office for the 2004-06 tax audit and settlement of the sale of the nursing homes and reduction in the debt facility.

Million (A\$)	
Cash Assets <sup>1</sup>	36.7
Trade and Other Receivables	0.9
<b>Total Current Assets</b>	<b>37.6</b>
Investment properties	237.5
<b>Total Non Current Assets</b>	<b>237.5</b>
<b>Total Assets</b>	<b>275.1</b>
Trade and Other Creditors	4.6
Interest Payables	0.3
Management Fees	0.4
Interest Bearing Liabilities	240.0
<b>Total Current Liabilities</b>	<b>245.3</b>
<b>Total Liabilities</b>	<b>245.3</b>
<b>Net Assets <sup>2</sup></b>	<b>29.8</b>
Units on Issue	247.0
<b>Net Assets (cents per unit)</b>	<b>12.1</b>

<sup>1</sup> Cash assets include €2.5 million held in escrow in relation to warranties provided for the sale of the nursing homes. The balance of the cash held in Europe is restricted in accordance with the requirements of the Financier.

<sup>2</sup> Exchange rate at 30 April 2015 A\$1:€0.7074.

The Fund had retained cash of approximately \$5.8 million (2.3 cents per unit) in Australia as at 31 May 2015. Expenses incurred by the Fund outside of Germany will continue to be met from these cash reserves until wind up of the Fund is complete. The Fund's Australian entities are not party to the debt facility and the Financier has no recourse to the Fund's assets held in Australia.

### 5.3 STATUS OF THE AGREEMENT WITH THE FINANCIER

The debt facility provided to the German Partnerships matured on 15 April 2014. The Financier has signed a standstill agreement with the German Partnerships whereby the financier agreed to:

- waive any “event of default” which would otherwise have arisen following non-payment of the debt on maturity; and
- not take any enforcement action

until 30 September 2015 (Standstill Period).

This standstill agreement is subject to ongoing satisfaction of a number of conditions by the German Partnerships, including:

- implementing a business plan that will see all of the Fund's properties sold to repay outstanding bank debt.
- appointment of an agent acceptable to the Financier to manage the sale of the properties and such appointment not being terminated without the Financier's consent.
- continued appointment of Corpus Sireo as the property manager in Germany and such appointment not being terminated without the Financier's consent.
- no insolvency event or other event of default occurring under the debt facility agreement (other than non-payment of the debt on the original maturity date) or the standstill agreement.
- no other circumstance occurring, that, in the opinion of the Financier, detrimentally affects its position with the German Partnerships when compared with its position in relation to them as at the date of the standstill agreement (including, without limitation, a negative decision by the relevant tax authority regarding the pending tax audit of the trade tax position for business years 2007 to 2010).

If any of these conditions, or other standstill conditions are breached, the Standstill Period will terminate and the Financier may proceed with enforcement action. Further standstills or debt facility extensions after 30 September 2015 are at the Financier's sole discretion.

The Financier has indicated that it supports the terms of the Proposed Sale and would favourably consider a further extension to the standstill agreement to facilitate completion

of the sale of the properties if completion of the sale of some or all of the properties is not finalised by 30 September 2015. If the Proposed Sale does not proceed, the Financier has indicated that it will reserve its rights regarding enforcement of the debt facility.

### 5.4 STATUS OF GERMAN TAX AUDITS OF THE FUND'S SUBSIDIARIES

#### 2004 to 2006 Tax Audit and Objection

Discussions have taken place with the German Tax Office regarding the Trade Tax assessed to the German Partnerships for the 2004 to 2006 income years. Objections lodged by the German Partnerships remain under review by the German Tax Office and it is expected that further discussions will take place prior to any final decision being issued.

At the time the objections were lodged against the assessment, a request for deferral of the Trade Tax payable was also lodged. As no decision to permit the deferral was made prior to the payment due date, €2 million was paid to avoid risk of debt recovery action.

Correspondence received in March 2015 from the German Tax Office indicates that deferral of payment has been granted and approximately €2 million has been refunded to the relevant German Partnership.

It is important to note that, whilst this decision may provide the partnerships with a cashflow benefit, independent advice received confirms that approval of the deferral of payment does not impact on the decision making process for objection to the Trade Tax assessment. This objection remains under review by the German Tax Office. If the objection is rejected in the future, the assessment may be due and payable plus interest from a revised date.

#### 2007 to 2010 Tax Audit

The 2007 to 2010 tax audit continues. Since preliminary findings were issued by the German Tax Office in May 2014, further information has been provided to the German Tax Office and a number of final audit reports have been received. These preliminary findings indicated an amount of approximately €0.2 million may be payable, with no indication that Trade Tax would be payable. However, no further findings have been received for the partnership subjected to the Trade Tax assessment for 2004 to 2006 and no final assessments have been received in respect of any of the partnerships. It is open to the German Tax Office to deviate from the findings and issue tax assessment notices that differ from the findings and therefore, there is no guarantee that this position will not change.

