

Notice of Annual General Meeting & Explanatory Memorandum

Date of meeting:

19 November 2015

Time of meeting:

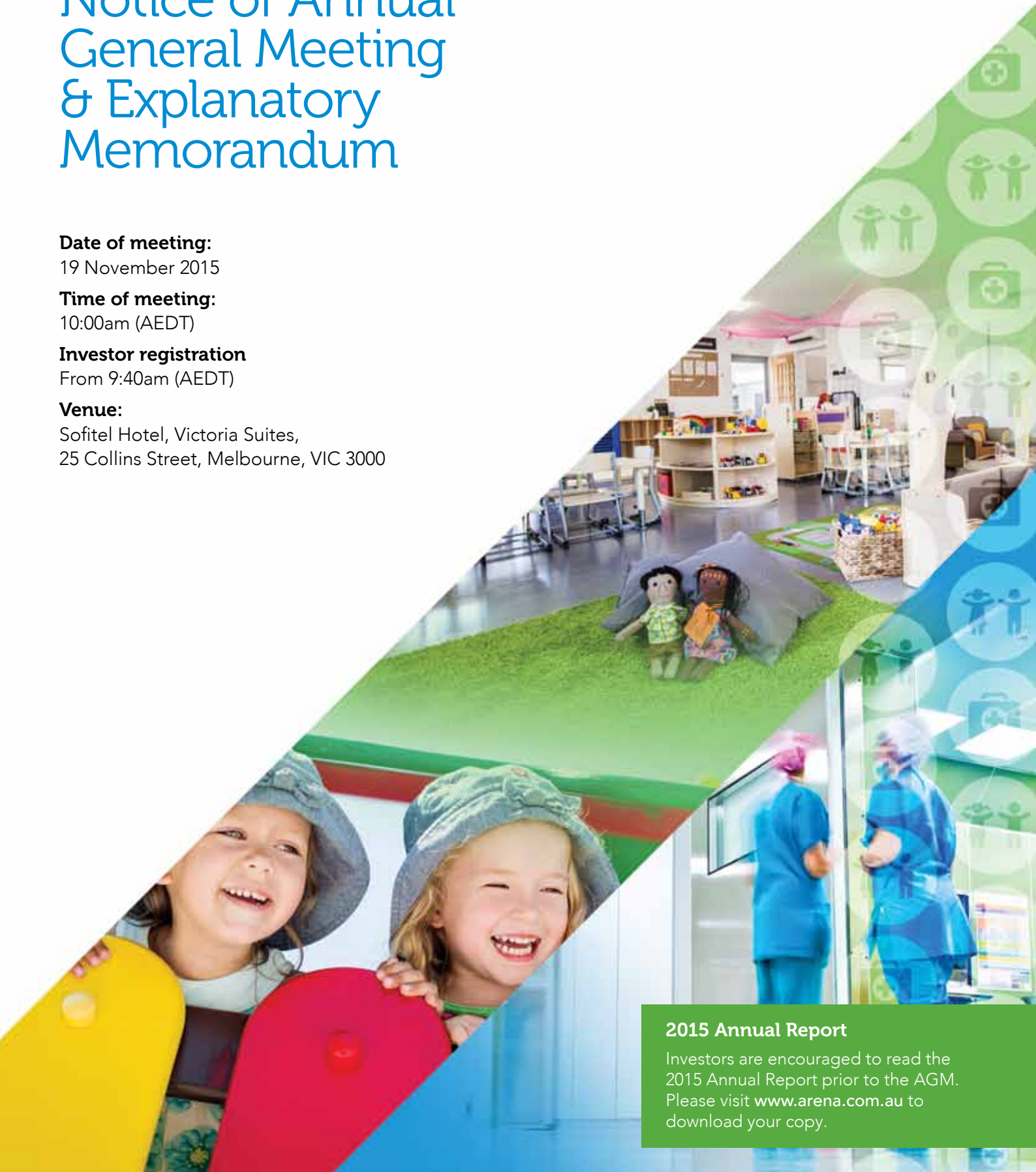
10:00am (AEDT)

Investor registration

From 9:40am (AEDT)

Venue:

Sofitel Hotel, Victoria Suites,
25 Collins Street, Melbourne, VIC 3000



2015 Annual Report

Investors are encouraged to read the 2015 Annual Report prior to the AGM. Please visit www.arena.com.au to download your copy.

About Arena REIT

Arena REIT (ASX code: ARF) is an internally managed Australian Real Estate Investment Trust (A-REIT) listed on the ASX and included in the S&P/ASX 300 Index (the Index).

Arena REIT owns and manages 197 properties, comprising 179 childcare centres, seven medical centres and 11 childcare development sites that have an aggregate value of \$420 million as at 30 June 2015. Arena REIT also manages two unlisted joint ventures each owning a healthcare property with assets under management of \$34 million.

Arena REIT's investment strategy is to invest in sectors such as childcare, healthcare, education and government tenanted facilities leased on a long term basis.

