

# Explanatory Memorandum

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in relation to the Meeting of Holders to consider the proposed amendment to the Convertible Bond Terms, issued by,

**Centro Properties Limited (ACN 078 590 682)**

registered in Victoria of Corporate Offices Level 3, Centro The Glen, 235 Springvale Road, Glen Waverley Victoria 3150; and

**CPT Manager Limited (ACN 054 494 307)** in its capacity as responsible entity of Centro Property Trust (ARSN 091 043 793) registered in Victoria of Corporate Offices, Level 3, Centro The Glen, 235 Springvale Road, Glen Waverley Victoria 3150

**This is an important document and requires your immediate attention. You should read this document in its entirety prior to deciding whether or not to vote in favour of the variation to the Convertible Bond Terms. It is recommended that you seek professional financial, legal and taxation advice before making your decision.**

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# 1 Important information

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## 1.1 Purpose of this Explanatory Memorandum

Centro Properties Limited and CPT Manager Limited as responsible entity of Centro Property Trust (**Centro**) is holding a Meeting of Holders to consider a proposed amendment to the Convertible Bond Terms.

An authorised representative of, or a proxy for, The Bank of New York Depository (Nominees) Limited (**Registered Holder**), as common depositary for Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme, whose accountholders have entitlements to interests in respect of the Convertible Bonds (**Accountholders**) (ISIN XS0516149761), must attend and vote at the Meeting of Holders on the basis of electronic Voting Instructions provided directly by the Accountholder or indirectly by its broker, dealer, bank, custodian, trust company or other nominee (**Nominee**) to Euroclear or Clearstream (whichever may be applicable) and on to the Registered Holder.

The proposed amendment to the Convertible Bond Terms acknowledges that subject to certain conditions being met or waived (as applicable), the Signing Senior Lenders have agreed that a cash payment of A\$100 million will be made available to Centro (**Junior Stakeholder Amount**). The amendment provides that Centro can redeem all of the Convertible Bonds in consideration for A\$21,074,918 of the Junior Stakeholder Amount (**Redemption Amount**) to the Registered Holder and on to each Accountholder according to their Accountholder Proportion of the Convertible Bonds (the **Redemption**).

Accountholders must consider whether they wish to vote for or against the amendment to the Convertible Bond Terms to facilitate Redemption, and must provide their Voting Instructions by way of an electronic instruction directly, or indirectly through their Nominees, to Euroclear or Clearstream (whichever may be applicable) and on to the Registered Holder. Accountholders must ensure that they convey their electronic instructions to Euroclear or Clearstream and on to the Registered Holder in sufficient time to ensure that their instructions are received by the Chairperson by no later than 11:59pm on 18 November 2011 (London time) / 10:59am on 19 November 2011 (Melbourne time).

If the Registered Holder receives an Accountholder's Voting Instructions, the Registered Holder must vote in accordance with those instructions. As a matter of policy, the Registered Holder will exercise no discretion in interpreting a vote which is not clear to the Registered Holder.

Centro may and, on request by the Registered Holder, must allow any Accountholder to attend and speak at the Meeting of Holders, provided that the Accountholder provides confirmation of entitlement and proof of identity. Accountholders (or Nominees of such persons) who wish to attend the Meeting of Holders are not entitled to vote at the Meeting of Holders. An Accountholder can only vote by providing its electronic Voting Instructions directly, or indirectly through its Nominee to Euroclear or Clearstream (whichever may be applicable) and on to the Registered Holder.

This Explanatory Memorandum provides information to assist the Registered Holder and Accountholders in determining how to vote on the Redemption. This document accompanies the Notice of Meeting of Holders in relation to the Redemption. It explains the terms of the Redemption, reasons for voting for and against the Redemption, as well as applicable conditions to the implementation of the Redemption (if approved).

Accountholders should read this document in its entirety before making a decision on how to direct their vote to the Registered Holder. If an Accountholder is undecided as to how to vote in respect of the Redemption or is otherwise unsure how to proceed in relation to the Convertible Bonds, the Accountholder should consult a professional adviser(s).

The Redemption will be considered at the Meeting of Holders to be held on 22 November 2011 at Melbourne Exhibition Centre, 2 Clarendon Street, Southbank, Victoria, commencing at 2:00pm (Melbourne time). In addition to attending the Meeting of Holders, the Registered Holder can vote by proxy by signing a personalised Proxy Form. For the proxy vote to be considered, the Registered Holder must return the signed Proxy Form to the Chairperson of the Meeting of Holders by no later than 11:59pm on 18 November 2011 (London time) / 10:59am on 19 November 2011 (Melbourne time).

Once the Accountholders or Nominees on behalf of the Accountholders have provided their electronic instructions to Euroclear or Clearstream (whichever may be applicable) and on to the Registered Holder to vote at the Meeting of Holders, Accountholders do not need to do anything else. If the Redemption is approved at the Meeting of Holders and all other conditions are satisfied or waived (as set out in sections 4.4 and 6.2), including the approval of the other CNP Junior Stakeholders, the Redemption will be implemented. If the Redemption is not approved by all CNP Junior Stakeholders (including but not limited to the Holders), the Holders will continue to be bound by the Convertible Bond Terms, the Junior Stakeholder Amount will not be made available to any of the CNP Junior Stakeholders and, as a result, the Redemption Amount will not be released to the Registered Holder or the Accountholders.

## **1.2 Responsibility Statement**

Centro has provided, and is responsible for, all information in this Explanatory Memorandum. No other persons are responsible for the preparation of this Explanatory Memorandum or for the information in it, nor have any other persons been authorised to make any representation or warranty, express or implied, as to the accuracy or completeness of this Explanatory Memorandum.

The Explanatory Memorandum is prepared solely for use by the Accountholders for the purpose of evaluating whether or not to vote in favour of the Redemption. Nothing contained in this Explanatory Memorandum is, or should be relied upon as, a representation, assurance or guarantee as to the benefits of the Redemption over any alternative for the Registered Holder and Accountholders. The Registered Holder makes no recommendation as to how or whether an Accountholder should vote.

## **1.3 Professional advice**

The information contained in this Explanatory Memorandum does not constitute financial product advice and has been prepared without reference to individual investment objectives, financial circumstances, taxation considerations and other particular needs.

If in any doubt in relation to these matters, the Registered Holder and Accountholders should consult their financial, legal, taxation or other professional adviser immediately.

## **1.4 Disclaimer as to forward looking statements**

This document contains statements of historical fact and forward-looking statements in relation to Centro. The forward-looking statements included in this document are made only as at the date of this document, and generally may be identified by the use of forward-looking words, such as “believe”, “aim”, “expect”, “anticipate”, “intending”, “foreseeing”, “likely”, “should”, “planned”, “may”, “estimate” or “potential” or other similar words. Similarly, statements that describe Centro’s objectives, plans, goals or expectations are or may be forward-looking statements. The statements contained in this Explanatory Memorandum about the impact that the implementation or non-implementation of the Redemption may have on the results of Centro’s business and the advantages and disadvantages anticipated to result of the Redemption, are also forward-looking statements.

These forward-looking statements involve known and unknown risks, uncertainties, assumptions and other important factors, many of which are beyond the control of Centro and its directors.

Such statements reflect the current expectations of Centro concerning future results and events, and are not guarantees of future performance. The actual results of Centro may differ materially from the anticipated results, performance or achievements expressed, projected or implied by these forward-looking statements.

The risk factors disclosed in the Explanatory Memorandum or other factors could affect future results, causing these results to differ materially from those expressed, implied or projected in any forward-looking statements. These factors are not necessarily all the important factors that could cause actual results to differ materially from those expressed in any forward-looking statements. Other unknown or unpredictable factors could also have material adverse effects on future results.

None of Centro, its directors, its officers, its employees, any persons named in this Explanatory Memorandum with their consent or any persons involved in the preparation of this Explanatory Memorandum makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, or any events or results expressed, projected or implied in any forward-looking statement, except to the extent required by law. The Registered Holder and Accountholders are cautioned not to place undue reliance on the forward-looking statements.

All subsequent written and oral forward-looking statements attributable to Centro or any person acting on its behalf are qualified by this cautionary statement.

Subject to any obligations under the Corporations Act or the ASX Listing Rules, Centro does not give any undertaking to update or revise any forward-looking statements after the date of this Explanatory Memorandum, to reflect any change in expectations in relation thereto or any change in events, conditions or circumstances on which any such statement is based.

## **1.5 Notice to Foreign Persons**

This document has been prepared in accordance with Australian requirements and style, which may differ from the requirements and style in jurisdictions outside Australia. Financial information included in this document has been prepared in accordance with Australian accounting standards and may not be comparable to the financial statements prepared in accordance with accounting standards in jurisdictions outside Australia.

## **1.6 Rounding**

A number of figures, amounts, percentages, estimates, calculations of values and fractions in this Explanatory Memorandum are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out.

## **1.7 Definitions and interpretation**

Capitalised terms used in this Explanatory Memorandum have the meaning contained in the Glossary at section 11, unless the context otherwise requires or a term has been defined in the text of the Explanatory Memorandum. A singular word includes the plural and vice versa. Capitalised terms used in this Explanatory Memorandum not otherwise defined in the text of the Explanatory Memorandum or in the Glossary have the meanings given in the Amended Convertible Bonds Terms contained in Appendix 3.

All references to time are to AEST, being the time in Melbourne, Australia.

All references within this document to amounts are in Australian dollars (AUD or A\$), unless otherwise explicitly stated.

## **1.8 Further information**

If you have any questions in relation to Centro, the Meeting of Holders or the lodgement of proxy forms please contact Adam Soffer, Centro Fund Manager and Executive Management Support, Centro Properties Group on +61 3 8847 0932, [adam.soffer@centro.com.au](mailto:adam.soffer@centro.com.au) or at Corporate Offices, 3rd Floor, Centro The Glen, 235 Springvale Rd, Glen Waverley VIC 3150, or alternatively, you may consult with an investment or other professional adviser.

## **1.9 Date of this Explanatory Memorandum**

The date of this Explanatory Memorandum is 21 October 2011.

## 2 Key dates

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Record date for determining the Registered Holder's entitlement to vote at the Meeting of Holders	15 November 2011
Deadline for receipt by the Chairperson of Proxy Forms from the Registered Holder	No later than 11:59pm on 18 November 2011 (London time) / 10:59am on 19 November 2011 (Melbourne time)
Meeting of Holders	2:00pm on 22 November 2011
Aggregation Implementation Date	13 December 2011
Junior Stakeholder Amount received by Centro	13 December 2011
Despatch of notice of redemption to Principal Paying Agent	No later than 5:00pm on 30 December 2011 <sup>1</sup>
Despatch of Redemption Notice to Holders	No later than 5:00pm on 13 January 2012 <sup>2</sup>
Redemption Date	No later than 5:00pm on 14 February 2012 <sup>3</sup>
Payment of Redemption Amount to Principal Paying Agent	No later than 5:00pm on 14 February 2012 <sup>4</sup>

**Note:** The dates referred to in the above table are indicative only and are subject to change. Centro reserves the right to vary the times and dates set out above. In particular, these dates and events will only apply if the Conditions Precedent to the release of the Junior Stakeholder Amount are satisfied or waived.

Centro notes that the above dates are in accordance with the provisions under the Convertible Bond Terms, however if the Conditions Precedent to the release of the Junior Stakeholder Amount are satisfied or waived, Centro will use its best endeavours to expedite the timing of the Redemption Date.

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<sup>1</sup> At least 14 days before publication of the Redemption Notice.

<sup>2</sup> Up to 20 Payment Business Days after the Junior Stakeholder Amount is received by Centro.

<sup>3</sup> Up to 40 Payment Business Days after the Junior Stakeholder Amount is received by Centro.

<sup>4</sup> Payment to occur on the Redemption Date.

## 3 What you should do next

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### 3.1 Read this Explanatory Memorandum

Accountholders and the Registered Holder should read this Explanatory Memorandum in full before making an informed decision on how to respectively direct their vote, or vote at the Meeting of Holders.

### 3.2 Consider voting on the Redemption

Each Accountholder who is the owner of a particular nominal amount of the Convertible Bonds, as shown in the records of Euroclear or Clearstream should note that they are not the legal holders of the Convertible Bonds for the purposes of the Meeting of Holders and will only be entitled to vote on the Redemption in accordance with the procedures set out below.

Only the Registered Holder can vote at the Meeting of Holders with respect to the Convertible Bonds. Accountholders who hold their interests through Euroclear and Clearstream and who wish to vote on the Redemption must convey their Voting Instructions by contacting the relevant clearing system (directly or indirectly through their Nominee) and arrange for their votes to be cast on their behalf by sending an electronic instruction in accordance with the respective procedures of Euroclear and Clearstream.

Accountholders may attend and speak at the Meeting of Holders (subject to providing confirmation of entitlement and proof of identity), however they are not entitled to vote at the Meeting of Holders. Accountholders can only vote by providing their Voting Instructions to the Registered Holder in accordance with the procedure for voting, detailed below. The Registered Holder present at the Meeting of Holders has one vote in respect of each Bond of which are registered in that person's name.

### 3.3 Procedure for Voting

#### (a) Delivering instructions to vote

Accountholders who wish to vote on the Redemption may do so directly or indirectly through their Nominees by providing electronic Voting Instructions to Euroclear or Clearstream (whichever may be applicable) and on to the Registered Holder (a **Voting Instruction**).

A Voting Instruction given by an Accountholder (or a Nominee on behalf of an Accountholder) must be received by Euroclear or Clearstream, as the case may be, in accordance with the usual procedures of Euroclear or Clearstream and the account in which such interest in the Convertible Bonds are held will be blocked in accordance with the respective procedures of Euroclear or Clearstream.

An Accountholder must arrange, either directly or indirectly, through its Nominee to contact Euroclear or Clearstream through which it holds such interests in order to procure delivery of such Voting Instructions via Euroclear or Clearstream.

Accountholders or Nominees on behalf of the Accountholders must ensure that they convey their electronic Voting Instructions to Euroclear or Clearstream and on to the Registered Holder in sufficient time to ensure that their instructions are received by the Chairperson by no later than 11:59pm on 18 November 2011 (London time) / 10:59am on 19 November 2011 (Melbourne time).

A Voting Instruction shall not be considered properly submitted unless the Voting Instruction specifies the following:

- the ISIN of the relevant Convertible Bonds;
- the aggregate principal amount of the Convertible Bonds which is the subject of the Voting Instruction;
- the identity and account details (in the relevant clearing system) of the holder of the relevant Convertible Bonds; and
- the appointment of the Registered Holder to attend the Meeting (and any adjournment of the Meeting) and vote in favour of, against or abstain from voting on the Extraordinary Resolution on the relevant Accountholder's behalf.

Accountholders should consider how they wish to vote on the Redemption. That is, whether they wish the Registered Holder to vote 'for' or 'against', or 'abstain' from voting in respect of that Accountholder's interest in Convertible Bonds. If the Registered Holder receives Voting Instructions in respect of voting on the Redemption, the Registered Holder must vote in accordance with that Accountholder's instructions. As a matter of policy, the Registered Holder will exercise no discretion in interpreting a vote which is not clear to the Registered Holder.

The Accountholder's interest in the Convertible Bonds will remain blocked until the conclusion of the Meeting of Holders and the Voting Instruction shall be valid until the release of the deposited Convertible Bonds to which it relates.

The Accountholder's Voting Instruction shall remain in place upon an adjournment of the Meeting of Holders for want of a quorum. Hence, Accountholders who wish to vote at the adjourned Meeting will not need to execute and deliver new Voting Instructions in respect of such an adjourned meeting in accordance with the procedures set out above.

**(b) Voting at the meeting of Holders**

The Registered Holder may be present and vote at the Meeting of Holders in person and may also be represented by proxy.

The Registered Holder must appoint an authorised representative to attend the Meeting of Holders and vote in accordance with the Global Certificate requirements. The Registered Holder present at the Meeting of Holders has one vote in respect of each Bond of which are registered in that person's name.

The Meeting of Holders will be held at the Melbourne Exhibition Centre, 2 Clarendon Street, Southbank, Victoria on 22 November 2011 commencing at 2:00pm (unless adjourned until a date, time and place the Chairperson appoints).

Further details on voting at the Meeting of Holders are provided in section 10 of this Explanatory Memorandum.

Accountholders who do not direct their vote on the Redemption or who direct the Registered Holder to vote against the Redemption will be bound by the Amended Convertible Bond Terms if the Redemption is agreed to by the requisite majority of Holders (see 'Procedure for voting at the Meeting' at section 10 of this Explanatory Memorandum).

If the Redemption is not agreed to by the requisite majority of Holders, the Junior Stakeholder Amount will not be made available to any CNP Junior Stakeholders and Holders will continue to be bound by the Convertible Bond Terms in their current form.

## 4 Background to restructure of Centro

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### 4.1 Background

Since December 2007, Centro's debt levels have presented Centro with significant financial and operational challenges. No distributions have been paid to CNP Securityholders since December 2007.

Centro has spent considerable efforts over the past two years investigating a wide range of restructure options noted in this section.

In December 2009, Centro announced that it had appointed financial advisers to undertake an assessment of a restructure of the Centro Group. The objective of this assessment phase was to identify the means by which the enterprise value of the Centro Group could be maximised and separately identify and analyse execution risk.

On 1 March 2011 and 9 August 2011, Centro announced that it had reached agreement with the Signing Senior Lenders to finally resolve the debt issues that have burdened Centro's ability to operate within its current capital structure since December 2007, and provide the opportunity (subject to several conditions) for CNP stakeholders junior to the Senior Lenders, including the Convertible Bondholders, to recover A\$100 million of value in aggregate, that would otherwise not be available under any realistic alternative given that the debt owed to the Senior Lenders which matures in December 2011 exceeds Centro's assets by A\$0.3 billion based on their 30 June 2011 accounts.

The key elements of the agreement are the aggregation of the assets (other than cross-holdings) of Centro's Australian managed funds, including CER, CAWF and DPF, the CSIF Syndicate Interests, the Centro Arndale Units and the CNP Assets to form a new stapled entity, "Centro Retail Australia".

Broadly, the Aggregation will involve:

- stapling the CER Stapled Securities to the CAWF Units and DPF Holding Trust Units so that the CER Stapled Securities, CAWF Units and DPF Holding Trust Units are quoted together on ASX and can only be traded together as Centro Retail Australia Stapled Securities; and
- the acquisition by Centro Retail Australia of the CNP Assets (being certain assets of the Scheme Companies), the CSIF Syndicate Interests and the Centro Arndale Units;

(together, "**Aggregation**").

- Centro has agreed with its Signing Senior Lenders to effect the cancellation of all monies actually and contingently payable by Centro in consideration for substantially all of Centro's Australian assets, being all the Centro Retail Australia Stapled Securities and Centro Retail Australia Fund Litigation Securities which Centro will hold following Aggregation; and
- The Senior Lenders have agreed that, subject to obtaining approvals detailed in Section 4.4 below, including approvals by:
  - Hybrid Lenders, of the Schemes;
  - CNP Securityholders, of the CNP Securityholder Asset Sale Resolution and the CNP Securityholder Debt Cancellation Resolution;
  - the Court in relation to the Schemes and the Senior Debt Schemes; and

- the Convertible Bondholders of the Convertible Bond Terms Amendment,

the Junior Stakeholder Amount of \$100 million will be made available from the Escrow Account for CNP stakeholders junior to the Senior Lenders, as follows:

- \$20 million in total to the Hybrid Bondholders;
- 5.03 cents per security or A\$48,925,082 in total to CNP Securityholders;
- 5 cents5 in the dollar or A\$21,074,918 in total to Convertible Bondholders (which will then be distributed to each Accountholder according to their Accountholder Proportion of the Redemption Amount); and
- A\$10,000,000 set aside for potential contingent creditors of the Scheme Companies, on the basis any surplus not used will be returned to the Senior Lenders.

In considering how to allocate the \$100 million Junior Stakeholder Amount amongst stakeholders who are junior to the Senior Lenders, the Board faced a difficult decision because the failure by any one or more of the CNP Junior Stakeholders to support the Transaction would mean that the Junior Stakeholder Amount will not be made available to the benefit of CNP Junior Stakeholders or potential contingent creditors, and none of them will participate in their allocated share of the Junior Stakeholder Amount unless all applicable approvals are obtained.

It is important to be aware that certain conditions and approvals are required in order for the Junior Stakeholder Amount to be made available. These are detailed further in sections 4.4 and 6.2.