## 5. Details of the Proposed Sale and Potential Returns for Unitholders (continued)

It should be noted that, if the German Tax Office were to apply the same approach for the 2007 to 2010 period as was applied to 2004 to 2006, the current estimate of potential Trade Tax payable would be up to €29.8 million (including approximately €8.0 million in interest and penalties) calculated to 31 May 2015. Consistent with prior reporting periods, having obtained independent advice, BCML's view remains that, if the tax matter was pursued through to court appeal, the relevant entities are more likely than not to successfully defend their position and no Trade Tax would ultimately be payable. No liability has been recognised in the Fund's financial statements as at 31 December 2014 for the potentially outstanding amounts.

The Financier has confirmed the following regarding preliminary findings for the German Partnerships' tax audit for the 2007 to 2010 years:

- it will agree to the estimated tax payable of approximately €0.2 million being funded from German Partnerships' cash reserves retained in Germany; and
- the preliminary findings received from the Tax Office and any assessment arising on substantially the same basis is not an event of default or termination event under the debt facility or the standstill agreement.

In the event that an assessment was received for Trade Tax, a deferral of payment would likely be sought. In order to avoid any recovery action it is likely that the assessment would be required to be paid whilst the deferral was being considered. There is no guarantee that the deferral would be granted within a short period of time or that it would be granted at all.

### Claims Arising from the Original Acquisition of the Properties

The German Partnerships were provided with limited warranties by vendors in relation to tax issues arising in the German Partnerships for the periods prior to 2 April 2007. The German Partnerships have preserved the rights under these warranties through filing a request for Arbitration with the ICC International Court of Arbitration. Any claims made against the warranties for Trade Tax payable in the 2004 to 2007 years are capped at €5 million in total and can only be made at completion of all appeal processes in relation to any Trade Tax assessments. This may take a number of years to complete. Cash retained in escrow against any potential claim was released to the vendors in 2010 in accordance with the terms of the acquisition and therefore the solvency or otherwise of the vendors will be a relevant consideration should any claim be pursued against the vendors in future years.

### 5.5 KEY TERMS OF THE PROPOSED SALE

#### Condition Precedent

The sale of the properties is conditional on Unitholders approval as required by the ASX listing rules (Unitholder Approval

Condition). If the Unitholder Approval Condition is not met by 31 July 2015, the Agreement will not be binding on the parties, although certain provisions shall survive (including obligations on the vendor to provide compensation to the purchaser for due diligence expenses incurred up to €0.35 million plus the payment of other expenses (expected to be approximately €0.1 million).

#### Settlement

Settlement of the sale of the properties is expected within the next two to three months once certain conditions have been satisfied for each property. The main conditions to be satisfied prior to settlement are associated with providing clear title to the properties (including, amongst other things, releasing the financier security and satisfying potential pre-emption rights held by local governments). Settlement will take place 15 business days after these conditions have been satisfied in respect of each of the properties.

Early settlement of some properties may occur where a requisite number of properties are capable of settlement. This ensures that the sale of the majority of properties can proceed even though the conditions attaching to a small number of other properties in the portfolio are delayed. In particular:

- if by 29 May 2015, the conditions have not been satisfied with respect to all properties but at any time thereafter the conditions for properties whose purchase prices, in aggregate, amount to at least 90% of the total purchase price of the portfolio have been met, the purchaser or seller may request settlement to occur with respect to those properties notwithstanding that the conditions have not been satisfied for all properties in the portfolio.
- if the conditions for settlement of all of the properties, or at least 90% of the properties as described above, are not satisfied by 6 September 2015 but such conditions have been satisfied for properties whose aggregate purchase prices amount to at least 85% of the total purchase price of the portfolio, settlement will occur for those properties which have met the various conditions.

If early settlement occurs in either of the above circumstances, the remaining properties meeting the conditions thereafter will be transferred when they satisfy the requirements for settlement. If such other properties are not transferred by 30 June 2016 then the purchaser and the seller shall each have a withdrawal right in respect of such property from the sale.

If the conditions for settlement of all of the properties have not occurred by 31 March 2016, or if the seller or purchaser have not requested settlement of properties in accordance with the partial settlement provisions described above, either party may rescind under the Agreement. BCML understands that all conditions should be capable of satisfaction before that date and the Financier will support the process to get the sale completed



as quickly as possible. If the purchaser is required to complete the purchase of some or all of the properties but does not do so the maximum claim for damages that can be made by the German Partnership against the purchaser is €0.35 million.