The Arena REIT Group (**Group**) operates with the objective to generate an attractive and predictable distribution to investors with earnings growth prospects over the medium to long term.

To find out more please visit www.arena.com.au

Further information

If you have any questions regarding this document, please contact the toll free Information Line on 1800 008 494 (within Australia) or +61 3 9093 9017 (outside Australia) between 8.30am and 5.00pm AEDT Monday to Friday.

Alternatively, you may also contact your financial, legal, taxation or other professional adviser.

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How to vote

To vote, eligible Securityholders should either:

1. Attend the Meeting on 19 November 2015 and vote in person.
2. Vote online: www.votingonline.com.au/ARFagm2015 prior to 10.00am (AEDT) 17 November 2015.
3. Lodge a proxy form by mail, fax or in person to Boardroom and ensure it is received by 10.00am (AEDT) 17 November 2015.

Please refer to page 8 for further details regarding how to vote.

Chairman's welcome



Dear investor

I am pleased to invite you to attend the general meetings of unitholders in Arena REIT No. 1 and Arena REIT No. 2 (together, the Trusts) and the annual general meeting of shareholders in Arena REIT Limited (Company), which together constitute Arena REIT's 2015 Annual General Meeting (AGM).

The AGM will be held in the Victoria Suites at Sofitel Melbourne, 25 Collins Street Melbourne on **Thursday 19 November 2015 at 10.00am (AEDT)**. Investor registration will commence at 9.40am (AEDT).

Enclosed are the Notice of Meeting, the accompanying Explanatory Memorandum explaining the formal business of the meeting and a personalised voting and proxy form. As investors know, the units in the Trusts and the shares

in the Company are all stapled together, and are quoted jointly on the ASX. As such, there is no practical distinction between unitholders in the Trusts and shareholders in the Company (together, Securityholders). For this reason, the meetings of the three entities will be held together at the same place and on the same day, and together will constitute the Arena REIT AGM.

In conjunction with this Notice of Meeting, Arena REIT has also published its 2015 Annual Report including the Directors' Report, the audited Financial Statements and the Auditor's Report for the year ended 30 June 2015. If you have elected to receive this report by post, a copy of it will accompany this Notice of Meeting. These reports are also available on the Arena website (www.arena.com.au) and we encourage you to view them online ahead of the AGM.

The AGM will commence with an introductory presentation from me, then a presentation from the Managing Director who will provide an overview of the recent operating performance of Arena REIT, followed by the formal items of business and, finally, an opportunity for Securityholders to ask general questions at the end of the meeting.

You may also submit questions up to a week prior to the meeting using the Arena REIT Securityholder Question Form enclosed or, alternatively, by visiting www.boardroomlimited.com.au/ARFquestions.pdf.

The formal part of the meeting is to consider the Financial Report, the Directors' Report and the Auditor's Report for the financial year ended 30 June 2015 (as contained in the 2015 Annual Report), and to vote on the Remuneration Report, the re-appointment of Dennis Wildenburg as an independent, non-executive director of the Company, a placement of securities in February 2015 and the grant of long term performance rights to the Managing Director and Chief Financial Officer.

The independent directors of the Responsible Entity of Arena REIT and of the Company recommend that you vote in favour of all resolutions.

The voting results of the AGM will be announced to the ASX following the AGM.

I look forward to seeing those Securityholders who are able to attend on 19 November 2015.

At the conclusion of the AGM, the Board and senior executives will be available to meet with you over refreshments.

Yours sincerely

A handwritten signature in black ink, appearing to read 'David Ross'. The signature is fluid and cursive, written over a light grey background.

David Ross

Chairman

17 September 2015

Notice of Annual General Meeting

Annual General Meeting of Arena REIT Limited and General Meeting of Arena REIT No.1 and General Meeting of Arena REIT No.2 (together Arena REIT)

Notice is given that a meeting of shareholders in Arena REIT Limited (the **Company**, ACN 602 365 186) will be held in conjunction with meetings of unitholders in trusts Arena REIT No.1 and Arena REIT No.2 (the **Trusts**) and together, these three simultaneous general meetings will constitute the AGM of Arena REIT, as follows:

- **Time:** 10.00 am (AEDT)
- **Date:** Thursday 19 November 2015
- **Venue:** Sofitel Hotel, Victoria Suites
25 Collins Street, Melbourne Victoria

Arena REIT Management Limited (ACN 600 069 761, AFSL 465754) (**Responsible Entity**) is the responsible entity of the Trusts.

Business of the Meeting

The business to be considered at the AGM is as follows:

ORDINARY BUSINESS

Financial Reports

To receive and consider the Financial Report, the Directors' Report and the Auditor's Report, each for the financial year ended 30 June 2015.

Resolution 1 - Non-binding advisory vote on the Remuneration Report

To consider and, if thought fit, pass the following as an **advisory resolution** of the Company:

'That the Remuneration Report for the financial year ended 30 June 2015 be adopted.'