Ultimately the allocation to the CNP Junior Stakeholders, including A\$21,074,918 in total to the Convertible Bondholders, represents what the Centro Board believes to be a fair allocation based on consideration of all relevant factors and the need for all CNP Junior Stakeholders to approve the Proposal in order for any of them to receive their allocation of the Junior Stakeholder Amount. Without the Proposal, which provides the prospect of a solvent outcome, the Board of Centro would be placed in a position where it would likely have to appoint an external administrator. Centro expects that a receiver would subsequently be appointed by the Senior Lenders to Centro and that administration and receivership would result in the assets of Centro being realised for the benefit of the Senior Lenders and that Convertible Bondholders would receive nothing. This is because the assets of Centro are not sufficient to fully satisfy the debt owing by Centro to its Senior Lenders.

## 4.2 Redemption Event

A Redemption Event will occur when the Junior Stakeholder Amount is made available to Centro. This amount will be paid to Centro on the Aggregation Implementation Date, subject to the Aggregation Implementation occurring under the Implementation Agreement and various other conditions being satisfied or waived (as applicable) (as illustrated in sections 4.4 and 6.2).

Importantly, the Junior Stakeholder Amount will only be made available if approved by vote by each class of the CNP Junior Stakeholders, including being approved by the requisite majority of the Holders and other conditions are satisfied or waived as set out in sections 4.4 and 6.2. This means that if the Holders (or any other CNP Junior

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<sup>5</sup> Rounded to the nearest cent and based on US\$444m of face value in current A\$ terms (A\$427m) based on a FX rate of US\$1:A\$1.04

Stakeholder) do not vote in favour of the Redemption, then the Junior Stakeholder Amount will not be distributed to any of the CNP Junior Stakeholders, including the Holders.

When the Junior Stakeholder Amount is made available to Centro, Centro must then redeem all of the Convertible Bonds on the Redemption Date in consideration for an aggregate amount equal to the Redemption Amount being paid to the Holders.

The Redemption Amount must be distributed to each Accountholder according to their Accountholder Proportion of the Redemption Amount.

### **4.3 Current position of Centro**

As at 30 June 2011, the debt owed to the Senior Lenders which matures in December 2011 of A\$2.9 billion exceeded Centro's assets by A\$0.3 billion. Other than by way of reaching a compromise with their Senior Lenders, Centro would not be able to repay or refinance this maturing facility by December 2011 because:

- Absent a restructure, Centro does not have sufficient assets to satisfy the debt owing to Senior Lenders of \$2.9 billion (as at 30 June 2011) maturing in December 2011, let alone the debt which ranks second to that maturing debt (including the Convertible Bonds); and
- Absent a restructure, Centro will not be able to generate sufficient cash from its operations to fund interest, overheads and other ongoing expenses beyond 15 December 2011 let alone repay its \$2.9 billion maturing debt owed to the Senior Lenders. Furthermore, any extension of the maturing debt beyond 15 December 2011 can only be with the accommodation of the Senior Lenders. Certain Senior Lenders were not willing to accept an extension to the maturity date of that debt on its existing terms, leading to Centro exploring restructuring options.

Without the Proposal, which provides the prospect of a solvent outcome, the Board of Centro would be placed in a position where it would likely have to appoint an external administrator. Centro expects that a receiver would subsequently be appointed by the Senior Lenders to Centro and that administration and receivership would result in the assets of Centro being realised for the benefit of the Senior Lenders.

Further, Centro expects that all proceeds generated from a receivership process would be applied to the Senior Lenders and that Convertible Bondholders would receive nothing. This is because the assets of Centro are not sufficient to fully satisfy the debt owing by Centro to its Senior Lenders.

### **4.4 Approvals required**

For the Junior Stakeholder Amount to be made available to the CNP Junior Stakeholders (of which the Board of Centro has determined that A\$21,074,918 will be made available to the Convertible Bondholders) the following approvals are required:

- approval by Convertible Bondholders of the Convertible Bond Term Amendments;
- approval of the Hybrid Debt Schemes by the Hybrid Lenders and the Court;
- approval of the Senior Debt Schemes by the Senior Lenders and the Court;
- approval by CNP Securityholders of the CNP Securityholder Debt Cancellation Resolution; and
- approvals for Aggregation to proceed, including:

- approval by CER Securityholders in respect of the CER Aggregation Resolutions;
- approval by CRL Shareholders and the Court of the CRL Members Scheme;
- approval by CAWF Unitholders of the CAWF Aggregation Resolutions (since all units in CAWF are owned by CNP, CER or the DPF, each of which has supported the Proposal set out in section 4.1, by entering into the Implementation Agreement, these votes are expected to be passed);
- approval by DPF Holding Trust Unitholders of the DPF Holding Trust Aggregation Resolutions (since the only units in the DPF Holding Trust are owned by the DPF and CNP, each of which has supported the Proposal set out in section 4.1, by entering into the Implementation Agreement, these votes are expected to be passed);
- approval by CNP Securityholders of the CNP Securityholder Asset Sale Resolution and CNP Securityholder Debt Cancellation Resolution; and
- ASX approval for the listing of DPF Holding Trust and CAWF and the quotation of the Centro Retail Australia Stapled Securities on ASX and the issue of the Centro Retail Australia Litigation Securities, subject to customary conditions.

Aggregation is also subject to a number of other conditions precedent described in section 6.2 of this Explanatory Memorandum.

If the Holders do not approve the Convertible Bond Term Amendments or any of the above approvals are not obtained or waived, Holders will not receive their Accountholder Proportion of the Redemption Amount, and the other CNP Junior Stakeholders will not receive any share of the Junior Stakeholder Amount.

## 5 Background to Convertible Bonds

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### 5.1 Background

In June 2007, Centro raised funds through the issue of Exchangeable Notes with an aggregate face value of US\$500 million and a maturity date of 30 June 2010. The Exchangeable Notes were issued by JPMorgan in accordance with the CNP Preference Security Deed Poll (Convertible Bonds).

At, or around the same time, Centro issued certain securities (**Underlying CNP Securities**), including the Convertible Bonds, to JPMorgan, which were designed to mirror the terms and conditions of the Exchangeable Notes and to put JPMorgan in a position to perform its obligations under the Exchangeable Notes. 5000 Convertible Bonds with a face value of US\$100,000 each were accordingly issued to JPMorgan on the 6 June 2007.

Between 20 January 2009 and 2 June 2010, at the election of the Holder, Exchangeable Notes with a face value of US\$56 million were exchanged for ordinary CNP Stapled Securities. Simultaneously 560 of the Convertible Bonds were cancelled.

However in June 2010, an “Underlying Securities Event” occurred as a result of the failure by Centro to pay distributions on the Exchangeable Notes. On that event, the Convertible Bonds became fully payable in consideration for the transfer of the CNP Funding Trust Preference Units to Centro. At that time, the CNP Funding Trust was collapsed and terminated.

Following the occurrence of the Underlying Securities Event, in June 2010, Centro announced that it had elected not to redeem the Exchangeable Notes at the maturity date of 30 June 2010 (**Missed Redemption Event**). The effect of the Missed Redemption Event meant that JPMorgan failed to receive the Final Maturity Amount (in cash or stapled securities) and the underlying Convertible Bonds were to be distributed directly to holders of the Exchangeable Notes.

On 30 June 2010 the Convertible Bonds were transferred to The Bank of New York Depository (Nominees) Limited as common depository for Euroclear Bank and Clearstream Banking to hold the Convertible Bonds as Registered Holder on behalf of the Euroclear and Clearstream Accountholders, which were previously holders of the Exchangeable Notes.

### 5.2 Convertible Bonds and amounts owing to them

The Convertible Bonds, in their current form, are unsecured, subordinated debt obligations of Centro that are subject to the terms and conditions set out in Schedule 1 of the CNP Preference Security Deed Poll (Convertible Bonds) and are represented by the Global Certificate, dated 30 June 2010.

Under the Global Certificate, The Bank of New York Depository (Nominees) Limited was entered in the Register as the Registered Holder of fully paid Convertible Bonds in the principal amount of US\$473,925,600 (or such other amount as shown from time to time in the Register represented by the Global Certificate).

Each Convertible Bond is a nominally paid, perpetual, subordinated, deferrable and non-cumulative bond issued by Centro which, in certain circumstances:

- can be redeemed for cash by Centro;
- is convertible into Preference Securities on election of Centro; and

- can only be transferred as provided in the Convertible Bond Terms.

The Convertible Bonds are unsecured and subordinated to all debt and monetary liabilities of all creditors of Centro and have no right to participate in the distribution of net proceeds to securityholders on winding up. The Convertible Bonds also prohibit Centro from paying any distribution on CNP Stapled Securities.

Importantly, Centro can redeem or convert the Convertible Bonds in accordance with the Convertible Bond Terms by:

- giving no less than 5 Payment Business Days notice to the Holder in order to redeem the Convertible Bonds; or
- issuing a Conversion Notice, by giving 5 Business Days notice to the Holder, electing to convert all of the Convertible Bonds.

The outcome of redemption of the Convertible Bonds is that the Convertible Bonds will be cancelled, and Centro will be obliged to deliver to the Holders relevant consideration.

Centro is now proposing to amend the Convertible Bond Terms to provide for an additional opportunity to redeem the Convertible Bonds following the Junior Stakeholder Amount being made available to Centro.

Upon Redemption, the Distribution and Capital Stopper prohibition under the Convertible Bond Terms will no longer apply.

## 6 Overview of proposed variation to Convertible Bond Terms

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### 6.1 Summary of the proposed variation

As discussed in section 4 above, the Signing Senior Lenders have agreed that the sum of A\$100 million will be made available to CNP Junior Stakeholders, including the Holders of Convertible Bonds.

The Board of Centro has determined that the Redemption Amount, which is A\$21,074,918 of the Junior Stakeholder Amount will be made available to Holders when the Junior Stakeholder Amount is received by Centro (to be released to Centro on the Aggregation Implementation Date).

If the proposed amendment to the Convertible Bond Terms is approved by the Holders and all other approvals and condition precedents are satisfied or waived, as set out in sections 4.4 and 6.2 (including approval of the other CNP Junior Stakeholders) on the Redemption Date, Centro must redeem all of the Convertible Bonds in consideration for an aggregate amount equal to the Redemption Amount. Each Accountholder will then receive (via the Registered Holder) a certain cash amount (being their Accountholder Proportion of the Redemption Amount) in consideration for the redemption of all their Convertible Bonds.

In order for the Redemption to be realised in the most efficient way, Centro is proposing that the Convertible Bond Terms be amended. The proposed amendment is set out in mark up in the attached Appendix 3 and discussed in more detail in section 7 below.

If the Holders do not vote in favour of the Redemption (and the release of the Junior Stakeholder Amount is not approved by the other CNP Junior Stakeholders), then the Signing Senior Lenders will not agree to the Junior Stakeholder Amount being made available for the benefit of any of the CNP Junior Stakeholders.

### 6.2 Conditions Precedent to Redemption

In addition to the approval of the Convertible Bonds Terms Amendment at the Meeting of Holders and the CNP Junior Stakeholders voting in favour of the release of the Junior Stakeholder Amount, the proposed Redemption can only be implemented if Aggregation Implementation occurs under the Implementation Agreement.

Further, the Senior Debt Schemes and the Hybrid Debt Schemes must each be approved by the respective CNP Securityholders and Hybrid Bondholders in order for the Signing Senior Lenders to agree to the Junior Stakeholder Amount being made available to Centro.

Accordingly, the Conditions Precedent to Aggregation Implementation, the Senior Debt Schemes and the Hybrid Debt Schemes must each be satisfied or (if permitted) waived, in accordance with the terms and conditions set out in the Implementation Agreement. If any one of the approvals listed above is not obtained, none of the Junior Stakeholder Amount will be available to be delivered to any Junior Stakeholder.

A summary of the Conditions Precedent are set out below:

#### **Conditions Precedent to Aggregation:**

(Refer to clause 6.1 of the Implementation Agreement for more detail).

- (a) Approval or relief (as relevant) is granted by CAWF Unitholders, the DPF Holding Trust Unitholder, CER Securityholders, the Court, ASIC, ASX and FIRB;

- (b) Approval by CNP Securityholders of the CNP Securityholder Asset Sale Resolution;
- (c) Execution of various deeds and agreements be entered into to implement Aggregation, including the agreements for the sale of certain assets to Centro Retail Australia and all conditions precedent to those agreements being satisfied or waived;
- (d) all necessary third party consents to Aggregation being obtained;
- (e) the Independent Expert issues the Independent Expert's Reports which conclude:
  - (1) that Aggregation is in the best interests of each of:
    - CNP Securityholders;
    - CER Securityholders;
    - DPF Holding Trust Unitholders; and
    - CAWF Unitholders;
  - (2) that, for the purposes of ASX Listing Rule 10.1, the CNP Asset Sale is fair and reasonable to CER Securityholders, other than CNP; and
  - (3) such other opinions in respect of the Transaction as may be required by law or ASIC.
- (f) ASX approval of the listing of DPF Holding Trust and CAWF and other matters required to establish Centro Retail Australia;
- (g) No "Prescribed Occurrences" and there being no restraints in force preventing the Aggregation;
- (h) Acceptable refinancing terms or standstill arrangements for the existing secured debt of CAWF, CER, CSIF and the Syndicates being negotiated and the relevant agreements entered into;
- (i) The management of Syndicates representing funds under management of at least 90% of the total Syndicate fund under management being able to be transferred to Centro Retail Australia;
- (j) Further, ASIC has provided relief to certain Senior Lenders in relation to their entering into of the Implementation Agreement. ASIC Relief is conditional that CER Securityholders approve an ordinary resolution necessary for Aggregation within 4 months after the date of the Implementation Agreement (or within such later period as may be approved by ASIC), with no votes being cast in favour of the resolution by CNP's Senior Lenders, CNP, DPF or any of their associates. If this condition is not satisfied within the 4 month period, then the Implementation Agreement will automatically terminate at the end of the 4 month period.

#### **Senior Debt Schemes and Hybrid Debt Schemes Conditions Precedent**

The Creditors' Schemes are conditional on and will have no force or effect until, the satisfaction of each of the following conditions precedent:

- (a) all the conditions in clauses 13.1 and 13.2 of the Implementation Agreement (other than the condition precedent relating to Court approval of the Creditors Schemes and the condition precedent relating to the Senior Debt Schemes being unconditional set out in clauses 13.1(d), 13.2(c) and 13.2(a) of the Implementation Agreement)) having been satisfied or waived in accordance with the terms of the Implementation Agreement by 8.00am on the Second Court Date;

- (b) neither the Implementation Agreement nor any of the Deed Polls having been terminated in accordance with their terms before 8.00am on the Second Court Date;
- (c) approval of the Creditors' Schemes by the Court under section 411(4)(b) of the Corporations Act, including with any alterations made or required by the Court under section 411(6) of the Corporations Act as are acceptable to CNP;
- (d) such other conditions made or required by the Court under section 411(6) of the Corporations Act in relation to the Creditors' Schemes (which alterations or conditions are not intended to change the substance of the Schemes); and
- (e) the orders of the Court made under section 411(4)(b) (and, if applicable, section 411(6)) of the Corporations Act approving the Creditors' Schemes coming into effect, pursuant to section 411(10) of the Corporations Act on or before the Second Court Date.

### **6.3 Payment requirements following Redemption of Convertible Bonds**

Centro has appointed The Bank of New York Mellon as the Principal Paying Agent for making payments in respect of the Convertible Bonds. In accordance with the Paying Agency Agreement, payment to Accountholders, by way of their Nominee representatives, will occur by way of the following:

- 1 Centro must give written notice of redemption of the Convertible Bonds to the Principal Paying Agent (stating the date on which it intends that such Convertible Bonds are to be redeemed) at least 14 days before the latest date for publication of the Redemption Notice required to be given to Holders.
- 2 No later than 20 Payment Business Days after the Junior Stakeholder Amount is received by Centro, Centro must give the Holder a Redemption Notice which specifies:
  - the Redemption Date; and
  - that Holder's Respective Proportion of the Redemption Amount, being the amount payable to that Holder on the Redemption Date for the redemption of all of its Convertible Bonds.
- 3 On the Redemption Date, Centro will pay the Principal Paying Agent the Redemption Amount. The Redemption Date will be the date specified in the Redemption Notice as the date on which the Redemption is to take place, being no later than 40 Payment Business Days after the Junior Stakeholder Amount is received by Centro.
- 4 The Principal Paying Agent must procure that each Accountholder's Accountholder Proportion of the Redemption Amount is distributed to the Accountholder's Nominee.
- 5 The Nominee for each Accountholder must credit that Accountholder's account with the respective Accountholder Proportion of the Redemption Amount in accordance with the Nominee's contractual relationship with the Accountholder.

Payment will be in Australian dollars and will be the full and final satisfaction of all amounts payable on redemption of that Holder's Convertible Bonds, notwithstanding the amount of the aggregate Accreted Principal Amount, accrued interest, any Unpaid Amounts and any other amounts in respect of that Holder.

Centro notes that while payment of the Redemption Amount on the Redemption Date is in accordance with the provisions under the Convertible Bond Terms, if the Conditions Precedent to the release of the Junior Stakeholder Amount are satisfied or waived, Centro will use its best endeavours to expedite the timing of the Redemption Date.

## **6.4 Exchange Rate Considerations**

As the Redemption Amount will be paid to the Holders in Australian dollars and the Convertible Bonds are denominated in US dollars, the Holders and Accountholders must be aware of the risks associated with converting the amount payable to the Holders into US dollars if Holders or Accountholders see fit.

These risks include:

- there may be a significant shift in the exchange rate, which may affect the value of the Accountholder's portion of the Redemption Amount payable;
- different Holders or Accountholders who convert their portion of the Redemption Amount on different days may receive different US dollar amounts; and
- the exchange rate prevailing on the day a particular Holder or Accountholders become entitled to their portion of the Redemption Amount, may differ from the rate prevailing at the time of payment.

## 7 Detailed information about the amendment to the Convertible Bond Terms

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### 7.1 Amendment power

Clause 13.3 of the Convertible Bond Terms provides that Centro, as the Issuer of the Convertible Bonds, may without the authority or approval of the Holder, vary the Convertible Bond Terms if Centro reasonably considers that the amendment or addition is:

- (a) not materially prejudicial to the interests of the Holder;
- (b) of a formal, minor or technical nature;
- (c) made to correct a manifest error which derogates from the obvious meaning intended; or
- (d) made to comply with any law or requirement of ASX.

Centro has formed the view that clause 13.3 does not apply to the current circumstances and amendments to the Convertible Bond Terms will need to be approved by the requisite majority of Convertible Bondholders.

The variations to the Convertible Bond Terms proposed in this Explanatory Memorandum must be approved by any one or more Holders who alone or together hold Convertible Bonds representing at least 75% of the outstanding Principal Amount of the Convertible Bonds. This complies with the "Special Quorum" requirements which are discussed in more detail in section 10.2 of this Explanatory Memorandum.

### 7.2 Redemption after the Junior Stakeholder Amount is made available

Clause 5.1 of the Amended Convertible Bond Terms proposes that if a Junior Stakeholder Amount is received by Centro, to the extent that the Convertible Bonds have not otherwise been redeemed, converted or exchanged in accordance with the Convertible Bond Terms (as at the relevant record date set out in section 2), Centro must redeem all of the Convertible Bonds in consideration for an aggregate amount equal to the Redemption Amount.

#### (a) Notice

No later than 20 Payment Business Days after the Junior Stakeholder Amount is received by Centro, Centro must give each Holder a Redemption Notice which specifies:

- 1 the Redemption Date; and
- 2 that Holder's Respective Proportion of the Redemption Amount, being the amount payable to that Holder on the Redemption Date for the redemption of all of its Convertible Bonds.

The Redemption Date will be the date specified in the Redemption Notice as the date on which the Redemption is to take place, being no later than 40 Payment Business Days after the Junior Stakeholder Amount is received by Centro.

Once the Redemption Notice is delivered to each Holder, it may only be revoked by Centro with the consent of each Holder.

Centro must give written notice of redemption to the Principal Paying Agent (stating the date on which it intends that such Convertible Bonds are to be redeemed) at least 14

days before the latest date for publication of the notice of redemption required to be given to Holders.

**(b) Payment of Redemption Amount**

The decision of Centro with respect to the calculation of the amount of the Redemption Amount and each Holder's Accountholder Proportion will be conclusive and binding on each Holder (except in the case of manifest or proven error).

Payment will be in Australian dollars and will be the full and final satisfaction of all amounts payable on redemption of that Holder's Convertible Bonds, notwithstanding the amount of the aggregate Accreted Principal Amount, accrued interest, any Unpaid Amounts and any other amounts in respect of that Holder.

**(c) Amounts payable on redemption**

Clause 6.2 provides that Centro is to pay to each Holder (or its nominee as that Holder directs), that Holder's Respective Proportion of the Redemption Amount on the Redemption Date.