#### Warranties

Warranties are provided for a number of customary matters including ownership of the assets, taxes, disputes, and the certain aspects of existing leases. BCML does not currently believe there is any cause for a claim to be made under these warranties.

Total warranty claims are capped at 4% of the purchase price other than warranties for passing clear title to the properties and taxes which are uncapped. Any claim made under the warranties must be made by 31 December 2016 and each claim (with the exception of taxes) must be at least €50,000 with an aggregate of at least €325,000 required before a claim can be made.

As security for any claims by the purchaser under the Agreement, an amount of €1 million of sale proceeds is to be held in escrow to cover any claim that may be made under the Agreement. The funds will be released from the escrow by 15 January 2017 provided there are no outstanding claims asserted to the notary as per 31 December 2016.

#### Tax Indemnities

The tax indemnities provided under the Agreement are unlimited in amount but any claim must be made no later than 31 December 2016. Based on independent advice, there is no reason to expect that a claim will be made on account of tax. In relation to VAT, the German Partnership selling the properties is liable to the purchaser for VAT credits that it has

over-claimed until the transfer date of the properties. Similarly, the German Partnership is liable for any VAT and related costs said to be payable to the German tax office on the sale of the properties. The Agreement contemplates the possibility that the purchaser may be served with a notice to withhold as much as 15.825% of the purchase price of the properties on account of corporate income tax of the vendors. There are safeguards in the Agreement to ensure both the German Partnership and the purchaser are duly advised of such an obligation and both have the opportunity and the obligation, in the unlikely event this occurs, to defend such a claim against the tax office. In any case, if this were to occur, such a withholding would represent a prepayment of corporate income tax which would be refundable to the Fund as it is not expected that any corporate income tax would be payable on the sale.

#### Operating Performance and Capital Expenditure in Relation to the Properties

The Fund continues to benefit from the operating performance of the properties until settlement of the sale. However, an obligation exists to meet certain capital expenditure requirements for the properties during the period up until settlement.

#### 5.6 POTENTIAL RETURNS TO UNITHOLDERS FROM THE PROPOSED SALE

5.6.1 Current estimates of potential distributions to Unitholders  
Subject to a number of important assumptions, it is currently estimated that settlement of the Proposed Sale and wind up of the Fund may result in a total Fund net cash surplus of approximately A\$20.7 million or 8.4 cents per unit. If the assumptions are not met this may result in a materially lower cash surplus being available for distribution to Unitholders.

The following table shows the impact on net assets of the Proposed Sale and estimated costs to be incurred in winding up the Fund using assumptions set out in Section 5.6.2.

	Cents per Unit	A\$m
Net Assets as at 30 April 2015 <sup>1</sup>	12.1	29.8
Selling Expenses - Proposed Sale	(2.0)	(4.9)
Net Property Cash Flows (May - August 2015)	0.5	1.2
Australian Operating Expenses	(0.5)	(1.4)
Non-Australian Operating Expenses (including taxes)	(1.2)	(2.9)
Management Fees	(0.3)	(0.7)
Wind Up Costs	(0.3)	(0.7)
Exchange Rate Movements <sup>2</sup>	0.1	0.3
<b>Potential Distribution</b>	<b>8.4</b>	<b>20.7</b>

<sup>1</sup> Unaudited.

<sup>2</sup> Exchange rate at 30 April 2015 A\$1:€0.7074.

## 5. Details of the Proposed Sale and Potential Returns for Unitholders (continued)

Selling expenses for the Proposed Sale are estimated to be €3.4 million (\$4.9 million). This consists of the advisor fee to Brookfield Financial of €1.7 million, legal fees paid to external lawyers of €1.0 million and €0.7 million to Corpus Sireo for fees in connection with the sale.

The following table shows expected cashflows over the period to wind up of the Fund if the Resolution is approved by Unitholders and the Proposed Sale is completed. Timing of repatriation will depend on numerous factors and the table must be read in the context of the important assumptions set out in section 5.6.2.