This item is subject to voting exclusions – see the voting exclusion statement in the Explanatory Memorandum.

OTHER BUSINESS

Resolution 2 – Appointment of auditor

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

'That PricewaterhouseCoopers, having been appointed as auditor of the Company by the directors on 7 November 2014 in accordance with section 327A(1) of the Corporations Act and whose appointment expires at the Annual General Meeting of the Company, be re-appointed as auditor of the Company in accordance with section 327B(1)(a) of the Corporations Act.'

Notice of Annual General Meeting *continued*

Resolution 3 – Re-election of Mr Dennis Wildenburg as director of the Company

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

'That Mr Dennis Wildenburg, who was appointed on incorporation of the Company on 16 October 2014 in accordance with ASX Listing Rule 14.5 and, being eligible, offers himself for re-election, be re-elected as a director of the Company.'

Resolution 4 – Approval of February Placement

To consider and, if thought fit, pass the following resolutions as separate **ordinary resolutions** of the Company and each of the Trusts:

*'That for the purpose of ASX Listing Rule 7.4 and for all other purposes, the previous issue of 15,625,000 Securities at an issue price of \$1.60 per Security, under a placement to institutional and sophisticated investors as detailed in the Explanatory Memorandum (**February Placement**), is approved'.*

This item is subject to voting exclusions – see the voting exclusion statement in the Explanatory Memorandum.

Resolution 5 – Grant of performance rights to Mr Bryce Mitchelson

To consider and, if thought fit, pass the following resolutions as separate **ordinary resolutions** of the Company and each of the Trusts:

'That for the purposes of ASX Listing Rule 10.14 and for all other purposes, the grant to the Managing Director, Mr Bryce Mitchelson, of Performance Rights as his long term incentive under the Arena REIT Long Term Incentive Plan on the terms set out in the Explanatory Memorandum to this Notice of Meeting, is approved'.

This item is subject to voting exclusions – see the voting exclusion statement in the Explanatory Memorandum.

Resolution 6 – Grant of performance rights to Mr Gareth Winter

To consider and, if thought fit, pass the following resolutions as separate **ordinary resolutions** of the Company and each of the Trusts:

'That for the purposes of ASX Listing Rule 10.14 and for all other purposes, the grant to the chief financial officer and an executive director of the Responsible Entity, Mr Gareth Winter, of Performance Rights as his long term incentive under the Arena REIT Long Term Incentive Plan on the terms set out in the Explanatory Memorandum to this Notice of Meeting, is approved'.

This item is subject to voting exclusions – see the voting exclusion statement in the Explanatory Memorandum.

Notes

Chair

Under the Corporations Act, Arena REIT is entitled to appoint a person to chair the AGM. The Responsible Entity and board of the Company intend to appoint Arena REIT's Independent, Non-executive Chairman, Mr David Ross, to act as chair of the AGM (**Chair**) in accordance with sections 249U and 252S of the Corporations Act.

Quorum

The quorum required at the AGM is at least two Securityholders in person or by proxy. No business other than the election of the Chair (if applicable) and the adjournment of a meeting may be transacted at a meeting unless a quorum is present. If the quorum is not present within 30 minutes after the scheduled time for the meeting, the meeting will be adjourned as the Chair directs.

Required majority

Resolutions 2, 3, 4, 5 and 6 are all ordinary resolutions, and therefore will be passed if more than 50% of the votes cast by Securityholders present (in person or by representative or proxy) and eligible to vote are cast in favour of each resolution.

Voting exclusion statement

The Chair will disregard any votes cast by a person who is not entitled to vote according to section 253E of the Corporations Act. This section provides that the Responsible Entity and its associates are not entitled to vote on a resolution if they have an interest in the resolution, other than as a Securityholder. The Chair will not, however, disregard a vote if it is cast by the Responsible Entity or one of its associates as proxy for a person who is entitled to vote, if their proxy appointment specifies the way they are to vote and they vote that way. For specific voting exclusion statements, please refer to the Explanatory Memorandum.

Voting in person by an individual

To vote in person, you are required to attend the AGM on 19 November 2015 or any adjournment of the AGM. Please arrive 15 minutes prior to the start of the AGM to facilitate the registration process.

Voting by a company

In order to vote at the AGM, a corporate Securityholder may either appoint a proxy or appoint an individual as its corporate representative to exercise its powers.

All appointed corporate representatives should either lodge with Arena REIT's registry, Boardroom Pty Limited, before the AGM, or bring to the AGM, evidence of their appointment, including any signed authority. Any corporate Securityholder wishing to appoint a proxy should refer to sections on 'Voting by proxy', below, and 'How to vote', overleaf.

Voting by proxy

Each Securityholder entitled to vote at the AGM has a right to appoint a proxy to attend and vote on their behalf. A proxy does not need to be a Securityholder, and you may appoint the Chair of the AGM as your proxy. A Securityholder who is entitled to cast two or more votes may appoint two proxies and may specify the proportion or number of votes each proxy is entitled to exercise. However, if no proportion or number is specified, then each proxy may exercise half of the Securityholder's votes. If a Securityholder returns an undirected proxy form and the Chair is appointed as their proxy, then the Chair will vote in favour of each resolution.