**(d) Releases given on Redemption**

The Holder on the Redemption Date:

- 1 releases Centro from all their obligations and Claims in respect of the Relevant Documents and any other Claims, and waives all rights under the Relevant Documents against Centro except to the extent Centro has engaged in fraud or wilful misconduct in relation to the Redemption;
- 2 releases each Relevant Person from all Claims, except to the extent the Relevant Person has engaged in fraud or wilful misconduct in relation to the Redemption;
- 3 forgives and releases the Accreted Principal, any accrued Interest Amount that is not yet due, and any Unpaid Amounts in respect of each Convertible Bond owed by Centro to the Holder under the Relevant Documents on the Redemption Date;
- 4 covenants in favour of Centro and the Relevant Persons not to bring or pursue, procure that a third party bring or pursue, provide financial support for or otherwise support any claim, action, dispute, demand or proceeding in any court or tribunal in respect of the abovementioned releases; and
- 5 acknowledges it is their intention to fully release any and all Claims which currently or may exist in the future between them and Centro or a Relevant Person in respect of the abovementioned releases.

Centro on the Redemption Date:

- 1 releases the Holder from all their obligations and Claims in respect of, the Relevant Documents and any other Claims, and waives all rights under the Relevant Documents against the Holder, except to the extent the Holder has engaged in fraud or wilful misconduct in relation to the Redemption;
- 2 covenants in favour of the Holder not to bring or pursue, procure that a third party bring or pursue, provide financial support for or otherwise support any claim action, dispute, demand or proceeding in any court or tribunal in respect of the abovementioned release; and
- 3 acknowledges it is their intention to fully release any and all Claims which currently exist or may exist in the future between them and each Holder in respect of the abovementioned releases.

### **7.3 Centro after the Redemption is implemented**

Redemption will occur if:

- (a) the Redemption is approved by the Holders at the Meeting of Holders;
- (b) the other CNP Junior Stakeholders vote in favour of the release of the Junior Stakeholder Amount;
- (c) Aggregation Implementation proceeds;
- (d) the Senior Debt Schemes and the Hybrid Debt Schemes become Effective; and
- (e) any other condition or approval required for Redemption set out in section 6.2 is satisfied or waived.

In such circumstances, the Signing Senior Lenders will agree that the Junior Stakeholder Amount will be made available to Centro on the Aggregation Implementation Date.

Upon Redemption, the Distribution and Capital Stopper prohibition under the Convertible Bond Terms will no longer apply and Centro will be able to make any distribution to CNP Junior Stakeholders (which includes payment of the Redemption Amount to Holders and any other payment owed to the other CNP Junior Stakeholders).

Following Aggregation Implementation and payment of the Junior Stakeholder Amount, Centro would be in a position where it is undertaking its residual activities and winding up its remaining entities.

Centro was concerned to ensure that funds are available to meet its expected wind-up costs and has agreed with certain Senior Lenders that funds will be made available for this purpose.

Following Aggregation Implementation, Centro will not have any substantial assets or liabilities and will run only limited operations as it winds up. The wind up will be in accordance with the standard practices and approval of ASX and ASIC. The timeframe for the completion of this process will depend on the complexity of each remaining entity's affairs.

### **7.4 Centro if the Redemption is not implemented**

The Redemption will not be implemented if:

- (a) the Redemption is not approved by the Holders at the Meeting of Holders;
- (b) the other CNP Junior Stakeholders do not vote in favour of the release of the Junior Stakeholder Amount;
- (c) Aggregation Implementation does not proceed;
- (d) the Senior Debt Schemes and the Hybrid Debt Schemes do not become Effective; and
- (e) any other condition or approval required for Redemption set out in section 6.2 is not satisfied or waived.

In such circumstances, the Distribution and Capital Stopper will continue to apply, the Junior Stakeholder Amount will remain with the Signing Senior Lenders and Centro will not be able to pay any part of the Junior Stakeholder Amount to Convertible Bondholders or any other CNP Junior Stakeholder. Holders will continue to be bound by the Convertible Bond Terms and will remain as unsecured creditors subordinated to all debt and monetary liabilities of Centro's creditors.

Without the Proposal, which provides the prospect of a solvent outcome, the Board of Centro would be placed in a position where it would likely have to appoint an external administrator and Centro expects that a receiver would subsequently be appointed by the Senior Lenders to Centro. Centro expects that administration and receivership would result in the assets of Centro being realised for the benefit of the Senior Lenders.

Centro expects that all proceeds generated from a receivership process would be applied to the Senior Lenders and that Convertible Bondholders would receive nothing. This is because the assets of Centro are not sufficient to fully satisfy the debt owing by Centro to its Senior Lenders.

## **7.5 Convertible Bondholders in other capacities**

To the extent that a Convertible Bondholder is also:

- a Securityholder of CNP, it should refer to the explanatory memorandum addressed to CNP Securityholders. Convertible Bondholders should note that they will be excluded from voting on any CNP Securities they may own on the CNP Securityholder Debt Cancellation Resolution and the CNP Securityholder Asset Sale Resolution;
- a Senior Lender of CNP, it should refer to the explanatory statement addressed to Senior Lenders in respect of the Senior Debt Schemes; or
- a Hybrid Lender of CNP, it should refer to the explanatory statement addressed to the Hybrid Lenders in respect of the Hybrid Debt Schemes.

## 8 Reasons for voting in favour of the variation

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### 8.1 Realisation of a cash return

Provided the Junior Stakeholder Amount is received by Centro on the Aggregation Implementation Date, Accountholders will receive a cash payment of their Accountholder Proportion of the Redemption Amount.

In view of Centro's 30 June 2011 equity position of negative \$1.3 billion prior to liquidation value adjustments, the total return to the Holders under any alternative scenario is likely to be considerably less than the Redemption Amount.

Furthermore, because the Convertible Bonds are unsecured and subordinated to all debt and monetary liabilities of all creditors of Centro, in an administration or liquidation scenario, the return to the Holders is expected to be zero.

### 8.2 Best available restructure option for Centro

Centro has spent considerable effort over the past two years investigating a wide range of restructure options as detailed below.

In December 2009, Centro announced that it had appointed financial advisers to undertake an assessment of a restructure of Centro. The objective of this assessment phase was to identify the means by which the enterprise value of Centro could be maximised and separately identify and analyse execution risk.

Numerous restructure options were investigated and considered by the Centro Board and its advisers since December 2009. Certain Senior Lenders were not willing to accept an extension to the maturity date of the Senior Debt on its existing terms, leading to Centro exploring options including those which are listed below.

- An extension of the senior debt facilities and waiting for asset values to recover;
- Recapitalisation or sale of Centro as a stand alone entity in its current structure;
- Separation of Centro's Australian and US businesses;
- Simplification and restructure through an amalgamation of assets of Centro and its managed funds;
- The creation of a syndicate business joint venture to facilitate the growth of Centro's syndicate business; and
- Targeted trade sales of the group's Australian and US assets.

All these alternatives faced the key constraint that to retain value for Convertible Bondholders, any solution would need to exceed in value the sum of Centro's:

- \$2.9 billion of Senior Debt obligations;
- \$1.0 billion of secured Hybrid Debt; and
- Unsecured creditors (if any).

Having regard to the completion of the separation of CNP's Australian and US businesses (which occurred in June 2011) but which could not alone resolve CNP's financial predicament, and after taking into account the very difficult circumstances confronting Centro, the Centro Board believes the Redemption proposal represents the best possible outcome Centro could present (subject to the conditions) to deliver value for Holders.

The proposed variation to the Convertible Bond Terms is a key aspect to the restructure of Centro.

### **8.3 Release of distribution stoppers**

Under the current Convertible Bond Terms, Centro cannot:

- declare or pay any distribution or dividend or make any other payment on any CNP Stapled Security or other equivalent security of CPT or CPL; or
- redeem, purchase, cancel, reduce or otherwise acquire any Stapled Security or other equivalent security of CPT or CPL (excluding the CNP Funding Trust Preference Units and the Preference Securities).

Therefore, if the Holders do not vote in favour of the variation to the Convertible Bond Terms, Centro cannot pay any part of the Junior Stakeholder Amount to ordinary securityholders. As detailed in section 6.2, Centro requires the approval of ordinary securityholders in order for it to receive the Junior Stakeholder Amount, from which the Redemption Amount can then be paid to the Holders.

## **9 Reasons for voting against the variation**

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### **9.1 Holders might consider that a receiver could realise greater value**

If the restructure is not implemented, it is expected that Centro would be placed in a position where external administrators would be appointed. The Centro Board believes that a receiver would subsequently be appointed by the Senior Lenders over the assets of all or some of Centro and its guarantors.

Given the size of Centro's 30 June 2011 negative equity position of \$1.3 billion prior to liquidation value adjustments, Centro considers that all proceeds generated from an external administration process would be applied to the Senior Lenders and it is expected that the Holders would not receive anything.

However, a Holder may disagree with Centro's assessment of the realisable value of Centro's assets and believe that an external administrator would be able to realise the assets for an amount that could provide a greater amount to the Holders than the Redemption Amount. If this were the case, Centro's assets will need to have increased by \$1.3 billion before Holders could get anything.

It should be noted however that the competitive process conducted by Centro to explore available options to reduce debt and the updated property valuation process undertaken for the purposes of Centro's 30 June 2011 accounts did not provide any basis for such a belief.

### **9.2 Payment of amounts to classes of unsecured stakeholders who rank junior to the Holders**

As detailed in section 4.1, Centro is proposing to pay a proportion of the Junior Stakeholder Amount to CNP Securityholders. Senior ranking stakeholders may believe that agreeing to allow amounts to be paid to stakeholders ranking junior to them is not appropriate.

In making the determination of the allocations, Centro was very aware that:

- the expectations of all parties may not be met given the finite Junior Stakeholder Amount pool available; and
- allocations need to reflect what Centro believes is required for each set of CNP Junior Stakeholders to support its restructure in a solvent manner and, in Centro's best judgment, treat each CNP Junior Stakeholder class fairly, having regard to the limited Junior Stakeholder Amount available and the nature/history of the different claims.

However, Holders may disagree with the Board's view that it is ultimately in the interests of all CNP Junior Stakeholders to support a solvent restructure of Centro. As noted above the Board has this view as:

- the Junior Stakeholder Amount monies will only be paid if all necessary approvals detailed in section 4.4 are obtained by the requisite majorities and other relevant conditions are satisfied (or waived as applicable); and
- the only likely alternative is administration and receivership, under which Centro expects that the Holders would not receive anything from a receivership process.

### **9.3 You may think that another superior proposal may emerge**

Although nothing has arisen at the time of publication which the Centro Board of directors consider represent a superior proposal to that proposed in this Explanatory Memorandum, you may consider that a superior proposal will emerge and therefore would not support this proposal.

## 10 Procedure for voting at the Meeting of Holders

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The Meeting of Holders will be convened in accordance with Schedule 2 of the CNP Preference Security Deed Poll (Convertible Bonds) and the Global Certificate requirements.

### 10.1 Items of business at the Meeting of Holders

It is intended that the Meeting of Holders will proceed as follows:

- The Meeting of Holders will be held on 22 November 2011 at Melbourne Exhibition Centre, 2 Clarendon Street, Southbank, Victoria, commencing at 2:00pm (Melbourne time).
- The purpose of the Meeting of Holders is for Holders to consider and if thought fit, vote in favour of the following "Resolution" which proposes that:

*"the Convertible Bond Terms be amended in the manner set out in Appendix 3 to the Explanatory Memorandum submitted to this Meeting of Holders and signed by the Chairperson for identification."*

It is noted that the date for the Meeting of Holders may be subject to change.

### 10.2 Quorum requirements

The amendment to the Convertible Bond Terms is proposed in accordance with clause 13.3(b) of the Convertible Bond Terms, which provides that the rights attached to the Convertible Bonds may not be varied or abrogated except by resolution passed by at least 75% by aggregate Accreted Principal of the Convertible Bonds held by the Holders who vote or otherwise give instructions to Centro in relation to the relevant matter.

In accordance with Schedule 2 of the CNP Preference Security Deed Poll (Convertible Bonds), the resolution to be considered at the Meeting of Holders must be in the form of an Extraordinary Resolution that requires a Special Quorum. This is because the Holders are required to approve amongst other things:

- a proposal for any compromise of the rights of Holders against Centro, whether those rights arise under the CNP Preference Security Deed Poll (Convertible Bonds), the Convertible Bond Terms or otherwise;
- a reduction or cancellation of an amount payable, or a change to the method of calculating an amount payable or a date of payment in respect of the Convertible Bonds; and
- a change to the due currency of any payment due on any Convertible Bonds.

The requisite "Special Quorum" requires any one or more Holders present in person or by proxy to alone or together hold Bonds representing at least 75% of the outstanding Principal Amount of the Bonds. This effectively, mirrors the requirement under Clause 13.3(b) of the Convertible Bond Terms for the resolution to be passed by at least 75% by aggregate Accreted Principal of the Convertible Bonds held by the Holders who vote.

If a quorum is not present within 15 minutes after the time appointed for the Meeting of Holders, the Meeting of Holders will be adjourned until a date, time and place the Chairperson appoints. The date of the adjourned meeting must be no earlier than 14 days, and no later than 42 days after the date of the meeting from which the adjournment took place.

Following the adjournment of a meeting due to a lack of quorum, the required quorum for the meeting that was previously adjourned because of a lack of quorum will be any one or more Holders present in person or by proxy who alone or together hold Convertible Bonds representing at least 25% of the outstanding Principal Amount of the Bonds.

Holders should note that other CNP Junior Stakeholder approvals will be sought at the same time as the approval of the Amendment to the Convertible Bond Terms. Therefore any adjournment of the Meeting of Holders due to a lack of quorum, may result in a failure of a condition precedent to the Junior Stakeholder Amount becoming available, and therefore no payment to any CNP Junior Stakeholders, including the Convertible Bondholders.

These voting provisions apply in conjunction with the Global Certificate requirements which provides that for the purposes of any quorum requirements of a Meeting of Holders held in accordance with Schedule 2 of the CNP Preference Security Deed Poll (Convertible Bonds), the Registered Holder is to be counted as 2 Holders or such higher number of Holders equal to the number of Accountholders from which the Holder has received Voting Instructions in respect of the Resolution to be considered at the Meeting of Holders.

### **10.3 Voting**

An authorised representative of the Registered Holder must attend and vote at the Meeting of Holders on behalf of the Accountholders.

In accordance with the Global Certificate requirements, the Registered Holder present at the Meeting of Holders has one vote in respect of each Bond of which are registered in that person's name.

If the Registered Holder receives electronic instructions directly from an Accountholder or indirectly from the Nominee representative of an Accountholder (via Clearstream or Euroclear, whichever is applicable) in respect of voting on the Redemption, the Registered Holder must vote in accordance with those instructions. As a matter of policy, the Registered Holder will exercise no discretion in interpreting a vote which is not clear to the Registered Holder.

Centro may, and on request by the Registered Holder, must allow any Accountholder to attend and speak at the Meeting of Holders, provided that the Accountholder provides confirmation of entitlement and proof of identity. However, Accountholders who wish to attend the Meeting of Holders are not entitled to vote at the Meeting of Holders. Accountholders can only vote by providing their Voting Instructions to the Registered Holder in accordance with the Voting Instruction requirements.

### **10.4 How to Vote**

#### **(a) Registered Holder votes on behalf of Accountholders**

Accountholders who wish to vote on the Redemption may do so directly or indirectly through their Nominees by providing electronic Voting Instructions to Euroclear or Clearstream (whichever may be applicable) and on to the Registered Holder.

A Voting Instruction given by an Accountholder (or a Nominee on behalf of an Accountholder) must be received by Euroclear or Clearstream, as the case may be, in accordance with the usual procedures of Euroclear or Clearstream and the account in which such interest in the Convertible Bonds are held will be blocked in accordance with the respective procedures of Euroclear or Clearstream.

An Accountholder must arrange, either directly or indirectly, through its Nominee to contact Euroclear or Clearstream through which it holds such interests in order to procure delivery of such Voting Instructions via Euroclear or Clearstream.

Accountholders or Nominees on behalf of the Accountholders must ensure that they convey their electronic Voting Instructions to Euroclear or Clearstream and on to the Registered Holder in sufficient time to ensure that their instructions are received by the Chairperson by no later than 11:59pm on 18 November 2011 (London time) / 10:59am on 19 November 2011 (Melbourne time). A Voting Instruction shall not be considered properly submitted unless the Voting Instruction specifies the following:

- the ISIN of the relevant Convertible Bonds;
- the number of the Convertible Bonds which is the subject of the Voting Instruction;
- the identity and account details (in the relevant Clearing System) of the holder of the relevant Convertible Bonds; and
- the appointment of the Registered Holder to attend the Meeting (and any adjournment of the Meeting) and vote in favour of, against or abstain from voting on the Extraordinary Resolution on the relevant Accountholder's behalf.

Accountholders should consider how they wish to vote on the Redemption. That is, whether they wish the Registered Holder to vote 'for' or 'against', or 'abstain' from voting in respect of that Accountholder's interest in Convertible Bonds. If the Registered Holder receives Voting Instructions in respect of voting on the Redemption, the Registered Holder must vote in accordance with that Accountholder's instructions. As a matter of policy, the Registered Holder will exercise no discretion in interpreting a vote which is not clear to the Registered Holder.

The Accountholder's interest in the Convertible Bonds will remain blocked until the conclusion of the Meeting of Holders and the Voting Instruction shall be valid until the release of the deposited Convertible Bonds to which it relates.

The Accountholder's Voting Instruction shall remain in place upon an adjournment of the Meeting of Holders for want of a quorum. Hence, Accountholders who wish to vote at the adjourned Meeting will not need to execute and deliver new Voting Instructions in respect of such an adjourned meeting in accordance with the procedures set out above.

**(b) Voting in person**

To vote in person, the Registered Holder must attend the Meeting of Holders.

The Resolution will be put to a vote at the Meeting of Holders and will be decided by a poll. A poll can be demanded by the Chairperson, Centro or one or more persons who alone or together hold at least 2% of the Principal amount of the outstanding Convertible Bonds.

On a poll, the Registered Holder present has one vote in respect of each Convertible Bond registered in that Holder's name.

If there is an equality of votes, the Chairperson of the Meeting of Holders has a casting vote in addition to any votes which the Chairperson is entitled as a Holder or proxy.

**(c) Voting by proxy**

The Registered Holder may be present and vote at the Meeting of Holders in person and may also be represented by proxy.

An authorised representative of the Registered Holder entitled to attend and vote at the Meeting of Holders may appoint a proxy to attend and act on the Registered Holder's behalf in connection with the Meeting of Holders by completing a Proxy Form signed by the Registered Holder (in the form set out in Appendix 2).

A proxy need not be a Holder and may be an attorney, officer, employee, contractor, agent, representative of or otherwise connected with Centro.

To appoint a proxy, the Registered Holder should complete and return the Proxy Form in accordance with the instructions on that form. The Registered Holder may lodge any number of Proxy Forms provided that each Proxy Form relates to different Convertible Bonds registered in the name of the Registered Holder.

The Registered Holder must deliver the signed and completed Proxy Form to the Chairperson by 11:59pm on 18 November 2011 (London time) / 10:59am on 19 November 2011 (Melbourne time) in any of the following ways:

- (1) by post in the provided reply paid envelope to the following address:

Attention: Adam Soffer  
Centro Fund Manager and Executive Management Support  
Corporate Offices Level 3  
The Glen, Level 3  
235 Springvale Road  
Glen Waverley Victoria 3150  
Australia

- (2) by hand delivery to the following address:

Attention: Adam Soffer  
Centro Fund Manager and Executive Management Support  
Corporate Offices Level 3  
The Glen, Level 3  
235 Springvale Road  
Glen Waverley Victoria 3150  
Australia

- (3) by fax on 03 9886 1234 (within Australia) or +61 3 9886 1234 (outside Australia)

Proxy Forms received after this time will be invalid.

If a Proxy Form is completed under a power of attorney or other authority, the power of attorney or other authority, or a certified copy of the power of attorney or other authority, must accompany the completed Proxy Form.

A vote given in accordance with the terms of a proxy appointment is valid despite the revocation of that appointment, unless notice in writing of the revocation has been received by the Chairperson by 11:59pm on 18 November 2011 (London time) / 10:59am on 19 November 2011 (Melbourne time) in any of the three ways above.

The Registered Holder should direct the proxy to vote at the Meeting of Holders in accordance with the instructions provided by an Accountholder or Nominee on behalf of an Accountholder.

If a Proxy Form is returned:

- without identifying a proxy on it, the Registered Holder will be taken to have appointed the Chairperson as the proxy to vote on the Registered Holder's behalf; or
- with a proxy identified on it, but the proxy does not attend the Meeting of Holders, the Chairperson will act in place of the nominated proxy and vote in accordance with any directions on the Proxy Form.