Year Ending	\$ million				Total
	Jun 15	Jun 16	Jun 17	Jun 18	
Opening Cash - as at 31 December 2014	111.5	27.6	15.5	2.1	<b>111.5</b>
Cash (paid into) / Returned from Escrow Account	(3.6)	2.2	1.4	0.0	<b>0.0</b>
Selling Expenses - Nursing Homes	(3.2)	0.0	0.0	0.0	<b>(3.2)</b>
Tax Refund for Tax Year 2004 to 2006	2.8	0.0	0.0	0.0	<b>2.8</b>
Gross Sale Proceeds - Proposed Sale	0.0	240.0	0.0	0.0	<b>240.0</b>
Selling Expenses - Proposed Sale	0.0	(4.9)	0.0	0.0	<b>(4.9)</b>
Repayment of Interest Bearing Liabilities	(75.9)	(242.5)	0.0	0.0	<b>(318.4)</b>
Net Property Related Cash Inflows / (outflows)	0.1	1.8	0.0	0.0	<b>1.9</b>
Non-Australian Operating Cash (outflows)	(3.1)	(1.9)	(0.6)	0.0	<b>(5.6)</b>
Wind Up Costs	0.0	0.0	(0.4)	(0.3)	<b>(0.7)</b>
Management Fees	(0.6)	(0.4)	(0.1)	0.0	<b>(1.1)</b>
Net Other Australia Operating Expenses	(0.4)	(0.5)	(0.5)	(0.2)	<b>(1.6)</b>
<b>Net Cash Available</b>	<b>27.6</b>	<b>21.4</b>	<b>15.3</b>	<b>1.6</b>	<b>20.7</b>
Potential Distributions	0.0	(5.9)	(13.2)	(1.6)	<b>(20.7)</b>
Closing Cash Balance	27.6	15.5	2.1	0.0	<b>0.0</b>
<b>Potential Distributions Cents per Unit</b>	<b>0.0</b>	<b>2.4</b>	<b>5.3</b>	<b>0.7</b>	<b>8.4</b>

### 5.6.2 IMPORTANT ASSUMPTIONS

This section sets out a number of assumptions that have been made in calculating the estimated potential distribution of 8.4 cents per Unit. If the assumptions are not met, this may result in a materially lower cash surplus being available for distribution to Unitholders.

Each of the assumptions and their impact on potential returns to Unitholders are assessed independently for the purposes of demonstrating the potential impact on returns to Unitholders. In the event that one or more assumptions differ from that set out then the potential returns will be affected to a greater or lesser extent by the combined effect of those changes to the assumptions.

### Outcome of German Tax Audits

The estimate of cash potentially available to be distributed to Unitholders assumes that the tax audits for 2004 to 2006 and 2007 to 2010 are resolved in favour of the taxpayers and no tax liabilities arise (described as 'Base Case', in the table below). This outcome would see the refund of the €2 million paid for the 2004 to 2006 tax audit retained by the German Partnerships and only €0.15 million tax paid for the 2007 to 2010 tax audit. Such an assumption has been made in light of the independent advice provided during the course of the tax audits.

In addition, an estimate of professional costs to finalise the tax audits has been assumed. If either or both of the tax audits are pursued through the German tax courts, this may result in additional cash expenses being incurred.

The level and outcome of German tax audit activity may ultimately determine the future of the German Partnerships and potential returns to Unitholders, even if surplus cash reserves remain after the sale process is complete.

#### 2004 to 06 Tax Audit

The following sensitivity shows the potential impact on returns if the Trade Tax liability of €2 million for the 2004 to 2006 tax audit is ultimately payable.

Sensitivity Analysis		Potential Distributions (cents per unit A\$)				
		Total (A\$m)	Jun 16	Jun 17	Jun 18	Total
Adverse Result	2004 to 06 Tax Audits	17.9	2.4	4.2	0.8	7.4
Base Case	Success in 2004 to 2010 Tax Audits	20.7	2.4	5.3	0.7	8.4

#### 2007 to 2010 Tax Audit

An adverse finding from the 2007 to 2010 tax audit may result in a Trade Tax assessment estimated to be up to €29.8 million becoming payable (calculated at 31 May 2015). Such an amount may be in excess of cash reserves held in Germany which may result in some or all the partnerships and other subsidiaries of the Fund being placed into insolvency. In these circumstances, it may be the case that no cash is able to be repatriated to Australia for distribution to Unitholders. Cash retained in Australia may be required to be spent on costs (including taxes) associated with the wind up of the Fund's subsidiaries. Further, if a decision was made to challenge the findings of the tax audits this may be required to be funded from cash reserves held in Australia. As such, there is the possibility that if these cash reserves were exhausted there may be no cash returned to Unitholders.

#### Post 2010 Tax Audits and Tax Payable

No tax audit is currently being undertaken by revenue authorities for years after 2010. It is estimated that tax will be payable in the non-Australian subsidiaries post completion of the sale of the properties in the amount of approximately €1.2 million. However, German tax authorities have recently indicated through a public letter that deductions may be limited in relation to payments made under interest rate swaps. Independent advice is that the German Partnerships have prepared prior year income tax returns in accordance with German tax laws and that there are technical arguments for not applying a limitation to deductions for interest rate swap payments made by the German Partnerships. It is likely that this issue now raised by the German tax authorities through the public letter will remain unclear until tested in the German tax courts. If the German tax authorities' views were applied to the German Partnerships this would have the potential effect of giving rise to a tax liability (including interest) of up to €3.3million (A\$4.7 million) for the period from 2008 to 2015 therefore potentially lowering cash available to investors. It is noted that this issue has not been raised to date by the German Tax Office during the course of the 2007 to 2010 tax audit and if applied only to the 2011 to 2015 would reduce the potential tax liability (including interest) to €2.3 million (A\$3.3 million).