The proxy form, which accompanies this Notice of Annual General Meeting, includes instructions on how to vote and appoint a proxy. To be valid, Arena REIT's registry, Boardroom Pty Limited, must receive your proxy form by no later than 10.00 am (AEDT) on Tuesday 17 November 2015 via mail, online, fax or in person.

Results

The voting results of the AGM will be released to the ASX following the AGM.

How to vote

Online:

Step 1: Visit www.votingonline.com.au/ARFagm2015

Step 2: Enter your Postcode or Country of Residence (if outside Australia)

Step 3: Enter your voting access code (VAC)

By mail:

Boardroom Pty Limited
GPO Box 3993, Sydney NSW 2001, Australia

By fax:

+ 61 2 9290 9655

In person:

Boardroom Pty Limited
Level 12, 225 George Street, Sydney NSW 2001 or Level 8, 446 Collins Street, Melbourne VIC 3000

If voting by proxy, for your vote to be effective **your proxy form must be received before 10.00am (AEDT) on Tuesday 17 November 2015.**

Voting entitlement

Securityholders registered as holders of stapled Securities in Arena REIT (comprising units in the Trusts and shares in the Company) as at 10.00am (AEDT) on Tuesday 17 November 2015 will be entitled to attend and vote at the AGM (subject to any voting exclusion).

The Responsible Entity and its associates are not entitled to vote on a resolution if they have an interest in the resolution or matter other than as a Securityholder in accordance with section 253E of the Corporations Act.

Corporate representatives

A company wishing to appoint a person to act as its representative at the AGM must provide that person with a letter executed in accordance with the company's constitution and the Corporations Act authorising him or her to act as the Securityholder's representative. A 'Certificate of Appointment of Representative' may be obtained from Arena REIT's registry, Boardroom Pty Limited.

Additional information concerning the proposed resolutions is contained in the Explanatory Memorandum which accompanies and forms part of this Notice of Meeting.

Issued by Arena REIT Management Limited (ACN 600 069 761) as the responsible entity of Arena REIT No.1 and Arena REIT No.2 and the board of Arena REIT Limited (ACN 602 365 186).

Explanatory Memorandum

This Explanatory Memorandum forms part of the 2015 Notice of Annual General Meeting and contains information about the resolutions. You should read the Notice of Meeting and this Explanatory Memorandum carefully.

ORDINARY BUSINESS

Financial Reports

The **Arena REIT 2015 Annual Report** includes the Financial Report (which includes financial statements and the directors' declaration), the Directors' Report, and the Auditor's Report, and has been prepared and provided to those Securityholders who have elected to receive it by mail. A copy of the Arena REIT 2015 Annual Report is also available online to download at www.arena.com.au.

Securityholders are not required to approve the Financial Report, the Directors' Report or the Auditor's Report. During this item of business, however, Securityholders will be given a reasonable opportunity to ask questions or make comments on the reports at the meeting.

Arena REIT's external auditor, PricewaterhouseCoopers (**Auditor**), will be present and also available to answer questions relevant to the conduct of the audit, including the independence of the Auditor, the preparation of the Auditor's Report and accounting policies adopted in relation to the preparation of the financial statements.

Securityholders may also submit written questions to the Auditor regarding the content of the audit report or the conduct of the audit process. A list of those relevant written questions will be made available to Securityholders who attend the AGM. A Securityholder wishing to submit a question to the Auditor should visit www.boardroomlimited.com.au/ARFquestions.pdf or complete the 'Arena REIT Securityholder Question Form' enclosed and return it by post in the reply paid envelope provided or fax it to (02) 9290 9655 no later than 5.00pm (AEDT) on Thursday 12 November 2015.

Resolution 1 - Remuneration Report

In accordance with section 250R(2) of the Corporations Act, the board of the Company is presenting Arena REIT's Remuneration Report for the year ended 30 June 2015 to Securityholders for consideration and adoption by a non-binding vote.

The vote on this resolution is advisory only, and does not bind the board of the Company.

The Remuneration Report is included in the Arena REIT Annual Report 2015 and commences on page 17. The Remuneration Report describes Arena REIT's remuneration arrangements for Key Management Personnel (KMP) for the period ended 30 June 2015, including:

- the remuneration policy adopted by the Board;
- remuneration details for each director and KMP; and
- Arena REIT's Short Term Incentive and Long Term Incentive Plans, including performance measures.

The Chair will give Securityholders an opportunity to ask questions about or make comments on the Remuneration Report. Although this vote does not bind the Directors, the Board intends to take into account the outcome of the vote and any Securityholder feedback when reviewing its remuneration policies and practices.

Voting exclusion statement

The Chair of the AGM will disregard any votes cast in respect of Resolution 1 by or on behalf of:

- members of the KMP (being the directors and the other KMP as disclosed in the Remuneration Report); and
- closely related parties of those persons.

