
1. MERGER PROPOSAL

1.1 History and Overview

Stockland is a diversified property group, and is currently the fifth largest property trust listed on the ASX with a market capitalisation of approximately \$1.5 billion. Stockland has property investments in the retail, commercial, residential and hospitality segments and conducts significant property development activities.

Stockland's origin dates back to the early 1950s, when the Stocks & Holdings Group of companies emerged as a substantial property development and investment group listed through the parent company, Stocks & Holdings Limited. In June 1980, the Stockland Property Trust was established and acquired all of the assets of the Stocks & Holdings Group.

The Stockland Property Trust was listed from July 1980 until September 1982 when, following changes in the income tax legislation, the Stockland Property Trust was liquidated and the Stockland Trust was then listed, acquiring all the assets of the Stockland Property Trust. Subsequently, further changes to income tax legislation were introduced such that any public trust carrying on trading activities would be subject to corporate rates of income tax. The Stockland Trust was affected by this legislation because of its then wholly owned property trading group.

In February 1988, the Stockland Trust was restructured to separate the trading group into a new company, Stockland Corporation, the shares in which were distributed to the unitholders of the Stockland Trust through a distribution in specie. This formed the structure of the Stockland Trust Group as it exists today. SPML, the Responsible Entity of the Stockland Trust, is a wholly owned subsidiary of Stockland Corporation.

Each unit in the Stockland Trust is "stapled" to a share in Stockland Corporation, and listed on the ASX as a single security. As a result of the stapled structure, distributions to Stockland Security Holders come partly from the Stockland Trust (which carry a tax free and tax deferred portion) and partly from Stockland Corporation (which pays fully franked dividends).

In this section, we set out how accepting the Offers will affect your investment.

1.2 The Offer

SPML, in its capacity as the Responsible Entity of the Stockland Trust, is offering to acquire all of your Flinders Units. Under SPML's Offer (also referred to in this document as the "Offers"), you may accept either of the following:

- Full Scrip Alternative: 1 Stockland Stapled Security for every 2.8 Flinders Units held; or
- Cash and Scrip Alternative: 1 Stockland Stapled Security plus \$2.50 in cash for every 5 Flinders Units held.

If you are a Foreign Unitholder, you will receive a cash payment as set out in Section 6.10.

The Full Scrip Alternative provides you entirely with Stockland Stapled Securities as consideration and the Cash and Scrip Alternative provides you with a combination of cash and Stockland Stapled Securities as consideration.

The Stockland Stapled Securities issued pursuant to these Offers will be of the same class and be entitled to the same Distributions as ordinary Stockland Stapled Securities quoted on the ASX at the time of issue.