The Chairperson intends to vote on all valid undirected proxies which nominate the Chairperson in favour of the Resolution.

Proxies will be admitted to the Meeting of Holders and given a voting card on providing written evidence of their name and address at the point of entry to the Meeting of Holders.

The appointment of a proxy does not preclude the Registered Holder from attending in person, revoking the proxy and voting at the Meeting of Holders.

## **10.5 Notices, documents or questions**

Completed Proxy Forms should be lodged before 11:59pm on 18 November 2011 (London time) / 10:59am on 19 November 2011 (Melbourne time) in accordance with the instructions on the form.

If you have any questions in relation to Centro, the Meeting of Holders or the lodgement of Proxy Forms, please contact Adam Soffer, Centro Fund Manager and Executive Management Support, Centro Properties Group on +61 3 8847 0932, [adam.soffer@centro.com.au](mailto:adam.soffer@centro.com.au) or alternatively at Corporate Offices, 3rd Floor, Centro The Glen, 235 Springvale Rd, Glen Waverley VIC 3150 or consult with an investment or other professional adviser.

## 11 Glossary

Capitalised terms used in this Explanatory Memorandum have the meaning contained in this Glossary, unless the context otherwise requires or a term has been defined in the text of the Explanatory Memorandum. A singular word includes the plural and vice versa. Capitalised terms used in this Explanatory Memorandum not otherwise defined in the text of the Explanatory Memorandum or in this Glossary have the meanings given in the Convertible Bond Terms in Appendix 3.

<b>Term</b>	<b>Meaning</b>
<b>ABN</b>	Australian Business Number.
<b>A\$ or AUD</b>	Australian Dollars.
<b>Accountholder</b>	refers to accountholders of Euroclear and Clearstream who have entitlements to interests in respect of the Convertible Bonds.
<b>Accountholder Proportion</b>	the number of Convertible Bonds in which an Accountholder has an interest as a proportion of the total Convertible Bonds on issue.
<b>Accreted Principal</b>	has the meaning given to that term in the Convertible Bond Terms.
<b>Accreted Principal Amount</b>	has the meaning given to that term in the Convertible Bond Terms.
<b>AEST</b>	Australian Eastern Standard Time.
<b>Aggregation</b>	refers to the aggregation of all, or substantially all, of: the assets owned by CER; the assets owned by DPF RE; the assets owned by CAWF RE; the assets owned by CNP; the CSIF Syndicate Interests; and the units in the Centro Arndale Property Trust held by CPT Manager Limited as trustee of Centro MCS 33 Arndale Holding Trust, in accordance with the Implementation Agreement.

<b>Term</b>	<b>Meaning</b>
<b>Aggregation Implementation</b>	refers to the implementation of the Aggregation.
<b>Aggregation Implementation Date</b>	the "Implementation Date" under the Senior Debt Schemes or such other date as is agreed by all the Aggregation Parties.
<b>Aggregation Parties</b>	CER, CAWF RE and DPF Holding Trust RE.
<b>Amended Convertible Bond Terms</b>	the form of the Convertible Bond Terms, if the proposed amendments to the Convertible Bond Terms are resolved at the Meeting of Holders.
<b>ASIC</b>	the Australian Securities and Investments Commission.
<b>ASIC Relief</b>	the approvals, exemptions, modifications or other relief required from ASIC in order to implement the Transactions.
<b>ASX</b>	ASX Limited ACN 008 624 691 or the market operated by that entity as the context requires.
<b>ASX Listing Rules</b>	a list of rules governing standards of behaviour for ASX listed entities.
<b>Board</b>	in relation to an entity, the board of directors of that entity.
<b>Business Day</b>	any day that is both of the following: <ol style="list-style-type: none"> <li>1 a Business Day within the meaning given in the listing rules of the ASX; and</li> <li>2 a day that banks and foreign exchange markets are open for business in Sydney other than a Saturday or Sunday.</li> </ol>
<b>CAWF</b>	Centro Australia Wholesale Fund ARSN 122 223 974.
<b>CAWF Aggregation Resolutions</b>	has the meaning given to that term in the Implementation Agreement.

<b>Term</b>	<b>Meaning</b>
<b>CAWF RE</b>	CPT RE in its capacity as responsible entity of CAWF.
<b>CAWF Unit</b>	a fully paid ordinary unit in CAWF.
<b>CAWF Unitholder</b>	a person who is registered as a holder of CAWF Units.
<b>Centro or CNP</b>	refers to Centro Properties Group being Centro Properties Limited (ABN 45 078 590 682) and Centro Property Trust (ARSN 091 043 793) and all other entities controlled by each of them.
<b>Centro Arndale Units</b>	has the meaning given to that term in the Implementation Agreement.
<b>Centro Board or CNP Board</b>	The Board of Directors of Centro.
<b>Centro Direct Property Fund</b>	Centro Direct Property Fund ARSN 099 728 971.
<b>Centro Group</b>	CNP and its managed vehicles.
<b>Centro MCS Manager</b>	Centro MCS Manager Limited ACN 051 908 984.
<b>Centro Retail Australia</b>	the new listed stapled group referred to as “New Centro Fund” in the Implementation Agreement, formed as a result of the Aggregation, comprising CER, CAWF and DPF Holding Trust.
<b>Centro Retail Australia Litigation Securities</b>	securities, referred to as “New Centro Fund Litigation Securities” in the Implementation Agreement, issued by Centro Retail Australia which entitle the holder to be issued Centro Retail Australia Stapled Securities in the circumstances, and on the terms, contemplated by the Implementation Agreement.

<b>Term</b>	<b>Meaning</b>
<b>Centro Retail Australia Stapled Securities</b>	stapled securities quoted on ASX, each comprising: 1 one CER Share; 2 one CER Unit; 3 one CAWF Unit; and 4 one DPF Holding Trust Unit.
<b>CER</b>	CRT and CRL.
<b>CER Aggregation Resolutions</b>	has the meaning given to that term in the Implementation Agreement.
<b>CER Securityholder</b>	a person who is registered as the holder of CER Stapled Securities.
<b>CER Share</b>	a fully paid ordinary share in CRL.
<b>CER Stapled Security</b>	A CER Share which is stapled to a CER Unit.
<b>CER Unit</b>	a fully paid ordinary unit in CRT.
<b>Chairperson</b>	Mr Paul Cooper who has been appointed by Centro to chair the Meeting of Holders.
<b>Claims</b>	means any allegation, debt, cause of action, Liability, assessment, claim, proceeding, suit or demand of any nature however arising and whether present or future, fixed or unascertained, actual or contingent whether at law, in equity, under statute or otherwise.
<b>Clearstream</b>	refers to Clearstream Luxembourg Banking, société anonyme.
<b>CNP or Centro</b>	refers to Centro Properties Group being Centro Properties Limited (ABN 45 078 590 682) and Centro Property Trust (ARSN 091 043 793) and all other entities controlled by each of them.
<b>CNP Asset Sale</b>	the sale of the CNP Assets under the CNP Asset Sale Agreements.

<b>Term</b>	<b>Meaning</b>
<b>CNP Asset Sale Agreement – CSIF Securities</b>	the Sale Agreement – CSIF Securities to be entered into by CPT RE and The Trust Company (Australia) Limited in its capacity as trustee of Centro DPF Sub Trust 3, set out in Schedule 4 of the Implementation Agreement.
<b>CNP Asset Sale Agreements</b>	<ol style="list-style-type: none"> <li>1 the CNP Services Business Sale Agreement;</li> <li>2 the CPT Asset Sale Agreement; and</li> <li>3 the CNP Asset Sale Agreement – CSIF Securities,</li> </ol> as set out in Schedule 4 of the Implementation Agreement.
<b>CNP Assets</b>	<p>has the meaning given to:</p> <ol style="list-style-type: none"> <li>1 the term ‘Sale Property’ in each of the CNP Services Business Sale Agreement;</li> <li>2 the term ‘CPT Sale Property’ in the CPT Asset Sale Agreement; and</li> <li>3 the term ‘CSIF Securities’ in the CNP Asset Sale Agreement – CSIF Securities.</li> </ol>
<b>CNP Board or Centro Board.</b>	The Board of Directors of CNP.
<b>CNP Funding Trust</b>	has the meaning given to that term in the Convertible Bond Terms.
<b>CNP Funding Trust Preference Units</b>	has the meaning given to that term in the Convertible Bond Terms.
<b>CNP Junior Stakeholders</b>	CNP Securityholders, Hybrid Lenders and any other CNP Junior Stakeholder (including the Convertible Bondholders) as identified in the Explanatory Memoranda despatched by CNP whose approval CNP determines is required in order to pay the Junior Stakeholder Amount as determined by CNP under clause 12.3 of the Implementation Agreement.
<b>CNP Preference Securities Deed Poll (Exchange Property Settlement Redemption)</b>	refers to the CNP Preference Securities Deed Poll (Exchange Property Settlement Redemption) dated 30 June 2010 executed by JPMorgan Australia ENF Nominees No. 1 Pty Limited (ACN 124 343 148) in its capacity as trustee of the JPMorgan Australia Exchangeable Note Funding Trust No. 1, CPT RE in its capacity as the responsible entity of the Centro Property Trust and Centro Properties Limited, and its schedules.

<b>Term</b>	<b>Meaning</b>
<b>CNP Preference Security Deed Poll (Convertible Bonds)</b>	refers to the deed poll granted on or about 6 June 2007 by CPL and CPT RE in favour of each person who is from time to time a Holder.
<b>CNP Securities</b>	a fully paid ordinary share in CPL and a fully paid ordinary unit in CPT.
<b>CNP Stapled Security</b>	a CNP Share which is stapled to a CNP Unit.
<b>CNP Securityholder</b>	a person who is registered as a holder of CNP Securities.
<b>CNP Securityholder Asset Sale Resolution</b>	an ordinary resolution to be put to CNP Securityholders to approve the sale of the CNP Assets under the CNP Asset Sale Agreements for the purposes of ASX Listing Rule 11.2.
<b>CNP Securityholder Debt Cancellation Resolution</b>	an ordinary resolution to be put to CNP Securityholders to approve the distribution of Centro Retail Australia Stapled Securities by the Scheme Companies to the Senior Lenders following Aggregation pursuant to the Senior Debt Schemes for the purposes of ASX Listing Rule 11.2.
<b>CNP Services Business</b>	the business of providing property management, leasing, development management and funds management services, currently carried on by the CNP.
<b>Common Depository</b>	refers to The Bank of New York Depository (Nominees) Limited as Common Depository for Euroclear and Clearstream banks.
<b>Common Terms Deed</b>	the common terms deed dated 15 January 2009 between CNP, the Senior Agent, JPMorgan Australia Limited and others.
<b>Conditions Precedent</b>	the conditions summarised in section 6.2 of this Explanatory Memorandum which must be satisfied or, if applicable, waived in order for Redemption to proceed.
<b>Conversion Notice</b>	means a notice given by Centro to the Holder under clause 7.1 of the Convertible Bond Terms.
<b>Convertible Bond</b>	a nominally paid, perpetual subordinated deferrable and non-cumulative bond constituted by the Convertible Bond Terms.

<b>Term</b>	<b>Meaning</b>
<b>Convertible Bond Terms</b>	the terms and conditions applicable to the Convertible Bonds as set out in Schedule 1 to the CNP Preference Security Deed Poll (Convertible Bonds) executed by CPT RE and CPL dated 6 June 2007, modified by the certificate set out in Schedule 2 to the CNP Preference Security Deed Poll (Exchange Property Settlement Redemption) executed by JPMorgan, CPT RE and CPL dated 30 June 2010.
<b>Convertible Bond Terms Amendment</b>	refers to the proposed amendment to the Convertible Bond Terms to provide for the mandatory redemption of the Convertible Bonds in consideration for the payment of a portion of the Junior Stakeholder Amount in accordance with the proposed clause 5.1 of the Amended Convertible Bond Terms.
<b>Convertible Bondholder or Holder</b>	means as applicable: <ol style="list-style-type: none"> <li>1 a person whose name is for the time being entered in the Register as a holder of Convertible Bonds; or</li> <li>2 Accountholders of Euroclear Bank and Clearstream Banking, who have entitlements to interests in respect of the Convertible Bonds.</li> </ol>
<b>Corporations Act</b>	refers to the <i>Corporations Act 2001</i> (Cth).
<b>Court</b>	the Supreme Court of New South Wales or such other court of competent jurisdiction agreed to in writing by the parties.
<b>CPL</b>	Centro Properties Limited ACN 078 590 682 registered in Victoria of Level 3 Corporate Offices, Centro The Glen, 235 Springvale Road, Glen Waverley Victoria 3150.
<b>CPT</b>	the registered managed investment scheme known as Centro Property Trust ARSN 091 043 793, registered in Victoria of Level 3, Corporate Offices, Centro The Glen, 235 Springvale Road, Glen Waverley Victoria 3150.
<b>CPT Asset Sale Agreement</b>	has the meaning given to that term in the Implementation Agreement.
<b>CPT RE</b>	CPT Manager Limited ACN 054 494 307 in its capacity as responsible entity of CPT.
<b>CRL</b>	Centro Retail Limited ACN 114 757 783.

<b>Term</b>	<b>Meaning</b>
<b>CRL Members Scheme</b>	the members scheme of arrangement between CRL and its members in a form required to implement Aggregation in accordance with the Implementation Agreement.
<b>CRL Shareholders</b>	a person registered as a holder of a CER Share.
<b>CRT</b>	Centro Retail Trust ARSN 104 931 928.
<b>CRT RE Replacement</b>	the removal of Centro MCS Manager, and appointment of Centro Retail Australia RE, as responsible entity of CRT.
<b>Creditors Schemes</b>	<ol style="list-style-type: none"> <li>1 the Senior Debt Schemes; and</li> <li>2 the Hybrid Debt Schemes.</li> </ol>
<b>CSIF</b>	Centro MCS Syndicate Investment Fund ARSN 124 855 465.
<b>CSIF Holder Syndicates</b>	Centro MCS Manager Limited (ABN 69 051 908 984) in its capacity as responsible entity for Centro MCS 4 ARSN 095 743 767, Centro MCS Manager Limited (ABN 69 051 908 984) as responsible entity for Centro MCS 14 ARSN 095 502 622, CPT Manager Limited (ABN 37 054 494 307) as responsible entity for Centro MCS 25 ARSN 097 223 259.
<b>CSIF Syndicate Interests</b>	the A Class units in Centro MCS Syndicate Investment Fund ARSN 124 855 465 held by Centro MCS Manager Limited (ABN 69 051 908 984) in its capacity as responsible entity for Centro MCS 4 ARSN 095 743 767, Centro MCS Manager Limited (ABN 69 051 908 984) as responsible entity for Centro MCS 14 ARSN 095 502 622, CPT Manager Limited (ABN 37 054 394 307) as responsible entity for Centro MCS 25 ARSN 097 223 259.
<b>Debt Cancellation</b>	the cancellation of monies actually or contingently payable by CNP and the Guarantors to the Senior Lenders in respect of the Senior Debt, in accordance with the Senior Debt Schemes.
<b>Distribution and Capital Stopper</b>	has the meaning given to that term in section 10(b) of the Convertible Bond Terms.
<b>DPF</b>	Centro Direct Property Fund ARSN 099 728 971.

<b>Term</b>	<b>Meaning</b>
<b>DPF Holding Trust</b>	the unit trust known as the “Centro DPF Holding Trust”.
<b>DPF Holding Trust Aggregation Resolutions</b>	has the meaning given to that term in the Implementation Agreement.
<b>DPF Holding Trust RE</b>	Centro MCS Manager. References to DPF Holding Trust RE being to that entity in its capacity as responsible entity of DPF Holding Trust.
<b>DPF Holding Trust Unit</b>	a fully paid ordinary unit in DPF Holding Trust.
<b>DPF Holding Trust Unitholder</b>	a person who is registered as a holder of DPF Holding Trust Unit.
<b>DPF RE</b>	Centro MCS Manager Limited in its capacity as responsible entity of DPF.
<b>Effective</b>	when used in relation to a Scheme, the coming into effect, under section 411(10) of the Corporations Act, of the order of the Court made under section 411(4)(b) in relation to the Scheme.
<b>Escrow Account</b>	has the meaning given to that term in the Escrow Deed.
<b>Escrow Deed</b>	the escrow deed dated 8 August 2011 between CNP, the Senior Agent and the Escrow Agent as amended from time to time.
<b>Euroclear</b>	refers to Euroclear Bank S.A./N.V.
<b>Exchangeable Notes</b>	refers to the exchangeable notes issued by JPMorgan in accordance with the CNP Preference Security Deed Poll (Convertible Bonds).
<b>Explanatory Memoranda</b>	refers to the information booklets to be despatched to the Securityholders and, in the case of CNP, the Scheme Creditors, including the notices of the relevant meetings of the recipients of the booklets and proxy forms.
<b>Explanatory Memorandum</b>	refers to this document and its appendices.

<b>Term</b>	<b>Meaning</b>
<b>Extraordinary Resolution</b>	refers to a resolution passed at a meeting by at least 75% of the votes cast by Holders eligible to vote on the resolution.
<b>Final Maturity Amount</b>	has the meaning given to that term in the Convertible Bond Terms.
<b>FIRB</b>	refers to the Foreign Investment Review Board.
<b>Global Certificate</b>	refers to the certificate in global form, dated 30 June 2010 which is set out in schedule 2 of the CNP Preference Security Deed Poll (Exchange Property Settlement Redemption).
<b>Government Agency</b>	means any governmental, semi-governmental, administrative, fiscal, judicial or quasi-judicial body, department, commission, authority, tribunal, agency or entity.
<b>Guarantor</b>	has the meaning given to that term in the Common Terms Deed.
<b>Holder or Convertible Bondholder</b>	means as applicable: <ol style="list-style-type: none"> <li>1 a person whose name is for the time being entered in the Register as a holder of Convertible Bonds; or</li> <li>2 Accountholders of Euroclear Bank and Clearstream Banking, who have entitlements to interests in respect of the Convertible Bonds</li> </ol>
<b>Hybrid Bondholder</b>	refers to a 'Bondholder' as that term is defined in the Common Terms Deed.
<b>Hybrid Debt or Hybrid Securities</b>	the hybrid debt the subject of the Hybrid Debt Schemes.
<b>Hybrid Debt Schemes</b>	the creditors schemes of arrangement under Part 5.1 of the Corporations Act between: <ol style="list-style-type: none"> <li>1 CPT RE and the Hybrid Lenders; and</li> <li>2 CPL and the Hybrid Lenders.</li> </ol>
<b>Hybrid Lenders</b>	has the meaning given to that term in the Hybrid Debt Schemes.

<b>Term</b>	<b>Meaning</b>
<b>Hybrid Securities or Hybrid Debt</b>	the hybrid debt the subject of the Hybrid Debt Schemes.
<b>Implementation Agreement</b>	the implementation agreement between CPL, CPT Manager, CRL, CRT, CAWF, DPF, the CSIF Holder Syndicates and the Signing Senior Lenders dated 8 August 2011.
<b>Independent Expert</b>	Grant Samuel & Associates Pty Limited.
<b>Independent Expert's Reports</b>	refers to the reports issued by the Independent Expert.
<b>Interest Amount</b>	has the meaning given to that term in the Convertible Bond Terms.
<b>ISIN</b>	international securities identification number.
<b>Issuer</b>	each of CPT RE and CPL acting jointly, unless otherwise expressly specified.
<b>JPMorgan</b>	JPMorgan Australia ENF Nominees No. 1 Pty Limited ABN 124 343 148 as trustee of the JPMorgan Australia Exchangeable Note Funding Trust No 1.
<b>Junior Stakeholder Amount</b>	the sum of A\$100 million which certain CNP senior lenders have agreed is available to CNP Junior Stakeholders, as determined by the CNP Board of directors, and subject to certain conditions.
<b>Liability</b>	means all costs (including any Tax), charges, losses, damages, expenses, liabilities of any kind, legal costs incurred in defending any proceeding or appearing before any court, tribunal, Government Agency or other body.
<b>Meeting of Holders</b>	refers to as applicable: <ol style="list-style-type: none"> <li>1 the meeting held on 22 November 2011 at Melbourne Exhibition Centre, 2 Clarendon Street, Southbank, Victoria commencing at 2:00pm; or</li> <li>2 if that meeting is adjourned, the date, time and place the Chairman appoints to be the adjourned meeting, to be held in accordance with section 10.2 of this Explanatory Memorandum.</li> </ol>

<b>Term</b>	<b>Meaning</b>
<b>Missed Redemption Event</b>	has the meaning given to that term in section 5.1 of the Convertible Bond Terms.
<b>New Centro Fund</b>	the new listed stapled group formed as a result of the Aggregation, comprising CER, CAWF and DPF Holding Trust.
<b>New Centro Fund Litigation Securities</b>	has the meaning given to it in the Implementation Agreement.
<b>Nominee</b>	the broker, dealer, bank, custodian, trust company or other entity registered with Euroclear or Clearstream as representing those Accountholders with a beneficial interest in the Convertible Bonds.
<b>Note Trust Deed</b>	means the note trust deed dated on or about 6 June 2007 between the Notes Issuer and The Bank of New York in its capacities as note trustee and security trustee.
<b>Notes</b>	refers to the US\$500,000,000 3.50% Fixed Rate Secured Exchangeable Notes due 2010 constituted by the Note Trust Deed.
<b>Notes Issuer</b>	refers to JPMorgan.
<b>Notice of Meeting of Holders</b>	refers to the Notice of Meetings of Holders contained in Appendix 1 of this Explanatory Memorandum.
<b>Paying Agency Agreement</b>	refers to the agreement made on 30 June 2010 between between CNP and The Bank of New York Mellon.
<b>Payment Business Day</b>	means any day (other than Saturday or Sunday) on which banks and foreign exchange markets are open for business in Sydney, New York and London.
<b>Preference Security</b>	has the meaning given to that term in the Convertible Bond Terms.
<b>Prescribed Occurrence</b>	has the meaning given to that term in the Implementation Agreement.