The Chair of the AGM need not disregard, however, a vote in respect of Resolution 1 if:

- it is cast by a person (including the Chair of the AGM) as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person who is Chair of the AGM as proxy for a person who is entitled to vote, where the proxy form does not specify the way the proxy is to vote on that resolution but expressly authorises the Chair of the AGM to exercise the proxy even if that resolution is connected directly with the remuneration of a member of the KMP.

For the purposes of this voting exclusion, 'key management personnel' are the Directors and those other persons who have authority and responsibility for planning, directing and controlling the activities of Arena REIT, either directly or indirectly. Their 'closely related parties' are defined in the Corporations Act, and include certain of their family members, dependents and companies they control.

The Chair of the AGM intends to vote all open proxies in favour of this resolution.

Explanatory Memorandum *continued*

OTHER BUSINESS

Resolution 2 - Appointment of Auditor

PricewaterhouseCoopers (PwC) was appointed as Arena REIT's auditor on 7 November 2014. As part of this appointment, the directors of the Company appointed PwC as the auditor of the Company in accordance with section 327A(1) of the Corporations Act. Under section 327A(2) of the Corporations Act, PwC may only hold this office until the Company's first AGM.

Accordingly, the board of the Company proposes that PwC be re-appointed as the auditor of the Company in accordance with section 327B(1)(a) of the Corporations Act.

The Company has asked PwC to attend the AGM and to be available to answer any questions of Securityholders about the conduct of its audit of Arena REIT's financial report for the year ended 30 June 2015.

The Chair of the AGM intends to vote all open proxies in favour of this resolution.

Resolution 3 - Re-election of Dennis Wildenburg as a director of the Company

In accordance with ASX Listing Rule 14.5, Mr Dennis Wildenburg offers himself for re-election as a director of the Company.



Dennis Wildenburg

Appointed: 16/10/14

Background and experience:

Mr Wildenburg is an Independent Non-Executive Director of Arena REIT and current Chairman of the Board Audit Committee. Mr Wildenburg has been an Independent

Non-Executive Director of the former Responsible Entity of Arena REIT since 30 December 2011. Mr Wildenburg has over 30 years' experience in the financial services and funds management industry. He is currently an Independent Director of Investa Wholesale Funds Management Limited and has been a Director of MLC Funds Management Limited and an Associate Director of Hill Samuel Australia Limited (now Macquarie Group Limited).

Dennis gained his property experience working with the Lend Lease Group where he was a Director of the company that managed GPT. He has also served on the Board of Property Funds Australia and the Investment Committee of the Mirvac PFA Diversified Property Trust. Dennis is a member of the Institute of Chartered

Accountants in Australia.

- *Other current directorships:* Investa Wholesale Funds Management Limited; Arena Investment Management Limited.

- *Former directorships in last three years:* None

The Chair of the AGM intends to vote all open proxies in favour of this resolution.

Resolution 4 - Approval of the February Placement

The purpose of these resolutions is to approve and ratify, in accordance with ASX Listing Rule 7.4, the previous issue of Securities to existing and new institutional and sophisticated investors via a placement arranged by Morgan Stanley Securities Limited in February 2015 (**February Placement**).

Background

On 26 February 2015, Arena REIT issued 15,625,000 Securities at an issue price of \$1.60 per Security to existing and new institutional and sophisticated investors via a placement arranged by Morgan Stanley Securities Limited.

The Securities issued were fully paid ordinary stapled securities in Arena REIT, ranking equally with all other ordinary Securities and having identical rights to existing Securities quoted on the ASX.

Under ASX Listing Rule 7.1, Arena REIT may issue up to 15% of its issued capital without obtaining Securityholder approval in any 12 month period. The issue of Securities pursuant to the February placement did not exceed this 15% threshold. Without the approval sought under this Resolution 4, the Securities issued under the placement would count towards the 15% limit under ASX Listing Rule 7.1.

ASX Listing Rule 7.4, however, provides that where Securityholders subsequently approve an issue of securities, that previous issue will be treated as having been made with approval for the purpose of ASX Listing Rule 7.1. Therefore, Arena REIT's 15% placement capacity will be refreshed and Arena REIT will be able to issue further Securities up to that limit.

Funds raised by the Placement were initially used to repay debt and provide funding capacity for Arena REIT's development projects and new investments.

Voting exclusion statement

In accordance with the ASX Listing Rules, the Chair will disregard any votes cast in respect of Resolution 4 by:

- any person who participated in the February Placement; and
- any associate of such persons.

The Chair of the AGM need not disregard, however, any vote cast in respect of Resolution 4 if:

- it is cast by a person (including the Chair of the AGM) as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person who is Chair of the AGM as proxy for a person who is entitled to vote, where the proxy form does not specify the way the proxy is to vote on that resolution but expressly authorises the Chair of the AGM to exercise the proxy.