There remains the possibility that the revenue authorities in the respective jurisdictions may commence audits of the Fund's subsidiaries and ultimately determine an amount of additional tax is payable. Should additional tax audits commence, this may delay the wind up process and the repatriation of cash to investors.

#### Settlement of the Sale of the Properties

It is expected that settlement of the Proposed Sale of all 61 properties will take place in August 2015 (described below as the 'Base Case'). This allows for relevant procedural and regulatory processes to be finalised. The estimate of cash to be distributed has been calculated assuming that net operating cashflow from the properties will be earned as presently budgeted over that period. Necessary and expected capital expenditure to be incurred, including that contracted in the Agreement, is accounted for in the analysis. A settlement earlier or later than that date, a change in operating performance, or a change in interest rates applicable to the debt facility (assumed to remain at the current rate of 2.82%), may impact cash available to be distributed.

Sensitivity Analysis		Potential Distributions (cents per unit A\$)				
		Total (A\$m)	Jun 16	Jun 17	Jun 18	Total
Base Case	Aug-15	20.7	2.4	5.3	0.7	8.4
Settlement 1 month Later of all Properties	Sep-15	21.9	2.4	5.9	0.6	8.9
Delayed Settlement of all Properties	Dec-15	23.9	2.4	6.8	0.5	9.7

## 5. Details of the Proposed Sale and Potential Returns for Unitholders (continued)

Further, the Agreement provides that it is possible that settlement may occur at various times where properties whose individual purchase prices amount to at least 85% or 90% of the total portfolio selling price are able to be settled. It is also possible that not all properties may be sold if they do not meet the required conditions for sale. In these circumstances some or all of the following may arise which may affect returns to Unitholders:

- the debt facility may not be fully repaid with a consequence that the bank may choose to enforce security over the remaining properties;
- a lesser selling price may be obtained at some point in the future if the Proposed Sale of all 61 properties does not take place; and
- additional expenditure may be incurred on certain properties to enable sale.

### Foreign Exchange Movements

The estimate of cash available to be distributed to Unitholders assumes that the Australian dollar: Euro exchange rate remains at the 'Base Case' rate of A\$1: €0.70. Any movement from that rate at the time of repatriation of cash to Australia will impact on returns to Unitholders.

Sensitivity Analysis	Potential Distributions (cents per unit A\$)					
	Rate	Total (A\$m)	Jun 16	Jun 17	Jun 18	Total
Increase Exchange Rate	€0.71	20.5	2.4	5.3	0.6	8.3
Base Case	€0.70	20.7	2.4	5.3	0.7	8.4
Reduce Exchange Rate	€0.69	21.0	2.4	5.5	0.6	8.5

### Warranties and the Release of Cash from Escrow Accounts

Total warranty claims for the Proposed Sale are capped at 4% of the purchase price (€6.72 million) other than warranties for passing clear title to the properties and taxes which are uncapped. A condition of the Proposed Sale is establishment of an escrow account with €1 million in sale proceeds being withheld until January 2017.

Total warranty claims for the sale of the five nursing homes that settled in January 2015 are capped at 10% of the gross purchase price (€5.6 million in total allocated specifically to the individual properties). A condition of the sale of the nursing home properties was establishment of an escrow account with €2.5 million in sale proceeds being withheld until June 2016 at the latest. Warranty claims with respect to the Wiesbaden nursing home sold in 2014 are capped at 5% of the gross purchase price (€0.425 million). No amount was placed in escrow and the purchaser is generally required to make any claim against the warranty on or before 30 July 2015.

The estimate of cash available to be distributed to Unitholders assumes that no payment is made against the warranties and no claim is made on the cash held in escrow which is returned to the German Partnerships. Such an assumption is consistent with BCML's current expectation that no warranties have been breached and no claim will be made on the cash held in escrow or against the German Partnerships. If some, or all, of the cash held in escrow is not released to the German Partnerships, or additional claims are made against the assets of the German Partnerships in excess of the amount held in escrow, the return to unitholders will be adversely impacted.