<b>Term</b>	<b>Meaning</b>
<b>Principal Amount</b>	has the meaning given to that term in the Convertible Bond Terms.
<b>Principal Paying Agent</b>	refers to The Bank of New York Mellon as principal paying agent for the Convertible Bonds.
<b>Proposal</b>	the CNP restructure announced on 9 August 2011, including the proposed aggregation of the Australian assets and interests held by CNP, CER and certain Centro managed funds and the cancellation of all of the Senior Debt in return for substantially all of CNP's assets following Aggregation and that \$100 million will be made available to CNP Junior Stakeholders.
<b>Proxy Form</b>	the form used by Holders to appoint a proxy to vote on their behalf at a Meeting of Holders in the form set out in Appendix 2 of this Explanatory Memorandum.
<b>Redemption</b>	has the meaning given to that term in section 1.1 of this Explanatory Memorandum.
<b>Redemption Amount</b>	the sum of A\$21,074,918 of the Junior Stakeholder Amount, which the Board of Centro has determined will be made available to Convertible Bondholders.
<b>Redemption Date</b>	the date specified in the Redemption Notice as the date on which the Redemption is to take place, being no later than 40 Payment Business Days after the Junior Stakeholder Amount is received by CNP.
<b>Redemption Event</b>	has the meaning given to that term in section 4.2 of this Explanatory Memorandum.
<b>Redemption Notice</b>	means a notice given by Centro to the Holder under clause 5 of the Convertible Bond Terms.
<b>Register</b>	a register or registers, including any branch register, of holders of Convertible Bonds established and maintained by or on behalf of Centro in accordance with the Corporations Act in which is entered the names and addresses of holders whose Convertible Bonds are carried on that register.
<b>Registered Holder</b>	refers to The Bank of New York as common depositary for Euroclear and Clearstream.

<b>Term</b>	<b>Meaning</b>
<b>Relevant Documents</b>	<p>refers to</p> <ol style="list-style-type: none"> <li>1 the CNP Preference Security Deed Poll (Convertible Bonds);</li> <li>2 the CNP Preference Securities Deed Poll (Exchange Property Settlement Redemption);</li> <li>3 the Subscription Agreement;</li> <li>4 the Convertible Bond Terms;</li> <li>5 the Global Certificate; and</li> <li>6 any other document in connection with the Convertible Bonds and the Exchangeable Notes.</li> </ol>
<b>Relevant Person</b>	means each person who is a director, officer or employee of Centro.
<b>Resolution</b>	has the meaning given to that term in section 10.1 of this Explanatory Memorandum.
<b>Respective Proportion</b>	refers to a Holder's pro rata share of the Accreted Principal of all Convertible Bonds which have not otherwise been redeemed or converted in accordance with these Terms, being the Accreted Principal of the Convertible Bonds held by a Holder divided by the total Accreted Principal of all Convertible Bonds which have not otherwise been redeemed or converted in accordance with these Terms.
<b>Scheme Companies</b>	CPL and CPT RE.
<b>Scheme Creditors</b>	<ol style="list-style-type: none"> <li>1 in relation to the Senior Debt Schemes, the Senior Lenders; and</li> <li>2 in relation to the Hybrid Debt Schemes, the Hybrid Lenders.</li> </ol>
<b>Schemes</b>	one or more of the Creditors Schemes and the CRL Members Scheme.
<b>Second Court Date</b>	the first day on which an application made to the Court for orders under section 411(4)(b) of the Corporations Act approving the Schemes is heard or, if such orders are not made on that date, such later date when the Court makes such orders.

<b>Term</b>	<b>Meaning</b>
<b>Securityholders</b>	<ol style="list-style-type: none"> <li>1 the CNP Securityholders;</li> <li>2 the CER Securityholders;</li> <li>3 the DPF Unitholders;</li> <li>4 the DPF Holding Trust Unitholders; and</li> <li>5 the CAWF Unitholders,</li> </ol> as relevant.
<b>Senior Debt</b>	has the meaning given to the term "Scheme Debt" in the Senior Debt Schemes.
<b>Senior Debt Schemes</b>	<p>the creditors schemes of arrangement under Part 5.1 of the Corporations Act between:</p> <ol style="list-style-type: none"> <li>1 CPT RE, the Senior Lenders; and</li> <li>2 CPL, the Senior Lenders.</li> </ol>
<b>Senior Lenders</b>	has the meaning given to that term in the Senior Debt Scheme.
<b>Signing Senior Lenders</b>	the Senior Lenders who have delivered signature pages to the Implementation Agreement on or before the date of the Implementation Agreement, together with their permissible successors and assigns in accordance with clause 26.9 of the Implementation Agreement.
<b>Special Quorum</b>	any one or more Holders present in person or by proxy to alone or together hold Bonds representing at least 75% of the outstanding Principal Amount of the Bonds.
<b>Stapled Security</b>	refers to the fully paid ordinary stapled securities of CNP listed on ASX, each comprising one ordinary unit in CPT and one ordinary share in CPT RE.
<b>Syndicates</b>	has the meaning given to that term in the Implementation Agreement.
<b>Tax</b>	includes any tax, levy, impost, deduction, charge, rate, duty, compulsory loan or withholding which is levied or imposed by a Government Agency, and any related interest, penalty, charge, fee or other amount.

<b>Term</b>	<b>Meaning</b>
<b>The Bank of New York</b>	refers to The Bank of New York Depository (Nominees) Limited as common depository for Euroclear and Clearstream banks.
<b>The Bank of New York Mellon</b>	as Principal Paying Agent for the Convertible Bonds.
<b>Transaction</b>	the Creditors Schemes and the Aggregation
<b>Underlying CNP Securities</b>	has the meaning given to it in section 5.1 of this Explanatory Memorandum.
<b>Underlying Securities Event</b>	has the meaning given to it in section 5.1 of this Explanatory Memorandum.
<b>Unpaid Amounts</b>	has the meaning given in the Convertible Bond Terms.
<b>Voting Instruction</b>	an electronic instruction conveyed by the Accountholder or Nominee to Euroclear or Clearstream (whichever may be applicable) and on to the Registered Holder, in accordance with the respective procedures of Euroclear or Clearstream.

## Appendices

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## Notice of Meeting of Holders

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The Bank of New York Depository (Nominees) Limited, as Common Depository for Euroclear Bank S.A./N.V. (Euroclear) and Clearstream Banking, societe anonyme (Clearstream) in respect of Convertible Bonds ISIN XSO516149761.

Notice is hereby given that a Meeting of Holders will be held at Melbourne Exhibition Centre, 2 Clarendon Street, Southbank, Victoria on 22 November 2011, commencing at 2:00pm (Melbourne time).

### Purpose of the Meeting of Holders

The purpose of the Meeting of Holders is for Holders to consider and if thought fit, vote in favour of the Resolution which proposes that:

*“the Convertible Bond Terms be amended in the manner set out in Appendix 3 to the Explanatory Memorandum, submitted to this Meeting of Holders and signed by the Chairperson for identification.”*

### Chairperson

Centro must nominate itself or another person in writing to chair the Meeting of Holders. The Chairperson of the Meeting of Holders may, but need not, be a Holder.

### Holder to Vote on behalf of Accountholders

The Registered Holder must attend and vote at the Meeting of Holders on the basis of electronic Voting Instructions provided directly by Accountholders or indirectly by their broker, dealer, bank, custodian, trust company or other nominee (Nominee) to Euroclear or Clearstream (whichever may be applicable) and on to the Registered Holder.

Accountholders must ensure that they provide their Voting Instructions in sufficient time to Euroclear or Clearstream and on to the Registered Holder to ensure that their instructions are received by the Chairperson by no later than 11:59pm on 18 November 2011 (London time) / 10:59am on 19 November 2011 (Melbourne time).

Accountholders should consider how they wish to instruct the Registered Holder to vote. That is, whether they wish the Registered Holder to vote ‘for’ or ‘against’, or ‘abstain’ from voting in respect of that Accountholder’s interest in Convertible Bonds. As a matter of policy, the Registered Holder will exercise no discretion in interpreting a vote which is not clear to the Registered Holder.

### Voting

If you are a Registered Holder entitled to vote at the Meeting of Holders, you may vote by:

- attending and voting in person; or
- appointing a proxy to attend and vote on your behalf.

### Voting in person

The Resolution will be put to a vote at the Meeting of Holders and will be decided by a poll.

A poll may be demanded by the Chairperson, Centro or one or more persons who alone or together hold at least 2% of the Principal amount of the outstanding Convertible Bonds.

Each Holder present has one vote in respect of each Principal Amount equal to the denomination of the Convertible Bond registered in that Holder's name.

If there is an equality of votes either on a poll, the Chairperson of the Meeting of Holders has a casting vote in addition to any votes which the Chairperson is entitled as a Holder or proxy.

### **Voting by proxy**

The Registered Holder may be present and vote at the Meeting of Holders in person and may also be represented by proxy.

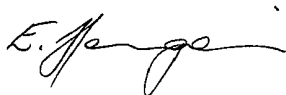
The Registered Holder must lodge a Proxy Form, completed in accordance with the instructions on the proxy form, with the Chairperson so that it is received by the Chairperson by no later than 11:59pm on 18 November 2011 (London time) / 10:59am on 19 November 2011 (Melbourne time).

The Registered Holder may lodge any number of Proxy Forms provided that each Proxy Form relates to different Convertible Bonds registered in the name of the Registered Holder.

If you have any questions in relation to the Meeting of Holders or the proposed variation to the Convertible Bond Terms, please contact Adam Soffer, Centro Fund Manager and Executive Management Support, Centro Properties Group on +61 3 8847 0932, [adam.soffer@centro.com.au](mailto:adam.soffer@centro.com.au) or Corporate Offices, 3rd Floor, Centro The Glen, 235 Springvale Rd, Glen Waverley VIC 3150, or alternatively consult with an investment or other professional adviser.

Dated 21 October 2011

Sign here



\_\_\_\_\_  
Company Secretary

print name Elizabeth Hourigan

## Proxy Form

The Bank of New York Depository (Nominees) Limited of the address \_\_\_\_\_ being entitled to attend and vote at the Meeting of Holders to be held on 22 November 2011 on behalf of the Nominees for which I/we\* have received Voting Instructions, appoint \_\_\_\_\_ of the address \_\_\_\_\_ (or, in their absence, or if no person is named, the chair of the Meeting of Holders) as my/our\* proxy to vote for me/us on my/our\* behalf at the Meeting of Holders and at any adjournment of the meeting and to demand a poll.

\* Delete whichever does not apply.

Number of votes in respect of which this Proxy Form relates \_\_\_\_\_

\*Note: the Registered Holder present at the Meeting of Holders has one vote in respect of each Convertible Bond registered in that person's name (each vote representing the principal amount of one Convertible Bond).

If you wish to instruct your proxy how to vote, please tick or otherwise mark the appropriate box opposite each item. Unless instructed to the contrary, proxies in favour of the chair will be used in support of the specific matters set out in the Notice of Meeting.

	For	Against	Abstain
Resolution that:	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
"the Convertible Bond Terms be amended in the manner set out in Appendix 3 to the Explanatory Memorandum submitted to the Meeting of Holders and signed by the Chairperson for identification."			

### PLEASE SIGN HERE

Sign here ► \_\_\_\_\_

Date \_\_\_\_\_

## Notes

- 1 A Registered Holder entitled to attend and vote is entitled to appoint a proxy to attend and vote at the Meeting of Holders.
- 2 The Registered Holder may lodge any number of Proxy Forms provided that each proxy form relates to different Convertible Bonds registered in the name of the Registered Holder.
- 3 Any instrument appointing a proxy in which the name of the appointee is not filled is regarded as given in favour of the chair of the Meeting of Holders.
- 4 If you mark abstain, you are directing your proxy not to vote on the resolution.
- 5 A proxy need not be a Holder and may be an attorney, officer, employee, contractor, agent, representative of or otherwise connected with Centro.
- 6 The Registered Holder present at the Meeting of Holders has one vote in respect of each Bond of which are registered in that person's name.
- 7 Proxy Forms must be signed by the Registered Holder or the Registered Holder's attorney or, if the Holder is a corporation, must be under its common seal, or if it does not have one, by 2 directors or by a director and a secretary, or if it is a proprietary company that has a sole director who is also the sole secretary (or has no secretary), by that director, or under hand of its attorney or duly authorised officer. If the proxy form is signed by a person who is not the Holder, then the relevant authority must be enclosed with the proxy form.

The Proxy Form and authority (if any) under which it is signed must be lodged with the Chairperson by 11:59pm on 18 November 2011 (London time) / 10:59am on 19 November 2011 (Melbourne time). Unless this is done the proxy will not be treated as valid. The form may be lodged:

- by post:  
Elizabeth Hourigan  
Company Secretary – CNP  
Centro The Glen  
235 Springvale Road  
Glen Waverley Victoria 3150
- by fax on 03 9886 1234 (within Australia) or +613 9886 1234 (outside Australia)

### Amended Convertible Bond Terms

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# Terms of CNP Convertible Bonds

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These Terms set out the general terms and conditions of the nominally paid, perpetual, subordinated, deferrable and non-cumulative bonds (**Convertible Bonds**) initially issued by Centro Properties Limited and CPT Manager Limited (as responsible entity of Centro Properties Trust) to JPMorgan Australian ENF Nominees No. 1 Pty Limited (ACN 124 343 148) in its capacity as trustee of the JPMorgan Australian Exchangeable Note Funding Trust No. 1 in accordance with the CNP Preference Security Deed Poll.

## 1 Interpretation

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### 1.1 Definitions

In these Terms, the following words and expressions have the meanings indicated unless the context otherwise requires:

**Acceleration Event** means, following the occurrence of an Event of Default (as defined in the Note Conditions), the Notes becoming due and payable in accordance with Note Condition 10.

**Accreted Principal** has the meaning given in clause 2.1(c).

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

**Authorised Person** is defined in clause 6.1.

**Business Day** has the meaning given in the Note Conditions.

**CHESS** has the meaning given in the Note Conditions.

**CML** means CPT Manager Limited ACN 054 494 307, as responsible entity of CPT.

**Claim** means any allegation, debt, cause of action, Liability, assessment, claim, proceeding, suit or demand of any nature however arising and whether present or future, fixed or unascertained, actual or contingent whether at law, in equity, under statute or otherwise.

**CNP** means Centro Properties Group, the stapled group comprising CPL and CPT.

**CNP Funding Trust Preference Units** has the meaning given in the Note Conditions.

**CNP Option** means an option to subscribe for Stapled Securities (or, if the Stapled Securities are destapled, then ordinary units in CPT and ordinary shares in CPL) on the terms set out in the CNP Option Terms, granted pursuant to the CNP Option Deed.

**CNP Option Deed** means the deed dated on or about 6 June 2007 between the Issuer and JPMorgan Australian ENF Nominees No. 1 Pty Limited (ACN 124 343 148) in its capacity as trustee of the JPMorgan Australian Exchangeable Note Funding Trust No. 1.

**CNP Option Terms** means the terms and conditions of the CNP Options contained in Schedule 1 of the CNP Option Deed.

**CNP Preference Security Deed Poll** means the deed poll granted on or about 6 June 2007 by CPL and CML in favour of each person who is from time to time a Holder.

**CNP Preference Securities Subscription Agreement** means the agreement dated on or about 6 June 2007 between the Notes Issuer, CML (as responsible entity for CPT) and CPL, among others, in relation to the subscription by the Notes Issuer for the Convertible Bonds.

**Constitution** means (i) the constitution of CPL; and (ii) the constitution of CPT made on 20 January 1984 between James Aloysius Harris and Micram Pty Limited as amended by

supplemental deeds dated 10 July 1997, 10 July 1997, 22 December 1999 and 3 May 2000 and replaced by the constitution lodged with the Australian Securities and Investments Commission ("**ASIC**") on 25 May 2000 which was subsequently amended by each of the supplemental deeds lodged with the ASIC on 23 September 2002, 4 July 2003, 1 June 2004, 17 September 2004, 4 July 2005, 4 November 2005 and 16 May 2006, both as further amended and supplemented from time to time.

**Conversion** means the taking effect of the rights of a Convertible Bond under clause 7.2(a), and **Convert** has a corresponding meaning.

**Conversion Date** has the meaning given in clause 7.1(a).

**Conversion Notice** means a notice given by the Issuer to the Holder under clause 7.1.

**Convertible Bond Default** means an event of default under the Terms of Issue or any other event which entitles the Holder to require or demand payment, repayment or prepayment of the Convertible Bonds (other than payments to be made in the ordinary course).

**Convertible Bond Obligations** means all debts and monetary liabilities of the Issuer to the Holder under or in relation to the Convertible Bonds and in any capacity, irrespective of whether the debts or liabilities:

- (a) are present or future;
- (b) are actual, prospective, contingent or otherwise;
- (c) are at any time ascertained or unascertained;
- (d) are owed or incurred by or on account of the Issuer alone, or severally or jointly with any other person;
- (e) are owed or incurred to or for the account of the Holder alone, or severally or jointly with any other person;
- (f) are owed or incurred as principal, interest, fees, charges, taxes, duties or other imposts, damages (whether for breach of contract or tort or incurred on any other ground), losses, costs, or expenses, or on any other account; or
- (g) comprise any combination of the above,

provided that the obligations by the Issuer to the Holder under the other Transaction Documents are not Convertible Debt Obligations notwithstanding the fact that such obligations may arise in relation to the Convertible Bonds.

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

**CPL** means Centro Properties Limited ACN 078 590 682.

**CPT** means the registered managed investment scheme known as Centro Property Trust ARSN 091 043 793.

**CPT Creditors** means all creditors of the Issuer (excluding the Holder(s) in their capacity as holder(s) of Convertible Bonds).

**CPT Debt** means all debts and monetary liabilities of the Issuer to the CPT Creditors on any account and in any capacity irrespective of whether the debts and liabilities:

- (a) are present or future;
- (b) are actual, prospective, contingent or otherwise;
- (c) are at any time ascertained or unascertained;
- (d) are owed or incurred by or on account of the Issuer alone or severally or jointly with any other person;

- (e) are owed or incurred to or for the account of the Holder above, or severally or jointly with any other person;
- (f) are owed or incurred as principal, interest, fees, charges, taxes, duties or other imposts, damages (whether for breach of contract or tort or incurred on any other ground), losses, costs, or expenses, or any other account; or
- (g) comprise any combination of the above.

**CPT Default** means an event of default by the Issuer under any document which CPT Debt is provided.

**Distributable Amount** has the meaning given in clause 12.3 of the Constitution.

**Distribution Amount** means, in respect of a Distribution Period for each Convertible Bond, the Reinvestment Amount plus the Interest Amount.

**Distribution Payment Date** means:

- (a) before a Missed Redemption Event or Missed Exchange Event, the Payment Business Day prior to an Interest Payment Date determined under the Note Conditions (as adjusted in accordance with Note Condition 5(a));
- (b) after a Missed Redemption Event or Missed Exchange Event, the date that would have been the Payment Business Day prior to an Interest Payment Date determined under the Note Conditions (as adjusted in accordance with Note Condition 5(a)) if the Notes had still been outstanding.