The Chair of the AGM intends to vote all open proxies in favour of this resolution.

Resolution 5 - Grant of performance rights to Mr Bryce Mitchelson

In accordance with ASX Listing Rule 10.14, Arena REIT is seeking the approval of Securityholders for the proposed grant of performance rights to the Managing Director, Mr Bryce Mitchelson, in accordance with Arena REIT's long-term incentive plan (LTI Plan) as summarised below and in the Notice of Meeting and Explanatory Memorandum dated 4 November 2014 (which is available on Arena REIT's continuous disclosure platform through ASX) and also in the Remuneration Report (which is included in the Arena REIT Annual Report 2015, commencing on page 17).

The LTI Plan is an annual performance-based equity incentive scheme designed to align the interests of employees and Securityholders over the long-term and retain high performing individuals.

If Securityholder approval is obtained, the rights will be granted:

- as part of Mr Mitchelson's total remuneration;
- under the terms of the LTI Plan;
- at no cost to Mr Mitchelson. No amount is payable on conversion of the rights to Securities if the applicable performance conditions are met or when the rights vest; and
- with no distributions payable on the unvested rights during the performance period.

Each right is a conditional entitlement to one fully paid Security that will rank equally with those traded on the ASX. The rights will be subject to further conditions outlined below. These rights do not carry any dividend or voting rights until they are converted into Securities.

The number of rights to be granted to Mr Mitchelson under the LTI Plan will be based on 25% of his maximum total remuneration opportunity (MTR) for the 2016 financial year (FY16), divided by the independent valuation of a performance right. Mr Mitchelson's maximum total remuneration for FY16 is \$980,000. Ernst & Young ABC Pty Limited has undertaken an independent valuation of the rights granted under the LTI Plan and assessed their value at \$0.99 per right. Accordingly, it is proposed to issue Mr Mitchelson 247,475 rights.

2016 Financial Year Performance Hurdles

Under the proposed LTI Plan grant of rights for the 2016 Financial Year, the performance rights will vest on 30 June 2018, subject to the achievement of certain performance hurdles. Under the LTI Plan, there are two independent performance hurdles, each having a 50% weighting:

Hurdle 1: Relative total shareholder return (TSR)

Relative TSR performance is determined based on Arena REIT's total ASX return (assuming distributions are reinvested) ranking against the constituents of the comparator group over the performance period. The comparator group for the FY16 is A-REITs in the S&P/ASX 300 Accumulation Index. The performance measurement period will be from 1 July 2015 to 30 June 2018.

Percentile ranking	Proportion of TSR-hurdled Performance Rights that vest
Below 50 th percentile	0%
50 th to 75 th percentile	Progressive pro-rata vesting between 50% and 100% (i.e. on a straight line basis)
At or above the 75 th percentile	100%

Hurdle 2: Distribution income per Security (DIS)

FY18 Distributable Income per Security	Proportion of DIS-hurdled Performance Rights that vest
Below 11.5 cents per Security (cps)	0%
Between 11.5 and 12.5 cps	Progressive pro-rata vesting between 50% and 100% (i.e. on a straight line basis)
At or above 12.5 cps	100%

The Board retains a discretion to adjust the conditions and/or the performance outcome used for assessing whether the performance-related conditions have been satisfied to ensure that participants are neither advantaged nor disadvantaged by matters that affect the conditions (for example, by excluding one-off non-recurrent items or the impact of significant acquisitions or disposals).

Under the terms of the LTI Plan, the Remuneration and Nomination Committee (comprising the Company's independent directors) will assess performance at the relevant time against these hurdles to determine the number of Securities to be issued to Mr Mitchelson.

Explanatory Memorandum *continued*

Resolution 5 - Grant of performance rights to Mr Bryce Mitchelson *continued*

Persons who received Securities under the LTI Plan since the last approval

No persons referred to in ASX Listing Rule 10.14 (such as directors) have received any rights under the LTI Plan since the last meeting of Arena REIT on 5 December 2014, other than Bryce Mitchelson (who received 229,465 rights) and Gareth Winter (who received 106,279 rights). The rights received by Bryce Mitchelson were in accordance with the approvals of Securityholders at that meeting. Mr Winter was appointed as Director of the Responsible Entity after the rights were received by him and therefore approval of Securityholders was not required.

Persons entitled to participate in the LTI Plan

Bryce Mitchelson (Managing Director) and Gareth Winter (Executive Director of the Responsible Entity) are the only persons referred to in ASX Listing Rule 10.14 who are entitled and eligible to participate in the LTI Plan at the discretion of the Board.

Terms of any loans

There will be no loan provided in relation to the acquisition of the performance rights by Mr Mitchelson.

Issue date of performance rights

If Securityholder approval is obtained, it is anticipated that the performance rights will be granted to Mr Mitchelson shortly after the AGM. No performance rights will be granted pursuant to this approval more than 12 months after the date of the meeting.

