

Product Disclosure Statement



STOCKLAND HOLDING TRUST NO. 2

ARSN 132 129 134
Stockland Capital Partners Limited
ABN 86 078 081 722
AFSL 241188
Responsible Entity of Stockland Holding Trust No. 2
Issue date: 12 August 2008

IMPORTANT NOTICES

Responsible entity and issuer of this PDS

Stockland Capital Partners Limited ABN 86 078 081 722 ("SCPL"), AFSL 241188 is the responsible entity of Stockland Holding Trust No. 2 ARSN 132 129 134 ("ST2") and is the issuer of this product disclosure statement ("SCPL", "Issuer", "Responsible Entity" "we", "us", "our").

Product disclosure statement

This product disclosure statement ("PDS") relates to the issue of units in Stockland Holding Trust No. 2. ST2 is a registered managed investment scheme for the purposes of the Corporations Act. The units in ST2 will be Stapled to the units in the Stockland Direct Office Trust No. 3 ("Trust"). The Trust PDS is available on our website at www.stockland.com.au/unlistedpropertyfunds/investor/stockland-direct-office-trust-no-3.htm.

This PDS is dated 12 August 2008. This PDS is not required to be lodged with ASIC. ASIC takes no responsibility for the PDS contents. You should only rely on the information in this PDS.

This PDS is only for information purposes to advise and effect the Stapling and complete the acquisition of the Parramatta Property as contemplated in the Trust PDS. No additional investment or action is required from Investors.

Units in ST2 will be issued to Investors after we submit a valid completed application form as agent for and in the name of Investors to SCPL as responsible entity of the ST2.

Pictures of properties in this PDS

All pictures of properties in this PDS are actual pictures of the Parramatta Property unless stated otherwise.

Offer restrictions

Units in ST2 are only being issued to Investors who currently hold units in the Trust as at 18 August 2008 ("Investors"). Units in ST2 will only be available to Investors receiving this PDS (electronically or otherwise) in Australia. This PDS does not constitute an offer of, or invitation to subscribe for, units in ST2 to any other person or in any place in which it would not be lawful to make such an offer or invitation. The distribution of this PDS in jurisdictions outside Australia may be restricted by law and persons who come into possession of it who are not in Australia should seek advice on and observe any such restrictions. Any failure to comply with such restrictions may constitute a violation of applicable securities laws.

Disclaimers

The Issuer has not authorised any person to give any information or to make any representation in connection with this offer that is not contained within this PDS. No such information or representation may be relied on as having been authorised by the Issuer.

Investments in ST2 do not represent investments in, deposits with or other liabilities of ANZ or any other member of the ANZ group of companies ("ANZ Group"), or Stockland or the Stockland group of entities. ST2 is a separate entity from ANZ and the ANZ Group and is not an authorised deposit-taking institution under the Banking Act 1959 (Australia).

None of the Responsible Entity, Stockland, ANZ, ANZ Group or any of its respective directors, officers, employees, agents or associates stands behind the capital value nor guarantees the performance of the investment or the underlying assets in ST2 nor provides a guarantee or gives any assurance as to the performance of the investment, the repayment of capital or any particular rate of capital or income return.

ANZ and the ANZ Group (whether in a member's individual capacity, as underwriter for SDOT3, as lead arranger for SDOT3, as provider of a limited liquidity facility, any finance facilities or treasury services, or in any other capacity) do not accept any responsibility for any information or errors contained in, or any omission from, this PDS and has not separately verified the information contained in this PDS and makes no representation, warranty or undertaking, express or implied, as to the accuracy, currency or completeness or suitability of the information contained in this PDS. ANZ is not an underwriter or arranger for the issue of units in ST2.

The ANZ Group may also provide finance and treasury and other services to the Stapled Entity or its controlled entities. These services are provided in various capacities as a third party provider and the ANZ Group will act if necessary to protect its interests ahead of those of Investors and other parties. In acting in its various capacities in connection with the Stapled Entity, the ANZ Group will have only the duties and responsibilities expressly agreed to by it in the relevant capacity and will not, by virtue of acting in any other capacity, be deemed to have other duties or responsibilities or be deemed to owe a standard of care other than as expressly provided with respect to each such capacity.