**Distribution Period** means:

- (a) the period commencing on (and including) the Issue Date and ending on (and including) 30 June 2007;
- (b) in each half year in which a Reset, Exchange or Redemption occurs, each of:
  - (1) the period commencing on 1 January or 1 July (as the case may be) and ending on (and including) the Reset Date, Exchange Date or Redemption Date (as the case may be); and
  - (2) the period commencing on the date after (and including) the Reset Date or Exchange Date (as applicable) and ending on (and including) the relevant 30 June or 31 December (as the case may be); and
- (c) otherwise, each successive six month period commencing on (and including) 1 January and 1 July in each year and ending on (and including) 30 June and 31 December in the same year.

**Distribution Rate** is 5.55% per annum, subject to any change pursuant to any Reset Process in accordance with clause 4.

**Exchange** means the exchange of Convertible Bonds in accordance with these Terms.

**Exchange Date** means the Initial Reset Date.

**Exchange Property** has the meaning given in the Note Conditions.

**Final Maturity Amount** means the amount payable by the Notes Issuer (or the amount that would have been payable by the Notes Issuer if the Notes were outstanding) on redemption of a Note on the Final Maturity Date, as more fully defined in Condition 7(a)(i) of the Note Conditions.

**Final Maturity Date** means 30 June 2010.

**Fully Paid** the full satisfaction of the Subscription Price in accordance with clause 2.3(c)(2).

**Funding Trust Distribution Payment Date** has the same meaning as “Distribution Payment Date” in the terms of the CNP Funding Trust Preference Units.

**Government Agency** means any governmental, semi-governmental, administrative, fiscal, judicial or quasi-judicial body, department, commission, authority, tribunal, agency or entity.

**Holder** means a person whose name is for the time being entered in the Register as a holder of Convertible Bonds.

**Holder Redemption Notice** means a notice given by the Holder under clause ~~5.3~~5.4.

**Independent Financial Adviser** means a reputable investment bank operating in Australia or an investment bank of international repute, in any such case, appointed by the Issuer and approved by the Notes Issuer (if it is the Holder at the relevant time).

**Initial Reset Date** means the Payment Business Day prior to the date on which the redemption payment is to be made on the Notes (or would have been made on the Notes if the Notes were outstanding) in respect of the Final Maturity Date in accordance with Note Condition 7(a).

**Interest Amount** has the meaning given in clause 3.3.

**Issue Date** means the Closing Date as defined in the Note Subscription Agreement.

**Issuer** means the stapled group comprising Centro Properties Limited ACN 078 590 682 and CPT Manager Limited ACN 054 494 307 (as responsible entity of Centro Properties Trust ARSN 091 043 793). All references to the ‘Issuer’ or ‘CNP’ shall be read as references to each of CML and CPL acting jointly, unless otherwise expressly specified.

**Junior Stakeholder Amount** means the sum of A\$100 million which certain CNP senior lenders have agreed is available to junior stakeholders, as determined by the CNP board of directors, and subject to certain conditions.

**Liability** means all costs (including any Tax), charges, losses, damages, expenses, liabilities of any kind, legal costs incurred in defending any proceeding or appearing before any court, tribunal, Government Agency or other body.

**Missed Exchange Event** has the meaning given in the Note Conditions.

**Missed Redemption Event** has the meaning given in the Note Conditions.

**No Securities Election** has the meaning given in clause ~~5.1(f)~~5.2(f).

**Note Conditions** means the terms and conditions of the Notes as set out in schedule 4 of the Note Trust Deed.

**Note Subscription Agreement** means the subscription agreement in respect of the Notes entered into by the Notes Issuer, CPL and CML, among others, dated 9 May 2007.

**Note Trust Deed** means the note trust deed dated on or about 6 June 2007 between the Notes Issuer and The Bank of New York in its capacities as note trustee and security trustee.

**Noteholder** has the meaning given in the Note Conditions.

**Notes** means the US\$500,000,000 3.50% Fixed Rate Secured Exchangeable Notes due 2010 constituted by the Note Trust Deed.

**Notes Issuer** means JPMorgan Australia ENF Nominees No. 1 Pty Limited (ACN 124 343 148) in its capacity as trustee of the JPMorgan Australia Exchangeable Note Funding Trust No. 1.

**Payment Business Day** has the meaning given in the Note Conditions.

**Preference Security** means a preferred stapled security, which may be issued by CNP, comprising one preference share in CPL and one preference unit in CPT, having the terms scheduled to the CNP Preference Securities Subscription Agreement.

**Preference Unit Transfer Date** means the date on which all CNP Preference Units are transferred in accordance with clause 2.3(b).

**Principal Amount** means an amount equal to the Subscription Price.

**Redemption** means the redemption of a Convertible Bond in accordance with clauses 5 and 6, and **Redeem** has a corresponding meaning.

**Redemption Amount** means A\$21,074,918 million.

**Redemption Date** means

- (a) in the case of a Redemption under clause 5.1, the date specified in the Redemption Notice as the date on which the Redemption is to take place, being no later than 40 Payment Business Days after the Junior Stakeholder Amount is received by CNP.
- (b) ~~(a)~~ in the case of Redemption under clause ~~5.1~~5.2, the Initial Reset Date;
- ~~(a)~~
- (c) ~~(b)~~ in the case of Redemption under clauses ~~5.2~~5.3 the date specified in the Redemption Notice; ~~and~~
- (d) ~~(e)~~ in the case of a Redemption under clause ~~5.3~~5.4 or ~~5.4~~5.5, the date specified in the Redemption Notice or Holder Redemption Notice (as the case may be), as the date on which the Redemption is to take place, being no later than one Payment Business Day before the due date for exchange or redemption of the relevant Notes giving rise to the Redemption.

**Redemption Notice** means a notice given by the Issuer to the Holder under clause 5.

**Register** means a register or registers, including any branch register, of holders of Convertible Bonds established and maintained by or on behalf of the Issuer in accordance with the Corporations Act in which is entered the names and addresses of holders whose Convertible Bonds are carried on that register.

**Reinvestment Amount** means, in respect of a Distribution Period for each Convertible Bond, the US dollar amount calculated in accordance with the following formula:

$$RA = A \times (1 + R/2)^{d/p} - C$$

where:

**RA** is the Reinvestment Amount;

**A** is the Accreted Principal as at the immediately preceding Distribution Payment Date (or, in respect of the first Distribution Period, the Subscription Price);

**R** is 5.55% expressed as a decimal;

**d** is the number of days in the relevant Distribution Period, determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed;

**p** is 180; and

**C** is the Interest Amount in respect of the relevant Distribution Period.

**Relevant Documents** means:

- (a) the CNP Preference Securities Deed Poll (Exchange Property Settlement Redemption) dated 30 June 2010 executed by JPMorgan Australia ENF Nominees No. 1 Pty Limited (ACN 124 343 148) in its capacity as trustee of the JPMorgan Australia Exchangeable Note Funding Trust No. 1, CPT Manager

Limited in its capacity as the responsible entity of the Centro Property Trust and Centro Properties Limited, and its schedules;

(b) the CNP Preference Securities Deed Poll (Convertible Bonds) dated 6 June 2007 executed by CPT Manager Limited in its capacity as the responsible entity of the Centro Property Trust and Centro Properties Limited, and its schedules;

(c) the Subscription Agreement dated 6 June 2007 executed by JP Morgan Australia ENF Nominees No.1 Pty Ltd, Centro Properties Limited, CPT Manager Limited in its capacity as responsible entity of the Centro Property Trust and J.P. Morgan Securities Ltd.

(d) these Terms;

(e) the certificate in global form which is set out in schedule 2 of the CNP Preference Securities Deed Poll (Exchange Property Settlement Redemption);

(f) any other document in connection with the Convertible Bonds and the Notes.

**Relevant Person** means each person who is a director, officer or employee of the Issuer.

**Relevant Tax Jurisdiction** means any country, or political sub-division of one or more countries, or any federation or association of countries:

- (a) in which the Issuer is either incorporated or is resident or domiciled for any tax purpose; or
- (b) from which, or through which, any payment in relation to a Convertible Bond is made.

**Reset Date** means the Initial Reset Date and any subsequent date named as a Reset Date by the Issuer.

**Reset Notice** means a notice in writing from the Issuer which satisfies the requirements of clause 4.2.

**Reset Process** has the meaning given in clause 4.1.

**Respective Proportion** means a Holder's pro rata share of the Accreted Principal of all Convertible Bonds which have not otherwise been redeemed or converted in accordance with these Terms, being the Accreted Principal of the Convertible Bonds held by a Holder divided by the total Accreted Principal of all Convertible Bonds which have not otherwise been redeemed or converted in accordance with these Terms.

**Security Trustee** means The Bank of New York and all persons for the time being appointed as the security trustee under the Security Trust Deed as security trustee for the Noteholders.

**Security Trust Deed** means the security trust deed dated on or about 5 June 2007 entered into between the Notes Issuer and The Bank of New York.

**Settlement Calculation Date** has the meaning given in the Note Conditions.

**Staple, Stapled or Stapling** means, in relation to an ordinary unit in CPT and an ordinary share in CPL, being linked together so that one cannot be dealt with without the other.

**Stapled Securities** means the fully paid ordinary stapled securities of CNP listed on ASX, each comprising one ordinary unit in CPT and one ordinary share in CML.

**Subscription Price** means, for each Convertible Bond, an amount equal to the Accreted Face Value of a CNP Funding Trust Preference Unit calculated as at the Distribution Payment Date immediately preceding an Underlying Securities Event, payable only in accordance with clause 2.3.

**Tax** means includes any tax, levy, impost, deduction, charge, rate, duty, compulsory loan or withholding which is levied or imposed by a Government Agency, and any related interest, penalty, charge, fee or other amount.

**Taxes** means actual or anticipated taxes, duties, deductions and charges of any kind imposed by a government, including goods and services tax (GST) or any amount included either expressly or impliedly in an amount paid or payable by the Issuer on account of GST together with interest and penalties.

**Terms or Terms of Issue** means these terms and conditions.

**Transaction Documents** has the meaning given in the Note Conditions.

**Transfer Preference Units** has the meaning given in clause 2.3(b).

**Underlying Securities Event** has the meaning given the Note Conditions.

**Unpaid Amounts** means an amount (expressed in US dollars) equal to:

$$A + B + C + D - E$$

where

**A** means any outstanding “Unpaid Amounts” as defined in the Note Conditions;

**B** means, to the extent not included in A above, any amount of accrued but unpaid interest which is due and payable in respect of the redemption of a Note in accordance with the Note Conditions (and the extinguishment of all claims in respect of that Note in accordance with Note Condition 6(m) or 7(e), as applicable);

**C** means, to the extent not included in A or B above, any amount of accrued but unpaid interest which was due and payable in respect of a Note in accordance with the Note Conditions immediately prior to the redemption of the Note (even if it has been extinguished in accordance with Note Condition 6(m) or 7(e), as applicable); and

**D** means, to the extent not included in A, B or C above, any Interest Amount previously scheduled to be paid under these Terms but was not paid (excluding, for the avoidance of doubt, any accrued Interest Amount that is not yet due); and

**E** means, to the extent not already deducted in calculating A, B, C or D above, the amount (expressed in US dollars) the aggregate of:

- (a) amounts paid in cash to, or for the account of the relevant Noteholder or Holder of Convertible Bonds (as applicable), in respect of the exchange or redemption of the Notes, in accordance with the Note Conditions, or the exchange or redemption of the Convertible Bonds in accordance with these Terms (as applicable); and
- (b) the value (expressed in US dollars) of any Stapled Securities which have been delivered to, or for the account of, the relevant Noteholder in accordance with the Note Conditions (the “Value”), calculated as of each relevant Exchange Date or Settlement Calculation Date (each as defined in the Note Conditions) or to, or for the account of, the relevant Holder of Convertible Bonds, calculated at the relevant Redemption Date or Exchange Date (each as defined in these Terms) in respect of the relevant Stapled Securities in accordance with the following formula:

$$\text{Value} = P \times N$$

where:

P means the Volume Weighted Average Price (as defined in the Note Conditions) for the relevant Stapled Securities on the relevant date; and

N mean the number of Stapled Securities delivered in respect of that date,

translated into US dollars at the Spot Rate (as defined in the Note Conditions) on such date (as applicable).

## 1.2 Interpretation

In these Terms, headings and boldings are for convenience and do not affect the interpretation of these terms and, unless the context otherwise requires:

- (a) references to any provision of any statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or under such modification or re-enactment.
- (b) words importing the singular include the plural and vice versa;
- (c) a reference to a person includes a reference to a company, partnership, joint venture, association, corporation or other body corporate and any government agency;
- (d) a reference to any thing (including any right) includes a part of that thing, but nothing in this paragraph implies that performance of part of an obligation constitutes performance of the obligation;
- (e) a reference to a condition or annexure is a reference to a condition of, and an annexure to, these terms and a reference to these terms includes any annexure;
- (f) a reference to a document includes all amendments or supplements to, or replacements or novations of, that document;
- (g) a reference to a document includes any agreement in writing, or any certificate, notice, instrument or other document of any kind;
- (h) a reference to a person includes that person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (i) a reference to dollars and US\$ is a reference to the lawful currency of the United States of America unless denominated otherwise;
- (j) a reference to a body (including an institute, association or authority), other than a party, whether statutory or not that ceases to exist or whose powers or functions are transferred to another body, is a reference to the body that replaces it or substantially succeeds to its powers or functions;
- (k) none of these terms will be construed adversely to the Issuer solely on the ground that the Issuer was responsible for preparing these terms;
- (l) if there is any inconsistency between the provisions of these Terms and any other document issued in relation to the Convertible Bonds, then, to the maximum extent permitted by law, the provisions of these Terms will prevail;
- (m) a reference to the Holder or the Holder's Convertible Bonds is a reference to the account of the Register in relation to the Holder or the Convertible Bonds registered in relation to the Holder's account; and
- (n) if the due date for any thing required to be done under these Terms falls on a day which is not a Payment Business Day or Business Day, then the due date shall be brought forward to the preceding Payment Business Day or Business Day (as applicable).

### 1.3 Interpretation consistent with Note Conditions

In the case of uncertainty or ambiguity, an interpretation of these Terms of Issue which would have the effect that they operate consistently with the Note Conditions is to be preferred to an alternative interpretation.

## 2 Issue of Convertible Bonds

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### 2.1 General

Each Convertible Bond:

- (a) is a nominally paid, perpetual, subordinated, deferrable and non-cumulative bond issued by CPL and CML on a joint and several basis which, in certain circumstances:
  - (1) can be redeemed for cash by the Issuer;
  - (2) is exchangeable for Stapled Securities on the Initial Reset Date subject to these Terms;
  - (3) is convertible into Preference Securities on election of the Issuer; and
  - (4) can only be transferred as provided in clause 9;
- (b) has no right to participate in the distribution of net proceeds to shareholders or unitholders in a winding up of CPL, CML or CPT;
- (c) has a principal amount equal to the Principal Amount which shall increase pursuant to clause 3.4(a) (**Accreted Principal**);
- (d) will be issued as nominally paid only, but can become Fully Paid in accordance with clause 2.3; and
- (e) ranks equally without priority or preference amongst all other Convertible Bonds; and
- (f) constitutes direct, subordinated and unsecured obligations of the Issuer.

### 2.2 Form of Convertible Bonds

- (a) Convertible Bonds are debt obligations of the Issuer constituted by, and owing under the CNP Preference Securities Deed Poll. The Convertible Bonds are issued in accordance with these Terms in registered form and shall be entered into the Register on the Issue Date.
- (b) No certificates will be issued in respect of any Convertible Bonds unless the Issuer determines that certificates should be available or they are required by any applicable law.
- (c) A Convertible Bond confers all of the rights attaching to Fully Paid Preference Securities, but these rights do not take effect until they are Converted. Until such time, Convertible Bonds have the rights set out in these Terms.

## 2.3 Subscription for Convertible Bonds and when Fully Paid

- (a) An initial instalment of the Subscription Price, being an amount of US\$0.01 per Convertible Bond, must be paid to the Issuer on the Issue Date in accordance with the terms of the CNP Preference Securities Subscription Agreement.
- (b) On the date of the occurrence of an Underlying Securities Event, the Notes Issuer shall with immediate effect on and from that date, hold all the CNP Funding Trust Preference Units then held by it and which are outstanding on that date on trust for CNP (**Transfer Preference Units**).
- (c) Upon the Transfer Preference Units being held on trust in accordance with clause 2.3(b):
  - (1) the Holder must transfer the Transfer Preference Units to the Issuer or its nominee; and
  - (2) the Subscription Price for the number of Convertible Bonds that equals the number of Transfer Preference Units will be deemed to have been paid in full by the Holder, such that those Convertible Bonds are Fully Paid.
- (d) If:
  - (1) the number of Convertible Bonds that become Fully Paid is less the total number of Convertible Bonds; or
  - (2) there is no Underlying Securities Event before the date that is 20 Payment Business Days after the Final Maturity Date,
 then the Issuer may redeem those Convertible Bonds that are not Fully Paid and remain held by the Note Issuer for an amount equal to US\$0.01 for each such Convertible Bond on the date as soon as practicable after:
  - (3) the relevant Underlying Securities Event (in the case of 2.3(d)(1)); or
  - (4) in the case of clause 2.3(d)(2), the date specified in that clause.
- (e) The Holder irrevocably appoints the Issuer to be the attorney of the Holder and the agent of the Holder with power in the name and on behalf of the Holder to do all such acts and things, including signing all documents or transfers, as may in the opinion of the Issuer be necessary or desirable to be done in order to record or perfect the transfer of the CNP Funding Trust Preference Units and the paying up of the Convertible Bonds under this clause 2.3.
- (f) If Convertible Bonds become Fully Paid in accordance with this clause 2.3, the Issuer may, entirely at its discretion:
  - (1) convert those Convertible Bonds in accordance with clause 7;
  - (2) redeem those Convertible Bonds in accordance with clause 5 and 6; or
  - (3) exchange those Convertible Bonds in accordance with clauses ~~5.4~~5.2 and 8.

## 2.4 Subordination

All the Convertible Bond Obligations and payment (from whatever source) of, and the rights and claims of the Holder(s) in respect of, all of the Convertible Bond Obligations will be subordinated and postponed and made subject in right of payment to all of the CPT Debt and payment (from whatever source) or, and the rights and claims of CPT Creditors in respect of, all of the CPT Debt immediately upon the occurrence of any of the following:

- (1) any CPT Default;
- (2) any Convertible Bond Default;
- (3) the issue or commencement of proceedings, or any person threatening to issue or commence proceedings for the liquidation of the Issuer; or
- (4) the Issuer being unable to pay all of its debts as and when they become due out of its own money,

provided that the Convertible Bond Obligations and payment (from whatever source) of, and the rights and claims of the Holder(s) in respect of all of the Convertible Bond Obligations will cease to be postponed and subject in right of payment as aforesaid if the relevant event set out in paragraphs 2.4(1) to (4) above is no longer continuing, but without prejudice to any future operation of this clause 2.4.

## 3 Distributions

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### 3.1 When rights take effect

The right of a Holder to receive the Distribution Amount under this clause 3 does not take effect unless and until the Convertible Bonds become Fully Paid.

### 3.2 Entitlement to Distributions

- (a) Subject to clause 3.1 and 3.4, the Holder is entitled on each Distribution Payment Date, in priority to any entitlement of holders of Stapled Securities, to receive payment of an amount equal to the Distribution Amount multiplied by the number of Convertible Bonds held by the Holder. For the avoidance of doubt, it is intended that if the Convertible Bonds become Fully Paid part way through a Distribution Period, the Holder is entitled to a Distribution Amount in respect of the full Distribution Period, since under the terms of the CNP Funding Trust Preference Units the Holder is not entitled to receive a distribution on the CNP Funding Trust Preference Units in respect of the corresponding period.
- (b) Each Convertible Bond will cease to be entitled to the Distribution Amount:
  - (1) where the Convertible Bond is redeemed under clause ~~5.3(a)(4)~~ 5.4(a)(4), from (but excluding) the Interest Payment Date (as defined in the Note Conditions) immediately preceding the relevant Exchange Date (as defined in the Note Conditions) or, if none, the Issue Date (subject in each case to the adjustments provided in Note Condition 6(i));
  - (2) where the Convertible Bond is redeemed under any other clause of these Terms, from (and including) the Early Maturity Date, Final Maturity Date or the

date the Notes become due and payable (each as specified in Note Condition 5(b));

- (3) where the Convertible Bond is Converted, from (and including) the Distribution Payment Date immediately preceding the Conversion Date or, if none, there will be no entitlement; and
  - (4) where the Convertible Bond is Exchanged, from (and including) the Final Maturity Date.
- (c) For the avoidance of doubt, any accrued Interest Amount that is included in the amount payable on Redemption of a Convertible Bond under clause ~~5.3~~5.4 shall not be payable in cash under clause 3.3.