To assess the potential impact on returns, for every A\$1.0 million of cash paid for the warranties the potential distribution to Unitholders reduces by 0.4 cents per Unit. The following table demonstrates the potential impact on distributions against the 'Base Case' of no payment being made against the warranties and full refund of all cash placed in escrow:

Sensitivity Analysis	Potential Distributions (cents per unit A\$)					
	Warranties Claimed (A\$m)	Total (A\$m)	Jun 16	Jun 17	Jun 18	Total
Maximum claims on warranties	18.2	2.5	0.4	0.0	0.7	1.1
Maximum claim on portfolio sale but refund escrow on the nursing home	9.6	11.1	2.4	1.5	0.7	4.6
Maximum claim on nursing home but refund escrow on the portfolio sale	8.6	12.1	2.4	1.9	0.7	5.0
Total escrow amount held not refunded	5.0	15.7	2.4	3.3	0.7	6.4
Nursing home escrow amount held not refunded only	3.6	17.2	2.4	4.3	0.3	7.0
Portfolio sale escrow amount held not refunded only	1.4	19.3	2.4	5.1	0.3	7.8
Base Case	0.0	20.7	2.4	5.3	0.7	8.4

#### Time and Cost in Winding up the Fund

It is necessary to undertake a number of steps to ensure the efficient wind up of the Fund and its subsidiaries. It is intended that the German Partnerships will be merged after completion of the last escrow period (January 2017). At completion of that process, the remaining European subsidiaries will be merged or liquidated with an expectation that Fund wind up will be completed by early 2018 (referred to as 'Base Case' in the table below).

Costs will include ongoing costs associated with registration of the various entities, audit and regulatory costs in each jurisdiction. Further, the Manager has estimated costs associated with the wind up (largely legal and related expenses) to be in the order of A\$0.7 million.

The Manager will be entitled to management fees for the life of the Fund calculated quarterly on the basis of 0.4% per annum of the gross assets. Once the property sales have been completed and debt facility repaid, the management fees will reduce significantly.

The intended timeline assumes a favourable outcome of the German tax audits and the required steps to wind up the Fund's subsidiaries are undertaken in a timely and efficient manner. If this is not the case and/or the subsidiaries of the Fund are considered to be insolvent, wind up of the Fund may be delayed and additional costs and/or taxes may be incurred. Further, the intended timeline is based on current expectations which, in part, rely on regulatory approval. Any change in these expectations may affect the timing and cost of the wind up of the Fund.

Sensitivity Analysis	Potential Distributions (cents per unit A\$)					
	Total (A\$m)	Jun 16	Jun 17	Jun 18	Total	
Base Case - Wind Up January 2018	20.7	2.4	5.3	0.7	8.4	
Delayed - Wind Up June 2018	19.8	2.4	5.0	0.6	8.0	

#### Regulatory Approval

The Fund has subsidiaries in Germany, Luxembourg, Malta and Australia. Each jurisdiction has specific regulatory requirements that will contribute to the time required to wind up the entities.

#### Change in Law

A change in law or in interpretation of the law (particularly tax laws) in any of the jurisdictions in which the Fund's subsidiaries operate may impact on the cash available to Unitholders.

## 6. Advantages and Disadvantages of the Resolution

The following information sets out reasons why you might vote for or against the Resolution.

### 6.1 REASONS WHY YOU MIGHT VOTE FOR THE RESOLUTION

#### 6.1.1 The Financier may enforce their security against the properties and sell the properties for less than the price of the Proposed Sale

If the Proposed Sale does not proceed, the Financier has indicated that it will reserve its rights in relation to the debt facility. This may result in the properties being sold at a price less than the selling price for the Proposed Sale. In these circumstances, Unitholders may receive less than would be received under the Proposed Sale and/or the trading price on the ASX may fall below current levels.

The process undertaken to ascertain interest in the portfolio has been extensive and competitive bidding for the portfolio has resulted in the Agreement for the Proposed Sale. It is considered unlikely that a Financier or a receiver run process would achieve a higher price in the current market.

#### 6.1.2 You may receive cash distributions in excess of the current ASX trading price

The estimated amount of cash that will be returned to Unitholders of 8.4 cents per Unit exceeds the 30-day volume weighted trading price prior to 23 June 2015 of 5.6 cents per Unit and the highest trading price over the 12 months to 23 June 2015 of 6.2 cents per Unit.

However, as noted in Section 5, this potential return to Unitholders is subject to a number of important assumptions and the return to Unitholders may be higher or lower than the estimate and will be received over a period of time until wind up of the Fund.

### 6.2 REASONS WHY YOU MIGHT VOTE AGAINST THE RESOLUTION

#### 6.2.1 Units may increase in value in the future

Voting against the Proposed Sale may bring higher returns to Unitholders in the future through an increase in value of the properties and/or a reinstatement of distributions.

However, in order for this to occur the Financier must not proceed to enforce its security and sell the properties. The Financier has given no indication that it would not pursue such a course of action in circumstances where the Proposed Sale does not proceed and the German Partnerships were in breach of their sale obligations.