Investments in ST2 are subject to investment and other risks, including possible delays in payment or loss of capital invested (refer to page 18).

The information contained in this PDS is general information only and is not and does not provide any legal or financial product advice. This PDS has been prepared without taking into account your individual investment objectives, financial situation and particular needs. Before acting on any information in this PDS, you should consider the appropriateness of the PDS, having regard to your objectives, financial situation and needs. It is important you read and consider this PDS in its entirety before making any decision in respect of the units in ST2. If you are in any doubt, you should consult your broker or financial or other professional adviser. All references to dollar amounts in this PDS are references to Australian currency unless otherwise stated.

Up to date information

Information contained in this PDS (and any supplementary PDS) may change from time to time. If the change will be materially adverse to Investors, then the Issuer will issue a supplementary PDS in accordance with the Corporations Act. If the change will not be materially adverse, then a supplementary PDS will not be issued and updated information will be available at www.stockland.com.au/unlistedpropertyfunds.

You may also request a paper copy of the updated information which will be provided free of charge.

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**THIS PDS IS FOR INFORMATION PURPOSES ONLY.
NO ADDITIONAL INVESTMENT OR ACTION IS REQUIRED FROM INVESTORS.**

1. KEY INVESTMENT FEATURES

FEATURE	SUMMARY	SECTION(S)
ISSUE OF UNITS		
Description	<p>In 2007, the Trust acquired an interest in the Parramatta Property from ST2 on a deferred settlement basis. The Trust PDS contemplated a number of different ways in which the acquisition would be completed. We have decided that it is in the best interest of Investors to complete the acquisition by issuing you with units in ST2 and stapling those units to the units in the Trust ("Stapling").</p> <p>In order to effect the Stapling, we are required under the Corporations Act to issue you with this PDS. This PDS is for information purposes only. No additional investment or action is required from Investors.</p> <p>At the end of the Stapling, instead of only holding units in the Trust, you will hold units ("Stapled Units") in both ST2 and the Trust ("Stapled Entity") which can only be dealt with together.</p> <p>The value of the Stapled Units that you will hold in the Stapled Entity will equal the value of the units that you held in the Trust before the Stapling. As a result of holding Stapled Units, your entitlements to income will now be from the Stapled Entity, and not just from the Trust. Your returns from the Stapled Entity will be the same as if you only held units in the Trust and the Stapling had not been effected.</p>	2
Issue price	\$0.13342	
Value of Stapled Units in the Stapled Entity	\$0.88*	
Proposed date on which units in ST2 will be issued	18 August 2008	
Proposed date of Stapling	18 August 2008	
PROPERTIES		
Parramatta Property	ST2 owns the Parramatta Property, which is an office building located in the Parramatta CBD, 23 kilometres west of the Sydney CBD, NSW. St George Bank Limited is the major tenant (66.6% of income).	3
Valuation	<p>Under the Deed of Agreement entered into on 2 April 2007, the Trust contracted to acquire the Parramatta Property for \$40.04 million. A \$8.01 million option fee was paid as part of that price.</p> <p>The Parramatta Property has been independently valued at \$37.5 million as at 30 June 2008.</p>	3
BENEFITS		
Professional management	<p>Stockland Capital Partners Limited, a wholly owned subsidiary of Stockland Corporation Limited, is the responsible entity of ST2. Stockland Funds Management Limited changed its name to Stockland Capital Partners Limited.</p> <p>Stockland is a top 30 ASX listed group with a market capitalisation of over \$7.9 billion (as at 30 June 2008) and owns and manages a portfolio of over \$9.3 billion (as at 31 December 2007).</p>	2