### 3.3 Interest Amount

- (a) The '**Interest Amount**' in respect of each Convertible Bond will be calculated at the rate of 3.5% per annum of US\$100,000 and will be payable semi-annually in arrears in equal instalments of US\$1,750 per Convertible Bond, except that the Interest Amount in respect of the Distribution Period ending on 30 June 2007 will be US\$243.06 per Convertible Bond and the Interest Amount in respect of the Distribution Period ending on the Initial Reset Date will be US\$1,740.28 per Convertible Bond.
- (b) If the Interest Amount is required to be calculated for a period of less than a complete Distribution Period, the relevant day count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

### 3.4 Satisfaction of distribution entitlements

On each Distribution Payment Date, the Issuer:

- (a) must apply the aggregate Reinvestment Amount of the Holder's aggregate Distribution Amount for the relevant Distribution Period to increase the Accreted Principal outstanding in respect of each Convertible Bond in accordance with these Terms;
- (b) may, in its absolute discretion, pay to the Holder the aggregate Interest Amount of such Holder's aggregate Distribution Amount for the relevant Distribution Period in cash; and
- (c) subject to clause 10, may pay any remaining Distributable Amount for the relevant Distribution Period in accordance with the Constitution.

### 3.5 Method of payment

- (a) Any Interest Amount which is payable in cash to the Holder in respect of Convertible Bonds will, unless the Issuer and the Holder otherwise agree, be paid by direct credit to account(s) nominated by the Holder.
- (b) If the Holder fails to nominate such an account, the amount may be deposited by the Issuer in a bank account in the Issuer's name established for the purpose and held by the Issuer until the Holder nominates an account.
- (c) An amount so deposited shall be taken to have been duly paid to the Holder and shall not bear interest. Any interest accruing on any such account shall be paid to the Issuer.

### 3.6 No Holder rights until Distribution Amount is due and payable

Unless and until all or any part of the Distribution Amount becomes payable in accordance with this clause 3, the Holder does not have any remedy in law or equity against the Issuer or any other person in respect of the non-payment (in whole or in part) of that amount.

### 3.7 Unpaid Amounts

- (a) The Issuer may at any time, in its absolute discretion, elect to pay to or on behalf of the Holder(s) any Unpaid Amounts.
- (b) If any doubt arises as to the amount of Unpaid Amounts, following consultation between the Issuer and an Independent Financial Adviser in respect of such amounts, a written opinion of such Independent Financial Adviser will be conclusive and binding on all concerned, save in the case of manifest or proven error.

## 4 Reset

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### 4.1 Issuer may adjust certain terms

The Issuer may, in accordance with this clause 4, initiate a process (**Reset Process**) in order to adjust or specify (as the case may be) the following terms of the Convertible Bonds with effect from (and including) any Reset Date:

- (a) the Distribution Rate and Distribution Amount;
- (b) the timing of Distribution Periods and Distribution Payment Dates;
- (c) whether distributions are to be paid in cash or by way of re-investment;
- (d) the timing of the next Reset Date; and
- (e) any other terms considered appropriate by the Issuer.

### 4.2 Issue of Reset Notice

If the Issuer initiates a Reset Process, the Issuer must issue to the Holders a notice (**Reset Notice**), no later than 40 Business Days before the relevant Reset Date, which must specify, in respect of each matter set out in clauses 4.1(a) to (e), the terms that will apply to the Convertible Bonds on and from the Reset Date to which it applies.

### 4.3 No Reset Notice

If the Issuer does not issue a Reset Notice for any Reset Date in accordance with clause 4.2, the Issuer is deemed to have given a Reset Notice stating that the terms of the Convertible Bonds on and from that Reset Date will be unchanged from the terms of the Convertible Bonds prior to that Reset Date. The deemed date of such Reset Notice is the last day of the period prescribed by clause 4.2.

#### 4.4 Holder response to Reset Process

- (a) A Holder may within 5 Business Days after the issue of a Reset Notice (other than a deemed notice under clause 4.3) give one of the following types of written notice to the Issuer in response to the Reset Notice:
- (1) a notice stating that it accepts each of the terms of issue proposed in the Reset Notice (**Acceptance Notice**); or
  - (2) a notice stating that it does not accept one or more of the terms of issue proposed in the Reset Notice (**Rejection Notice**).
- (b) If a Holder does not give an Acceptance Notice or a Rejection Notice within 5 Business Days after the issue of a Reset Notice, or if an Acceptance Notice or a Rejection Notice is given by a Holder within 5 Business Days after the issue of a Reset Notice but such notice is not received by the Issuer within 10 Business Days after the issue of the relevant Reset Notice, the Holder is deemed to have given an Acceptance Notice.

#### 4.5 Successful Reset Process

If the Issuer receives an Acceptance Notice, given in accordance with clause 4.4(a), from a Holder within 10 Business Days after the issue of the relevant Reset Notice or if clause 4.4(b) deems such a notice to have been given, with effect from (and including) the relevant Reset Date until the day before the next Reset Date, the terms of issue of the Convertible Bonds specified in the Reset Notice shall apply to all issued Convertible Bonds.

#### 4.6 Unsuccessful Reset Process

- (a) If the Issuer receives a Rejection Notice, given in accordance with clause 4.4(a) from a Holder within 10 Business Days after the issue of the relevant Reset Notice, the Issuer may at any time thereafter issue a replacement Reset Notice, which notice must comply with clause 4.2. Clause 4.4 shall apply to the acceptance or rejection of any replacement Reset Notice by a Holder.
- (b) The reset process under paragraph (a) above, may be repeated as many times as the Issuer determines until the relevant Holder agrees to the terms of issue proposed in a Reset Notice or the Holder's Convertible Bonds are exchanged, converted or redeemed.

### 5 Exchange or Redemption of Convertible Bonds

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#### 5.1 Redemption after the Junior Stakeholder Amount is received

- (a) If the Junior Stakeholder Amount is received by CNP, to the extent that the Convertible Bonds have not otherwise been redeemed, converted or exchanged in accordance with these Terms, the Issuer must redeem all of the Convertible Bonds on the Redemption Date for an aggregate amount equal to the Redemption Amount in accordance with this clause 5.1.
- (b) No later than 20 Payment Business Days after the Junior Stakeholder Amount is received by CNP, the Issuer must give each Holder a Redemption Notice which specifies:

- (1) the Redemption Date; and
- (2) that Holder's Respective Proportion of the Redemption Amount, being the amount payable to that Holder on the Redemption Date for the redemption of all of its Convertible Bonds.
- (c) A Redemption Notice, once delivered to each Holder under this clause 5.1, may only be revoked by the Issuer with the consent of each Holder.
- (d) The decision of the Issuer with respect to each Holder's Respective Proportion shall be conclusive and binding on each Holder, save in the case of manifest or proven error.
- (e) The payment to a Holder (or its nominee) of its Respective Proportion of the Redemption Amount on the Redemption Date in accordance with this clause 5.1 will be the full and final satisfaction of all amounts payable on redemption of that Holder's Convertible Bonds, notwithstanding the amount of the aggregate Accreted Principal Amount (as defined in the Note Conditions), accrued interest, any Unpaid Amounts (as defined in the Note Conditions) and any other amounts in respect of that Holder.

#### **5.15.2 Exchange or redemption on Initial Reset Date before a Missed Exchange Event or Missed Redemption Event**

- (a) To the extent that:
  - (1) the Convertible Bonds have not otherwise been redeemed, converted or exchanged in accordance with these Terms;
  - (2) the Convertible Bonds have become Fully Paid under clause 2.3; and
  - (3) a Missed Exchange Event or a Missed Redemption Event has not occurred, the Convertible Bonds may be redeemed or exchanged by the Issuer on the Initial Reset Date in accordance with this clause ~~5.15.2~~.
- (b) Subject to clause ~~5.1(e)~~5.2(c), the Convertible Bonds to be redeemed on the Initial Reset Date will be redeemed at an amount equal to the aggregate Final Maturity Amount of the Notes that have not previously been purchased and cancelled, redeemed or exchanged in accordance with the Note Conditions.
- (c) Subject to clause ~~5.1(f)~~5.2(f), the Issuer may elect to exchange the Convertible Bonds in full or in part on the Initial Reset Date for such number of Stapled Securities per Convertible Bond as is calculated in accordance with clause 8.2, in which case the number of Convertible Bonds (or part of each Convertible Bond) to be redeemed under clause ~~5.1(b)~~5.2(b) and the Final Maturity Amount payable in cash under clause ~~5.1(b)~~5.2(b) will only relate to the Convertible Bonds or parts of the Convertible Bonds not exchanged under this clause ~~5.1(e)~~5.2(c).
- (d) No later than 18 Business Days prior to the Initial Reset Date, the Issuer must give to each Holder a notice which specifies:
  - (1) the number of Convertible Bonds (or part of each) to be redeemed in accordance with clause ~~5.1(a)~~5.2(a);
  - (2) the number of Convertible Bonds (or part of each) to be exchanged for Stapled Securities in accordance with clause ~~5.1(e)~~5.2(c);

- (3) the aggregate Final Maturity Amount payable to the Holder in respect of the Convertible Bonds to be redeemed or exchanged on the Initial Reset Date; and
  - (4) such other information that may reasonably be required to allow the Holder to determine the portion of the Final Maturity Amount that will be settled in Stapled Securities and the portion that will be paid in cash on the Final Maturity Date in respect of each Note.
- (e) A notice delivered to the Holder under this clause ~~5.4~~5.2 may only be revoked by the Issuer with the consent of the Holder.
  - (f) The right of the Issuer to exchange rather than redeem Convertible Bonds on the Initial Reset Date is subject to the right of any Noteholder to elect not to receive Stapled Securities pursuant to Note Condition 7(a)(iii) (**No Securities Election**).
  - (g) If a Noteholder makes a No Securities Election, the Issuer may, in its absolute discretion:
    - (1) redeem such number of Convertible Bonds as corresponds to the Notes held by that Noteholder so that the Final Maturity Amount payable in respect of such Noteholder would be satisfied by a cash payment; or
    - (2) do nothing.

### 5.25.3 **Redemption after an Acceleration Event, Missed Exchange Event or Missed Redemption Event**

- (a) To the extent that the Convertible Bonds have not otherwise been redeemed, converted or exchanged in accordance with these Terms, at any time after the occurrence of:
  - (1) an Acceleration Event;
  - (2) a Missed Exchange Event; or
  - (3) a Missed Redemption Event,
 the Issuer may redeem all (but not some) of the Convertible Bonds by giving not less than 5 Payment Business Days notice to the Holders.
- (b) A notice given under clause ~~5.2(a)~~5.3(a) must specify the Redemption Date. A notice, once delivered to the Holder under this clause ~~5.25.3~~, may only be revoked by the Issuer with the consent of the Holder.

### 5.35.4 **Redemption at option of Holder before Missed Exchange Event or Missed Redemption Event**

- (a) If a Missed Exchange Event or Missed Redemption Event has not occurred and the Holder is the Notes Issuer, the Holder may, by issuing a notice to the Issuer (**Holder Redemption Notice**), request the redemption of Convertible Bonds on any Payment Business Day prior to the Initial Reset Date if:
  - (1) an Issuer Tax Event (as defined in the Note Conditions) has occurred and the Holder has elected to redeem the Notes in accordance with Note Condition 7(c);
  - (2) the Holder has received a notice from one or more Noteholders requiring the redemption of Notes in accordance with Note Condition 7(d)(i) in respect of a Change of Control Event (as defined in the Note Conditions);

- (3) the Holder has received a notice from one or more Noteholders requiring the redemption of Notes in accordance with Note Condition 7(d)(ii) in respect of a Delisting Event (as defined in the Note Conditions); or
- (4) the Holder has received an Exchange Notice (as defined in the Note Conditions) from one or more Noteholders requesting exchange of Notes in accordance with Note Condition 6(a).

For the avoidance of doubt, if the Holder requests the redemption of Convertible Bonds under clause ~~5.3(a)(1)~~ 5.4(a)(1) and receives an Exchange Notice in respect of Notes that would otherwise be redeemed as contemplated by clause ~~5.3(a)(1)~~ 5.4(a)(1), the relevant Convertible Bonds will be taken to have been redeemed under clause ~~5.3(a)(4)~~ 5.4(a)(4).

- (b) The Holder may exercise its right to deliver a Holder Redemption Notice to the Issuer in respect of any number of Convertible Bonds and as often as the Holder wishes subject to these Terms. A Holder Redemption Notice, once delivered to the Issuer, may only be revoked by the Holder with the consent of the Issuer.

- (c) For a Holder Redemption Notice to be effective, the Holder must give the Issuer the Holder Redemption Notice no later than:

- (1) 35 Business Days before the date on which the redemption under clause ~~5.3(a)(1)~~ 5.4(a)(1) will occur specifying the relevant Tax Redemption Date (as defined in Note Condition 7(c));
- (2) the 5th Business Day prior to the Change of Control Event Put Date (as defined in Note Condition 7(d)) in respect of a redemption under clause ~~5.3(a)(2)~~ 5.4(a)(2) specifying the relevant Change of Control Event Put Date;
- (3) the 5th Business Day prior to the Delisting Put Date (as defined in Note Condition 7(d)) in respect of a redemption under clause ~~5.3(a)(3)~~ 5.4(a)(3) specifying the relevant Delisting Put Date; and
- (4) 3 Business Days following delivery of the relevant Exchange Notice (as defined in Note Condition 6(g)) in respect of a redemption under clause ~~5.3(a)(4)~~ 5.4(a)(4).

- (d) Each Holder Redemption Notice delivered to the Issuer in accordance with clause ~~5.3(c)~~ 5.4(c)(1), (2) and (3) must specify:

- (1) the Redemption Date and the number of Convertible Bonds to be redeemed; and
- (2) the aggregate Accreted Principal Amount (as defined in the Note Conditions), accrued interest, any Unpaid Amounts (as defined in the Note Conditions) and any other amounts payable by the Holder, in its capacity as Notes Issuer, to Noteholders in connection with the redemption of Notes relating to the redemption of the Convertible Bonds,

provided that if the Holder has received an Exchange Notice in respect of Notes that would otherwise be redeemed as contemplated under clause ~~5.3(a)(1)~~ 5.4(a)(1), the Holder will also notify the Issuer of the aggregate amount required for the exercise of the CNP Options relating to the exchange of those Notes.

- (e) Each Holder Redemption Notice delivered to the Issuer in accordance with clause ~~5.3(c)(4)~~ 5.4(c)(4) must specify:

- (1) the Redemption Date and the number of Convertible Bonds to be redeemed; and

- (2) the aggregate amount required for the exercise of the CNP Options relating to the exchange of Notes in connection with the redemption of the Convertible Bonds.
- (f) Upon receiving a valid Holder Redemption Notice, the Issuer may in its absolute discretion:
  - (1) carry out the redemption in respect of some or all of the number of Convertible Bonds specified in the Holder Redemption Notice; or
  - (2) do nothing.

#### **5.45.5 Redemption at option of Issuer before Missed Exchange Event or Missed Redemption Event**

- (a) If a Missed Exchange Event or Missed Redemption Event has not occurred, the Issuer may, by issuing an Redemption Notice to the Holder, require the redemption of Convertible Bonds on any Payment Business Day prior to the Initial Reset Date if:
  - (1) the Issuer wishes to cause the redemption of Notes in accordance with Note Condition 7(b);
  - (2) a CNP Tax Event (as defined in the Note Conditions) has occurred and the Issuer wishes to cause redemption of the Notes in accordance with Note Condition 7(c) (provided that the Issuer has satisfied the conditions of redemption in Note Condition 7(c), including providing any legal opinions or certifications reasonably required by the Holder).
- (b) The Issuer must give the Holder a Redemption Notice under clause ~~5.4(a)~~5.5(a) no more than 65 and no less than 35 Business Days before the date on which the Buy Back will occur specifying the Optional Redemption Date (as defined in Note Condition 7(b)) under clause ~~5.4(a)(1)~~5.5(a)(1) or the Tax Redemption Date (as defined in Note Condition 7(c)) under clause ~~5.4(a)(2)~~5.5(a)(2), as the case may be.
- (c) A Redemption Notice delivered to the Holder under clause ~~5.4(a)(1)~~5.5(a)(1) must specify the Redemption Date and the number of Convertible Bonds to be redeemed. A Redemption Notice, once delivered to the Holder under this clause ~~5.4(a)~~5.5(a), may only be revoked by the Issuer with the consent of the Holder.
- (d) Within 3 Business Days after receiving a Redemption Notice from the Issuer under clause ~~5.4(a)~~5.5(a), the Holder will notify the Issuer of the aggregate Accreted Principal Amount (as defined in the Note Conditions), accrued interest, any Unpaid Amounts (as defined in the Note Conditions) and any other amounts payable by the Holder, in its capacity as Notes Issuer or Security Trustee (as applicable), to Noteholders in connection with the redemption of the Notes (including but not limited to any amounts payable under Note Condition 6(i)), provided that if the Holder has received an Exchange Notice in respect of Notes that would otherwise be redeemed as contemplated under clause ~~5.4(a)~~5.5(a) the Holder will also notify the Issuer of the aggregate amount required for the exercise of the CNP Options relating to the exchange of those Notes.
- (e) For the avoidance of doubt, if the Issuer requires the Redemption of Convertible Bonds under clause ~~5.4(a)~~5.5(a) and the Holder receives an Exchange Notice in respect of Notes that would otherwise be redeemed as contemplated by clause ~~5.4(a)~~5.5(a), the relevant Convertible Bonds will be taken to have been redeemed under clause ~~5.3(a)(4)~~5.4(a)(4).

## 5.55.6 Notices

- (a) If the Convertible Bonds have become Fully Paid and the Holder delivers, or procures that the relevant Paying, Transfer and Exchange Agent (as defined in the Note Conditions) delivers, to the Issuer a copy of:
- (1) any notice received from a Noteholder in accordance with the Note Conditions which requires the redemption or exchange of all or some of the Notes (including, without limitation, an Exchange Notice, Change of Control Event Notice or Delisting Put Notice, each as defined in the Note Conditions); or
  - (2) any draft notice proposed to be given by the Holder, in its capacity as Notes Issuer, to the Noteholders in accordance with the Note Conditions for the redemption of all or some of the Notes,
- then the Holder is deemed to have requested the Redemption of the corresponding number of Convertible Bonds in accordance with these Terms.
- (b) If the Holder has received a Redemption Notice from the Issuer, it will give notice to the Noteholders in accordance with the Note Conditions for the redemption of the corresponding number of Notes.

## 6 Redemption

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### 6.1 Redemption process

The Holder irrevocably appoints the Issuer, CML and CPL (each an **Authorised Person**) severally to be the attorney of the Holder and the agent of the Holder with power in the name and on behalf of the Holder to do all such acts and things, including signing all documents or transfers as may in the opinion of the Authorised Person be necessary or desirable to be done in order to record or perfect the redemption of any Convertible Bonds under this clause 6.

### 6.2 Amounts payable on redemption

(a) In respect of Convertible Bonds redeemed by the Issuer following receipt of the Junior Stakeholder Amount pursuant to clause 5.1, on the Redemption Date, the Issuer will pay to each Holder (or a nominee as that Holder directs), that Holder's Respective Proportion of the Redemption Amount.

(a)(b) The amounts payable for redemption of Convertible Bonds under clause ~~5.1~~5.2 are specified in that clause ~~5.1~~5.2.

(b)(c) In respect of Convertible Bonds redeemed by the Issuer under clause ~~5.2~~5.3, the Issuer will pay to the Holder(s) (or as the Holder(s) direct) within 5 Payment Business Day of giving the notice to the Holder(s) under clause ~~5.2~~5.3 an amount equal to the aggregate:

- (1) Accreted Principal calculated as if the Redemption Date was a Distribution Payment Date;
- (2) accrued Interest Amounts (if any);
- (3) any Unpaid Amounts (as defined in these Terms),

of the Convertible Bonds being redeemed, in each case calculated in respect of the Redemption Date set by the Issuer under clause ~~5.3(a)(1)~~5.4(a)(1), (2) or (3).

(e)(d) Subject to clause 6.2(g), in respect of Convertible Bonds redeemed by the Issuer under clauses ~~5.3(a)(1)~~5.4(a)(1), (2) or (3), the Issuer will pay to the Holder (or as the Holder directs) on or before the Payment Business Day prior to the Tax Redemption Date, Change of Control Event Put Date or Delisting Put Date, as applicable, an amount equal to the aggregate:

- (1) Accreted Principal Amount (as defined in the Note Conditions);
- (2) accrued interest on the relevant Notes;
- (3) any Unpaid Amounts (as defined in the Note Conditions); and
- (4) any other amounts payable by the Holder, in its capacity as Notes Issuer or Security Trustee (as applicable), in respect of the relevant Notes,

of the relevant Notes being redeemed, in each case calculated in respect of the due date for redemption of those Notes.