If Securityholder approval is not obtained, in order to appropriately remunerate Mr Mitchelson, the Board may consider providing alternative compensation to Mr Mitchelson (equivalent to the value of the performance rights he would have had at vesting had such grant been approved by Securityholders), but the Board would only do so to the extent that the applicable performance measures were satisfied.

Termination of employment

In the event of the termination of Mr Mitchelson's employment, the following treatment will apply in respect of unvested performance rights:

- dismissal for cause or resignation: unvested performance rights will lapse (unless the Board determines otherwise); and
- in all other circumstances: unvested performance rights will remain on foot subject to the original performance conditions and vesting period. The Board will have discretion to pro-rate performance rights

which remain on foot (e.g. to reflect the portion of the performance/vesting period that has lapsed). The Board may cause a performance right to lapse in full and also allow accelerated vesting (pro-rated for time and performance) in special circumstances (subject to the termination benefit cap rules).

Change of control

In the event of a successful takeover bid for Arena REIT or any proposed transaction that the Board in its discretion determines should be treated as a change of control, a pro-rata number of unvested performance rights vest at the time of the event, based on the performance period elapsed and the extent to which performance hurdles have been achieved at that time (unless the Board determines another treatment in its discretion).

Voting exclusion statement

In accordance with the Corporations Act and the ASX Listing Rules, the Chair will disregard any votes cast on Resolution 5 by:

- Mr Bryce Mitchelson;
- any associate of Mr Bryce Mitchelson;
- Mr Gareth Winter; and
- any associate of Mr Gareth Winter.

The Chair of the AGM need not disregard, however, any vote cast in respect of Resolution 5 if:

- it is cast by a person (including the Chair of the AGM) as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person who is Chair of the AGM as proxy for a person who is entitled to vote, where the proxy form does not specify the way the proxy is to vote on that resolution but expressly authorises the Chair of the AGM to exercise the proxy.

The Chair of the AGM intends to vote all open proxies in favour of this resolution.

Resolution 6 - Grant of performance rights to Mr Gareth Winter

In accordance with ASX Listing Rule 10.14, Arena REIT is seeking the approval of Securityholders for the proposed grant of performance rights to the chief financial officer and an executive director of the Responsible Entity, Mr Gareth Winter, in accordance with Arena REIT's LTI Plan.

If Securityholder approval is obtained, the rights will be granted:

- as part of Mr Winter's total remuneration;
- under the terms of the LTI Plan;

Resolution 6- Grant of performance rights to Mr Gareth Winter *continued*

- at no cost to Mr Winter. No amount is payable on conversion of the rights to Securities if the applicable performance conditions are met or when the rights vest; and
- with no distributions payable on the unvested rights during the performance period.

Each right is a conditional entitlement to one fully paid Security that will rank equally with those traded on the ASX. The rights will be subject to further conditions outlined below. These rights do not carry any dividend or voting rights until they are converted into Securities.

The number of rights to be granted to Mr Winter under the LTI Plan will be based on 20% of his maximum total remuneration opportunity (**MTR**) for the 2016 financial year (**FY16**), divided by the independent valuation of a performance right. Mr Winter's maximum total remuneration for FY16 is \$566,667. Ernst & Young ABC Pty Limited has undertaken an independent valuation of the rights granted under the LTI Plan and assessed their value at \$0.99 per right. Accordingly, it is proposed to issue Mr Winter 114,478 rights.

2016 Financial Year Performance Hurdles

Under the proposed LTI Plan grant of rights for the 2016 Financial Year, the performance rights will vest on 30 June 2018, subject to the achievement of certain performance hurdles. These performance hurdles for Mr Winter's performance rights are the same as for Mr Mitchelson, which are described previously.

The Board retains a discretion to adjust the conditions and/or the performance outcome used for assessing whether the performance-related conditions have been satisfied to ensure that participants are neither advantaged nor disadvantaged by matters that affect the conditions (for example, by excluding one-off non-recurrent items or the impact of significant acquisitions or disposals).

Under the terms of the LTI Plan, the Remuneration and Nomination Committee (comprising the Company's independent directors) will assess performance at the relevant time against these hurdles to determine the number of Securities to be issued to Mr Winter.

Persons who received Securities under the LTI Plan since the last approval

No persons referred to in ASX Listing Rule 10.14 (such as directors) have received any rights under the LTI Plan since the last meeting of Arena REIT on 5 December 2014, other than Bryce Mitchelson (who received 229,465 rights) and Gareth Winter (who received 106,279 rights). The rights received by Bryce Mitchelson were

in accordance with the approvals of Securityholders at that meeting. Mr Winter was appointed as Director of the Responsible Entity after the rights were received by him and therefore approval of Securityholders was not required.

Persons entitled to participate in the LTI Plan

Bryce Mitchelson (Managing Director) and Gareth Winter (Executive Director of the Responsible Entity) are the only persons referred to in ASX Listing Rule 10.14 who are entitled and eligible to participate in the LTI Plan at the discretion of the Board.