In such circumstances, the Board believes that an immediate recapitalisation and refinancing would be required of the Fund's German Partnerships in order to remove the risk of the Financier taking this course of action. In light of the present German tax audit and the potential material liability of up to €29.8 million (A\$42.5 million) that may arise in the German Partnerships, the Board does not consider that it is commercially practicable to pursue this option. Any disclosure document for a new capital raising or refinancing would need to draw attention to the potential liability which would be likely to significantly reduce the prospect of a successful raising.

#### 6.2.2 You may not be able to trade your Units

Units in the Fund may be suspended from trading on ASX and/or the Fund may be de-listed from ASX at some time in the future. When this occurs you will not be able to trade your Units on ASX pending receipt of remaining distributions, with the final distribution not anticipated to occur before 2018.

#### 6.2.3 An alternative proposal which is considered to be superior may emerge in the future

If the Proposed Sale is not approved by Unitholders another proposal may arise at some time in the future which provides a better return to Unitholders.

At this time BCML is not aware of any alternate proposal that is preferable to that being recommended to Unitholders.

### 6.3 CONCLUSION

Having regard to the advantages and potential disadvantages of the Resolution and in the absence of an alternative offer which is considered to be superior and in the best interests of Unitholders, BCML is of the opinion that the Resolution is in the best interests of Unitholders and the Board unanimously recommends that you vote in favour of the Resolution.

## 7. Additional Information

### 7.1 INTERESTS HELD BY BCML AND ITS ASSOCIATES

#### 7.1.1. Interests Held by Directors of BCML in the Fund

Only one BCML director holds Units as at the date of this Explanatory Memorandum as set out in the table below:

Name of Director	Units held	Percentage Unitholding
Allan McDonald	50,000	0.02%

#### 7.1.2. Other Directors' Interest in the Proposed Sale

Other than as set out in this Explanatory Memorandum, no director of BCML has any interest in the Resolution.

#### 7.1.3. Interests of Associates (other than the directors of BCML) In Units

The number of Units held by associates of BCML (other than the directors of BCML) in the Fund as at the date of this Explanatory Memorandum are set out in the table below:

Name of Associates	Units held	Percentage Unitholding
Multiplex German Investment Pty Ltd	49,750,100	20.146%
Brookfield Capital Management Limited as responsible entity of the BAO Trust	12,750,050	5.163%

#### 7.1.4. Other Associates' Interests in the Resolution

Other than as set out in this Explanatory Memorandum, no associate of BCML has any interest in the Resolution.

### 7.2 TAX IMPLICATIONS FOR UNITHOLDERS

The tax information that follows is general in nature. It is not exhaustive of all taxation implications which could apply in circumstances of any given Unitholder regarding the Proposed Sale. Therefore it is recommended that all Unitholders consult their own independent taxation advisers for their own positions.

This summary is based on the relevant Australian tax legislation and administrative practice in effect as at the date of this Explanatory Memorandum and Notice of Meeting. The following information applies to Unitholders who are tax residents of Australia and who hold their Units as a long-term investment on capital account. The comments that follow may not be applicable to all Unitholders, particularly Unitholders who:

- carry on a business in dealing with trust units and shares and are assessed on their dealings other than under the Capital Gains Tax (CGT) provisions; or
- have made an election under the taxation of financial arrangement rules that affects the recognition of gains and losses in respect of their Units.

#### Distributions

Following the sale of the Properties, it is expected that the Fund will be in a tax loss position for the year ended 30 June 2015. Distributions made in income years after June 2015 may include both taxable and non-taxable components. This will be determined in light of the circumstances at the time of repatriation of cash from Germany and distribution to Unitholders and will be communicated in distribution statements. To the extent that distributions comprise a return of capital this will reduce the cost base (or reduced cost base) that Unitholders take into consideration when calculating the gain or loss made from the investment in the Fund. To the extent the return of capital exceeds the Unitholder's cost base, the Unitholder may derive a capital gain equal to the excess amount.

#### Wind up of the Fund

Following the sale of the properties and the legal dissolution of the intermediary holding entities between Australia and Germany, it is expected that the units in the Fund will be cancelled.

The Australian tax implications associated with cancellation of units in the Fund are as follows:

- (i) Unitholders will realise a capital gain to the extent the amount received in respect of their Units exceeds their cost base; and
- (ii) Unitholders will realise a capital loss to the extent the reduced cost base of their Units exceeds the amount received in respect of their Units. Net capital losses realised in a year may be carried forward until the Unitholder has realised capital gains against which the net capital loss may be offset.

Generally, the cost base for Units will be the amount the Unitholder paid to acquire the Unit together with certain incidental costs of acquisition, for example, stamp duty and brokerage and certain incidental costs associated with the cancellation of units in the Fund. Also, calculation of the cost base or reduced cost base in the Units must take account of tax deferred distributions that have been paid by the Fund since acquisition by the Unitholder (including any distributions made following the Proposed Sale). Details of distributions made by the Fund can be found at the Fund website [www.au.brookfield.com](http://www.au.brookfield.com).