(e)(e) In respect of Convertible Bonds redeemed by the Issuer under clause ~~5.3(a)(4)~~5.4(a)(4), the Issuer will pay to the Holder (or as the Holder directs) on the Payment Business Day prior to the relevant Exchange Date (as defined in the Note Conditions), an amount equal to:

- (1) the amount required to exercise the CNP Options in connection with the exchange of Notes; and
- (2) any other amounts payable by the Holder, in its capacity as Notes Issuer or Security Trustee (as applicable), in respect of the relevant Notes (including but not limited to any amounts payable under Note Condition 6(i)).

(e)(f) Subject to clause (g), in respect of Convertible Bonds redeemed by the Issuer under clause ~~5.4(a)(1)~~5.5(a)(1) or (2), the Issuer will pay to the Holder (or as the Holder directs) on or before the Payment Business Day prior to the relevant Optional Redemption Date or Tax Redemption Date, as applicable, an amount equal to the aggregate:

- (1) Accreted Principal Amount (as defined in the Note Conditions);
- (2) accrued interest;
- (3) any Unpaid Amounts (as defined in the Note Conditions); and
- (4) any other amounts payable by the Holder, in its capacity as Notes Issuer, in respect of the relevant Notes (including but not limited to any amounts payable under Note Condition 6(i)),

of the relevant Notes being redeemed, in each case calculated in respect of the date fixed for redemption of those Notes.

(f)(g) If the Holder has received an Exchange Notice in respect of Notes that would otherwise be redeemed as contemplated by clause ~~5.3(a)(1)~~5.4(a)(1) or ~~5.4(a)~~5.5(a), then in respect of the Convertible Bonds being redeemed in connection with those Notes, the Issuer will instead pay an amount equal to the amount required to exercise the CNP Options in connection with the exchange of those Notes.

(g)(h) Nothing in this clause or in the definition of "Unpaid Amount" is intended to require the Issuer to pay or incur any Interest Amount or Reinvestment Amount more than once in

respect of the same period. If any calculation in this clause 6.2 has that effect, the duplicated amount must be deducted from the relevant calculation.

### **6.3 Releases given on Redemption**

- (a) In respect of Convertible Bonds redeemed by the Issuer following receipt of the Junior Stakeholder Amount pursuant to clause 5.1, in consideration of, and contemporaneously therewith, the payment under clause 6.2(a), the Holder(s) on the Redemption Date:
- (1) irrevocably and unconditionally release(s) the Issuer from all their obligations (including representations and warranties) and Claims in respect of the Relevant Documents and any other Claims, and waives all rights under the Relevant Documents against the Issuer, except to the extent the Issuer has engaged in fraud or wilful misconduct in relation to the Redemption;
  - (2) irrevocably and unconditionally release(s) each Relevant Person from all Claims, except to the extent the Relevant Person has engaged in fraud or wilful misconduct in relation to the Redemption;
  - (3) irrevocably and unconditionally forgive(s) and release(s) the Accreted Principal, any accrued Interest Amount that is not yet due and any Unpaid Amounts in respect of each Convertible Bond owed by the Issuer to the Holder(s) under the Relevant Documents on the Redemption Date;
  - (4) covenant(s) in favour of the Issuer and the Relevant Persons not to bring or pursue, procure that a third party bring or pursue, provide financial support for or otherwise support any claim, action, dispute, demand or proceeding in any court or tribunal in respect of the releases given in clauses 6.3(a)(1), 6.3(a)(2) and 6.3(a)(3);
  - (5) acknowledge(s) it is their intention to fully, finally, absolutely and forever release any and all Claims which do now exist, may exist, or may at any time in the future exist, between them and the Issuer or a Relevant Person in respect of the releases given in clauses 6.3(a)(1), 6.3(a)(2) and 6.3(a)(3);
- (b) In respect of Convertible Bonds redeemed by the Issuer under clause 5.1, the Issuer on the Redemption Date:
- (1) irrevocably and unconditionally releases the Holder(s) from all their obligations (including representations and warranties) and Claims in respect of the Relevant Documents and any other Claims, and waives all rights under the Relevant Documents against the Holder(s), except to the extent the Holder(s) has engaged in fraud or wilful misconduct in relation to the Redemption;
  - (2) covenants in favour of the Holder(s) not to bring or pursue, procure that a third party bring or pursue, provide financial support for or otherwise support any claim, action, dispute, demand or proceeding in any court or tribunal in respect of the releases given in clause 6.3(b)(1);
  - (3) acknowledges it is their intention to fully, finally, absolutely and forever release any and all Claims which do now exist, may exist, or may at any time in the future exist, between them and each Holder in respect of the releases given in clause 6.3(b)(1);

#### **6.36.4 Due dates for Redemption**

If the due date for redemption of the relevant Notes would otherwise fall on a day which is not a Payment Business Day, then pursuant to the Note Conditions the due date for redemption will be brought forward to the preceding Payment Business Day and the Issuer's obligations under these Terms will be brought forward accordingly.

## **7 Conversion**

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### **7.1 When Issuer may issue a Conversion Notice**

The Issuer may, by giving 5 Business Days notice to the Holder, elect to Convert all but not some only of the Convertible Bonds. A notice delivered under this clause 7.1:

- (a) must specify the date on which Conversion will take place (**Conversion Date**); and
- (b) is irrevocable.

### **7.2 Conversion process**

- (a) On the Conversion Date:
  - (1) the Issuer will issue to the Holder, and the Holder, will accept, one Preference Security for each Convertible Bond held by the Holder; and
  - (2) the Issuer will issue a statement to the Holder of the Preference Securities issued under this clause 7 that the Holder is the holder of those Preference Securities.
- (b) On (and including) the Conversion Date all other rights or restrictions conferred on a Convertible Bond that has Converted under these Terms will no longer have effect.
- (c) The Holder irrevocably appoints the Authorised Persons severally to be the attorney of the Holder and the agent of the Holder with power in the name and on behalf of the Holder to do all such acts and things, including signing all documents as may in the opinion of the Authorised Person be necessary or desirable to be done in order to record or perfect the Conversion of any Convertible Bond under this clause 7.

### **7.3 Ranking on Conversion**

Each Preference Security issued on Conversion of Convertible Bonds:

- (a) will be issued as:
  - (1) fully paid (in accordance with the terms of the Preference Securities) if Conversion occurs on or after the Convertible Bonds become Fully Paid in accordance with clause 2.3; or
  - (2) nominally paid (in accordance with the terms of the Preference Securities) if Conversion occurs before the Convertible Bonds become Fully Paid in accordance with clause 2.3.

- (b) will (except in any such case for any right excluded by mandatory provisions of applicable law) rank *pari passu* with:
- (1) the fully paid Preference Securities on issue on the date on which the Conversion occurs (in the case of clause 7.3(a)(1)); and
  - (2) the nominally paid Preference Securities on issue on the date on which Conversion occurs (in the case of clause 7.3(a)(2)).

## 8 Exchange

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### 8.1 Exchange Process

- (a) Exchange of the Convertible Bonds (which can only occur before a Missed Redemption Event or Missed Exchange Event if the Issuer elects to exchange the Convertible Bonds under clause ~~5.1(c)~~ 5.2(c) and issues a notice under clause ~~5.1(d)~~ 5.2(d)) must take place on the Exchange Date in accordance with the following process (the **Exchange Process**):
- (1) the Holder must transfer the Convertible Bonds to the Issuer or its nominee;
  - (2) the Issuer must acquire or cause its nominee to acquire the Convertible Bonds;
  - (3) the Issuer must issue to the Holder (or as the Holder directs) the required number of Stapled Securities calculated in accordance with clause 8.2.
- (b) The Holder irrevocably appoints the Authorised Persons severally to be the attorney of the Holder and the agent of the Holder with power in the name and on behalf of the Holder to do all such acts and things, including signing all documents or transfers as may in the opinion of the Authorised Person be necessary or desirable to be done in order to record or perfect the Exchange of any Convertible Bond under this clause 8.
- (c) If the Stapled Securities are destapled at the time of Exchange, each Convertible Bond will be exchangeable into that number of Ordinary Shares (as defined in the Note Conditions) and Units (as defined in the Note Conditions) which, immediately prior to the destapling, were constituted by the number of Stapled Securities into which such Convertible Bond would have been exchangeable immediately prior to destapling.

### 8.2 Exchange Number

The number of Stapled Securities to be issued or transferred in accordance with the Exchange Process for each Convertible Bond is equal to such number of Stapled Securities equal to the aggregate Daily Securities Amount of the Stapled Securities as calculated for each Business Day in the Settlement Calculation Period (as defined in the Note Conditions) in accordance with the formula set out in Condition 7(a)(ii) of the Note Conditions, where:

- F = the portion of each Convertible Note being Exchanged; and
- N = the total number of Convertible Notes being Redeemed or Exchanged on the Initial Reset Date.

### 8.3 Transfer Settlement Option

The Issuer may, at its sole election and subject to any applicable regulatory approvals, satisfy its obligations to a Holder to issue any Stapled Securities in respect of the Exchange of any Convertible Bonds by causing Stapled Securities to be transferred to the Holder rather than issuing new Stapled Securities. Such Stapled Securities will be deemed, for all purposes under these Terms, to be issued by the Issuer to the Holder or its nominee on the date on which they are transferred to the Holder or its nominee.

### 8.4 Delivery of Stapled Securities

- (a) Fractions of Stapled Securities due as a consequence of Exchange under this clause 8 will be compensated in cash, calculated in accordance with Note Condition 7(a)(ii) and shall be paid by the third Business Day after the Settlement Calculation Period (as defined in the Note Conditions).
- (b) Stapled Securities to be delivered in accordance with this clause 8 will be delivered through CHES (or any successor licensed clearance and settlement facility applicable to the Stapled Securities) to the account specified by the relevant Holder in accordance with the standard market procedures for the settlement of transactions in CHES (or such successor facility), by the third Business Day after each Settlement Calculation Date.

### 8.5 Ranking on Exchange

The Issuer must ensure that Stapled Securities issued upon Exchange:

- (a) will be issued as fully paid;
- (b) will not be entitled to any rights, distributions or other payments the record date or other due date for the establishment or entitlement for which falls prior to the date those Stapled Securities are issued; and
- (c) will in all other respects (except in any such case for any right excluded by mandatory provisions of applicable law) rank *pari passu* with the fully paid Stapled Securities on issue on the date such Stapled Securities are issued.

## 9 Title and Transfer of Convertible Bonds

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- (a) Title to a Convertible Bond passes when details of the transfer are entered in the Register.
- (b) Each entry in the Register in respect of a Convertible Bond constitutes:
  - (1) an unconditional and irrevocable undertaking by the Issuer to the Holder to pay principal, interest and any other amount in accordance with these Terms; and
  - (2) an entitlement to the other benefits given to Holders under these Terms in respect of the Convertible Bonds.
- (c) Entries in the Register in relation to a Convertible Bond constitute conclusive evidence that the person so entered is the absolute owner of the Convertible Bond subject to correction for fraud or error.

- (d) Except as required by law, the Issuer must treat the person whose name is entered in the Register as the holder of a Convertible Bond as the absolute owner of that Convertible Bond. No notice of any trust or other interest in, or claim to, any Convertible Bond will be entered in the Register.
- (e) Each Convertible Bond may be transferred in whole but not in part in accordance with these Terms.
- (f) Subject to clause 8(g), a Holder may not transfer any Convertible Bonds it holds except:
  - (1) to a Noteholder as Exchange Property in accordance with the Note Conditions;
  - (2) to the Security Trustee or its nominee in accordance with the terms of the Security Trust Deed;
  - (3) if the Holder is the Security Trustee, if the transfer is to a third party in connection with the exercise of its rights under the Security Trust Deed; or
  - (4) if the Holder is a former Noteholder that received the Convertible Bonds as Exchange Property, if the transfer is to a third party.
- (g) Subject to the provisions of the Transaction Documents, Convertible Bonds may only be transferred if:
  - (1) the offer, sale or invitation giving rise to the transfer does not constitute an offer, sale or invitation for which disclosure is required to be made to investors under Parts 6D.2 or 7.9 of the Corporations Act;
  - (2) the transfer is not to a person who is a 'retail client' for the purposes of under Chapter 7 of the Corporations Act;
  - (3) the transfer is to an Australian resident or a non-resident carrying on business at or through a permanent establishment in Australia or to a person to whom interest can be paid without any withholding or deduction pursuant to any applicable Double Tax Convention as implemented pursuant to the International Tax Agreements Act 1953 of Australia (as amended);
  - (4) the transfer complies with any applicable law or directive of the jurisdiction where the transfer takes place; and
  - (5) the transfer is in accordance with the provisions of these Terms.
- (h) Application for the transfer of a Convertible Bond must be made by the lodgement of a transfer form with the Issuer at its registered office. To be valid, a transfer form must be:
  - (1) in the form provided by the Issuer;
  - (2) duly completed and signed by, or on behalf of, the transferor and the transferee; and
  - (3) accompanied by any evidence the Issuer may require to establish that the transfer form has been duly signed.

No fee is payable to register a transfer.

- (i) Upon registration and entry of the transferee in the Register the transferor ceases to be entitled to future benefits under these Terms in respect of the transferred Convertible Bonds and the transferee becomes so entitled in accordance with this Condition 7.

## 10 Distribution and Capital Stopper

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- (a) This clause 10 applies if:
- (1) there are any Unpaid Amounts outstanding which have not been paid to, or on behalf of, Holders; or
  - (2) a Missed Exchange Event or Missed Redemption Event under the Note Conditions occurs.
- (b) If clauses 10(a)(1) or 10(a)(2) applies, each of CML and CPL undertakes that it shall not:
- (1) declare or pay any distribution or dividend or make any other payment on, and will procure that no Distribution (as defined in the Note Conditions) or other payment is made on, any Stapled Security or other equivalent security of CPT or CPL; or
  - (2) redeem, purchase, cancel, reduce or otherwise acquire any Stapled Security or other equivalent security of CPT or CPL (excluding the CNP Funding Trust Preference Units and the Preference Securities),
- (the **Distribution and Capital Stopper**).
- (c) The Distribution and Capital Stopper shall remain in force until:
- (1) in the case of clause 10(a)(1), the earlier of the day on which all Unpaid Amounts have been received in full by, or on behalf of, the relevant Holders and the day which is two Payment Business Days after the Principal Paying Agent or the Note Trustee or the Security Trustee (as applicable) has notified Holders that it has received Unpaid Amounts in full; and
  - (2) in the case of clause 10(a)(2), the day on which the CNP Convertible Bonds have been Redeemed or exchanged into Stapled Securities, in each case, in full by the Issuer and the obligations of CPT and CPL under the CNP Options have been satisfied, ~~or expired~~ or forgiven.

## 11 Notices of events and record dates

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### 11.1 Record Dates

Distribution entitlements arising under clause 3.2 and any other payments under these Terms are only payable or distributable to those persons named on the Register as Holders on the relevant Record Date (as defined in the Note Conditions).

### 11.2 Irregularity

Where the Issuer is required to give a notice in relation to any act, matter or determination, the accidental omission to give that notice does not affect the validity of that act, matter or determination.

## 12 Limitation of liability

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### 12.1 Liability of CML limited to trust property

CML issues the Convertible Bonds only in its capacity as responsible entity of CPT and in no other capacity. CML's liability under these Terms (or any transaction in connection with them) is limited to the extent to which the liability can be satisfied out of the trust assets of CPT to which the liability relates by CML exercising its right of indemnity out of the trust assets.

### 12.2 Limitation does not apply if fraud, negligence or breach of duty

The provisions of this clause 12 do not apply to any liability of CML to the extent that it is not satisfied because there is a reduction in the extent of CML's indemnification out of the assets of CPT either as a result of CML's fraud, negligence or wilful default, or by operation of law.

### 12.3 This Condition applies to entire Terms

All of the terms, clauses and conditions of these Terms are subject to this clause 12.

## 13 General

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### 13.1 Warranty by Holder

The Holder is deemed, when Convertible Bonds are Converted or redeemed, to warrant and represent to the Issuer that the Holder owns such Convertible Bonds, that they are free and unencumbered (other than any security interest in the Convertible Bonds created pursuant to the Transaction Documents) and that the Holder has not sold, alienated, donated or otherwise disposed of such Convertible Bonds.

### 13.2 Notices, reports, meetings and voting rights

(a) All notices, requests and statements (**communications**) given or made under these Terms must be in writing.

(b) All communications to a Holder shall be validly given if:

- (1) mailed to them at their registered address as recorded in the Register; or
- (2) published in a daily newspaper of general circulation (i) in Asia (which is expected to be the Asian Wall Street Journal) and (ii) Europe (which is expected to be the Financial Times).

Any such communication shall be deemed to have been given on the earlier of the date two Business Days after the mailing of the notice or the date of the first publication as provided above.

(c) In the case of communications given under clause 13.2(b)(1), such communications take effect from the time they are taken to be received unless a later time is specified in them.

- (d) If sent by post, communications are taken to be received three days after posting (or seven days after posting if sent to or from a place outside Australia).
- (e) Despite clause 13.2(d), if communications are received after 5.00 pm in the place of receipt or on a non-Business Day, they are taken to be received at 9.00 am on the next Business Day.
- (f) Subject to clause 13.3, the Holder has no voting rights in respect of the Convertible Bonds except to the extent required by law.

### 13.3 Amendments to these Terms

- (a) Subject to complying with all applicable laws, the Issuer may, without the authority, assent or approval of the Holder, amend or add to these Terms if the Issuer reasonably considers that the amendment or addition is:
  - (1) not (when taken as a whole and in conjunction with all other amendments or modifications to be made contemporaneously) materially prejudicial to the interests of the Holder;
  - (2) of a formal, minor or technical nature;
  - (3) made to correct a manifest error which derogates from the obvious meaning intended; or
  - (4) made to comply with any law or requirement of ASX.

Unless otherwise agreed between the Issuer and the Holder (including under clause 13.10), the Issuer must give the Holder at least 30 Business Days advance notice of any amendment of or addition to these Terms pursuant to this clause 13.3(a).

- (b) Subject to clause 4 (Reset) and clause 13.3(a), the rights attached to the Convertible Bonds may not be varied or abrogated except by resolution passed by at least 75% by aggregate Accreted Principal of the Convertible Bonds held by the Holders who vote or otherwise give instructions to the Issuer in relation to the relevant matter.

### 13.4 No recognition of interests

Subject to the Transaction Documents, the Issuer need only recognise the Holder on the Register as the person entitled to Convertible Bonds and need not, unless required by a court, recognise any equitable or other interest in Convertible Bonds.

### 13.5 Deductions, withholding and gross up

- (a) Subject to clause 13.5(b) below, all payments in respect of a Convertible Bond must be made in full without set-off or counterclaim, and without any withholding or deduction in respect of Taxes, unless prohibited by law.
- (b) If a law requires the Issuer to withhold or deduct an amount in respect of Taxes from a payment in respect of a Convertible Bond such that the Holder would not actually receive on the due date the full amount provided for under these Terms, then:
  - (1) the Issuer agrees to deduct the amount for the Taxes and remit the amount to the appropriate Government Agency in accordance with all applicable laws; and

- (2) if the amount deducted is in respect of Taxes imposed by a Relevant Tax Jurisdiction, the amount payable is increased so that, after making the deduction and further deductions applicable to additional amounts payable under this clause, the Holder is entitled to receive (at the time the payment is due) the amount it would have received if no deductions had been required.

### **13.6 Stamp duties**

The Issuer agrees to pay any stamp, issue, documentary, registration or other duty or tax including interest and penalties, payable in respect of the creation, issue, offering, redemption, exchange or Conversion of the Convertible Bonds and any transfer of the Convertible bonds by the Notes Issuer.

### **13.7 Governing law**

- (a) These Terms are governed by, and are to be construed in accordance with, the laws of Victoria.
- (b) The Issuer and each Holder irrevocably submits to the non-exclusive jurisdiction of the courts of Victoria and waives any objection to the venue of any legal process on the basis that the process has been brought in an inconvenient forum.

### **13.8 Quotation**

The Convertible Bonds will not be quoted on the ASX or any other financial market.

### **13.9 Right to purchase Convertible Bonds**

The Holder acknowledges that nothing in these Terms affects the rights of any member of CNP to purchase and hold (on its own account) Convertible Bonds.

### **13.10 Further assurances**

The parties acknowledge that it is intended that these Convertible Bonds are intended to give effect to the Note Conditions to the extent they apply after an Underlying Securities Event. If there is any defect in timing or the mechanics for payments or satisfaction of other obligations under these Terms of Issue, the parties will agree such amendments as are necessary and will use all reasonable endeavours as to ensure that these Terms of Issue operate consistently with the Note Conditions.