Terms of any loans

There will be no loan provided in relation to the acquisition of the performance rights by Mr Winter.

Issue date of performance rights

If Securityholder approval is obtained, it is anticipated that the performance rights will be granted to Mr Winter shortly after the AGM. No performance rights will be granted pursuant to this approval more than 12 months after the date of the meeting.

If Securityholder approval is not obtained, in order to appropriately remunerate Mr Winter, the Board may consider providing alternative compensation to Mr Winter (equivalent to the value of the performance rights he would have had at vesting had such grant been approved by Securityholders), but the Board would only do so to the extent that the applicable performance measures were satisfied.

Termination of employment

In the event of the termination of Mr Winter's employment, the following treatment will apply in respect of unvested performance rights:

- dismissal for cause or resignation: unvested performance rights will lapse (unless the Board determines otherwise); and
- in all other circumstances: unvested performance rights will remain on foot subject to the original performance conditions and vesting period. The Board will have discretion to pro-rate performance rights which remain on foot (e.g. to reflect the portion of the performance/vesting period that has lapsed). The Board may cause a performance right to lapse in full and also allow accelerated vesting (pro-rated for time and performance) in special circumstances (subject to the termination benefit cap rules).

Explanatory Memorandum *continued*

Resolution 6 - Grant of performance rights to Mr Gareth Winter *continued*

Change of control

In the event of a successful takeover bid for Arena REIT or any proposed transaction that the Board in its discretion determines should be treated as a change of control, a pro-rata number of unvested performance rights vest at the time of the event, based on the performance period elapsed and the extent to which performance hurdles have been achieved at that time (unless the Board determines another treatment in its discretion).

Voting exclusion statement

In accordance with the Corporations Act and the ASX Listing Rules, the Chair will disregard any votes cast on Resolution 6 by:

- Mr Gareth Winter;
- any associate of Mr Gareth Winter;
- Mr Bryce Mitchelson; and
- any associate of Mr Bryce Mitchelson.

The Chair of the AGM need not disregard, however, any vote cast in respect of Resolution 6 if:

- it is cast by a person (including the Chair of the AGM) as proxy for a person who is entitled to vote, in accordance with the directions on the proxy form; or
- it is cast by the person who is Chair of the AGM as proxy for a person who is entitled to vote, where the proxy form does not specify the way the proxy is to vote on that resolution but expressly authorises the Chair of the AGM to exercise the proxy.

The Chair of the AGM intends to vote all open proxies in favour of this resolution.

Glossary

Term	Description
ACN	Australian Company Number
AEDT	Australian Eastern Daylight Saving Time
AFSL	Australian Financial Services Licence
Arena REIT	The group comprising Arena REIT Limited, Arena REIT No.1 and Arena REIT No.2
Arena REIT No.1	Arena REIT No.1 (ARSN 106 891 641)
Arena REIT No.2	Arena REIT No.2 (ARSN 101 067 878)
ARSN	Australian Registered Scheme Number
ASX	ASX Limited (ACN 008 624 691) or the market operated by it (the Australian Securities Exchange), as the context requires
Company	Arena REIT Limited (ACN 602 365 186)
Independent Director	An Independent Director of Arena REIT Limited or Arena REIT Management Limited (as the context requires), namely: David Ross, Simon Parsons and Dennis Wildenburg
Responsible Entity	Arena REIT Management Limited (ACN 600 069 761 AFSL 465754)
Security	Stapled securities in Arena REIT
Securityholder	A person who holds Securities
Trust	Each of Arena REIT No.1 and Arena REIT No.2 (collectively, Trusts)

Corporate directory

Arena REIT Limited

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Arena REIT Management Limited

ACN 600 069 761, AFSL 465754

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Melbourne Victoria 3000

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Email: info@arena.com.au

Website: arena.com.au

Board of Directors of Arena REIT Limited

- David Ross (Independent Non-Executive Chairman)
- Simon Parsons (Independent Non-Executive Director)
- Dennis Wildenburg (Independent Non-Executive Director)
- Bryce Mitchelson (Executive Director)

Board of Directors of Arena REIT Management Limited

- David Ross (Independent Non-Executive Chairman)
- Simon Parsons (Independent Non-Executive Director)
- Dennis Wildenburg (Independent Non-Executive Director)
- Bryce Mitchelson (Executive Director)
- Gareth Winter (Executive Director)

Registry

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Stay up to date with arena.com.au

Arena REIT's website provides a wealth of information about Arena REIT and its activities.

Information includes full and interim year financial reports, presentations and videos as well as Arena tax statement guides

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You can manage your investments through InvestorServe, via Arena's website. This allows investors to view holding balances, transaction history and distribution payments, along with other useful functions.

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1. Call 1800 008 494 and request a password for InvestorServe.
2. Once received, visit Arena's website and click on the InvestorServe link shown on the Investor Centre page. Once there, simply select Register Now.
3. Enter the required information and follow the prompts to verify your identity and create your own account.
4. You should now be able to access and manage your investments.