The precise amount to be included in a Unitholder's taxable income will be determined by total capital gains and losses derived in the financial year and the availability or otherwise of capital losses carried forward from prior years. Unitholders who are individuals or trustees of trusts or complying superannuation funds, and who have held the Units for 12 months or more, may benefit from the discount capital gains provisions such that a lesser amount is included in assessable income. Where the CGT discount applies, the capital gain will be reduced by 50% for an individual or a trust or 33.3% for a complying superannuation fund.



## 8. Glossary

In this Explanatory Memorandum, and in the Notice, the following expressions have the meanings set out below unless stated otherwise or the context otherwise requires:

A\$	Australian dollars.
ABN	Australian Business Number.
AEST	Australian Eastern Standard Time.
AFSL	Australian Financial Services Licence.
Agreement	The agreement dated 6 March 2015 for the sale of 61 properties by Erste MONTI Immobiliengesellschaft mbH & Co. KG.
ARSN	Australian Registered Scheme Number.
ASX	ASX Limited or the market operated by it as the context requires.
ASX Listing Rules	The listing rules of ASX as amended or replaced from time to time, except as waived or modified by ASX.
BCML	Brookfield Capital Management Limited (ABN 32 094 936 866).
Board	The board of directors of the Responsible Entity, being Allan McDonald, Barbara Ward and Shane Ross.
Brookfield Financial	Brookfield Private Advisers LP
Brookfield Group	Brookfield Australia Pty Limited (ABN 95 126 164 145) and its related entities.
Business Day	A day that is not a Saturday, Sunday or public holiday in Sydney, Australia.
Chair of the Meeting or Chair	Mr Allan McDonald, or, failing him, Ms Barbara Ward, who will act as the chair of the Meeting or any replacement appointed by the Manager to chair the Meeting.
Constitution	The constitution of the Fund.
Corporations Act	The Corporations Act 2001 (Cth).
Explanatory Memorandum	This document, which forms part of the Notice of Meeting issued by the Responsible Entity and dated 1 July 2015.
Financier	Hypothesenbank Frankfurt AG
Fund	Multiplex European Property Fund (ARSN 124 527 206).
Fund Register	The register of Unitholders maintained by Link Market Services Limited.
German Partnerships	The seven wholly owned partnerships established in Germany.
GST	Goods and Services Tax.
LVR	Loan to value ratio being the principal amount of borrowing outstanding with the Financier (less total amounts in certain bank accounts at the time) as a percentage of the aggregate value of the Fund's properties in accordance with the most recent valuation addressed to the Financier.
Manager	BCML in its capacity as responsible entity of the Fund.
Meeting	The meeting of Unitholders to be held on 27 July 2015.
Meeting Date	27 July 2015
Meeting Record Date	7:00pm on 25 July 2015
MUE	Multiplex European Property Fund (ARSN 124 527 206).
Notice or Notice of Meeting	The Notice of Meeting dated 1 July 2015 included as Section 2 and includes the Explanatory Memorandum.
Proposed Sale	The proposed sale of the 61 properties under the Agreement.
Proxy Form	The proxy form included with this Notice of Meeting
Resolution	The resolution proposed to be put to Unitholders as set out in Section 2.
Responsible Entity	Brookfield Capital Management Limited (ABN 32 094 936 866, AFSL No. 223809).
Unit	A unit in the Fund.
Unitholder	The registered holder of a Unit.
VWAP	Volume weighted average price.

# Corporate Directory

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**RESPONSIBLE ENTITY**

Brookfield Capital Management Limited  
Level 22  
135 King Street  
Sydney NSW 2000  
Telephone: (02) 9322 2000  
Facsimile: (02) 9322 2001

**DIRECTORS**

F. Allan McDonald  
Barbara Ward  
Shane Ross

**COMPANY SECRETARY**

Neil Olofsson

**REGISTERED OFFICE**

Level 22  
135 King Street  
Sydney NSW 2000  
Telephone: (02) 9322 2000  
Facsimile: (02) 9322 2001

**CUSTODIAN**

Brookfield Funds Management Limited  
Level 22  
135 King Street  
Sydney NSW 2000  
Telephone: (02) 9322 2000

**STOCK EXCHANGE**

The Fund is listed on the Australian Securities Exchange (ASX Code: MUE)  
The Home Exchange is Sydney

**AUDITOR**

Deloitte Touche Tohmatsu  
Grosvenor Place  
225 George Street  
Sydney NSW 2150  
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**REGISTRY**

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+61 1800 685 455 (from outside Australia)  
(Monday to Friday - 9am to 5pm AEST)

**FUND WEBSITE**

[www.au.brookfield.com](http://www.au.brookfield.com)

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