* Unaudited NTA of Stapled Entity as at 30 June 2008

1. KEY INVESTMENT FEATURES (CONT.)

FEATURE	SUMMARY	SECTION(S)
BENEFITS (CONT.)		
Regular tax deferred distributions	<p>The distribution policy of the Stapled Entity is to provide Investors with regular distributions (cash distributions will be a combination of income distributions and capital) which include a tax deferred component.</p> <p>Distributions from the Stapled Entity will be paid quarterly within two months of 31 March, 30 June, 30 September and 31 December each year.</p>	2.6
Limited Liquidity Facility ("LLF")	As stated in the Trust PDS, the LLF commenced in the quarter beginning 1 July 2008 (subject to certain conditions). Once the Stapling occurs, Investors may seek to sell their Stapled Units to ANZ through the LLF.	2.7
RISKS		
Key risks	<p>The performance of ST2, and subsequently the value of your Stapled Units, will be influenced by the same fundamental factors that affect most direct property investments, many of which are outside our control. The key risks of holding an investment in ST2 are summarised below. These risks may reduce the distribution levels, the value of the Parramatta Property and/or the tax deferred component of any distributions from ST2 and therefore the Stapled Entity.</p> <p>Property market</p> <p>The property market may affect the value of the Properties including the Parramatta Property. We cannot provide any certainty about the state of the property market throughout the term of the Stapled Entity.</p> <p>If any tenants default or do not renew their leases at the end of their lease term, this may reduce the distribution you will receive.</p> <p>Finance related risks</p> <p>Whilst we expect to be able to extend the term of the Finance Facility which expires on 27 June 2010, there is no guarantee that new facilities may be obtained at competitive or comparable interest rates, if at all. Subject to the terms of the Finance Facility, the margin and/or line fee is fixed until 27 June 2010. If the margin and/or line fee increases, returns to Investors may be adversely affected.</p> <p>The risk factors outlined in section 5 may cause certain loan covenants to be breached if they cannot be remedied within agreed timeframes.</p> <p>Unforeseen capital expenditure</p> <p>Ongoing capital expenditure will be required to maintain the Parramatta Property. In addition, the Parramatta Property may incur unforeseen capital expenditure or repairs or maintenance expenditure. The capital expenditure facility is subject to a variable rate of interest.</p> <p>Liquidity</p> <p>Although the LLF is available to Investors in the quarter commencing 1 July 2008, Stockland or ANZ may terminate the LLF at any time without providing you with prior notice. For more details about this termination, please see section 5.4 "Liquidity".</p> <p>Apart from the LLF, no formal secondary market or other redemption facility exists for the buying and selling of Stapled Units</p>	5

1. KEY INVESTMENT FEATURES (CONT.)

FEATURE	SUMMARY	SECTION(S)
FEES AND OTHER COSTS		
Fees	The Stapling involves no fees payable by Investors to Stockland in addition to the fees already paid for your investment in the Trust. Please refer to section 4 for more information on fees and costs. The cost of Stapling and issuing this PDS will be paid from the assets of the Stapled Entity	4
OTHER INVESTMENT INFORMATION		
Taxation	For Investors who hold their units on capital account, the Stapling should merely result in a part reallocation of tax cost base from the existing Trust units to the new ST2 units. For such Investors, the cost base will prima facie be \$0.13342 per unit in ST2 and the capital gains tax acquisition date of the units in ST2 will be the date that they are issued pursuant to this PDS, not the date of issue of the Trust units. The cost base of your units in the Trust will be reduced by \$0.13342 per unit. Greenwoods and Freehills have prepared a Taxation Report which is set out in section 6. This Taxation Report is necessarily general in nature and Investors are advised to obtain their own professional taxation advice in connection with the Stapling.	6
Ethical issues	We take environmental issues into account when managing our investments. This aside, we will not take into account environmental, labour standards, nor social or ethical considerations in selecting, retaining or realising investments for ST2, except to the extent required by law or expected to have an affect on the price or value of investments.	2.10
Complaints	We have a complaints resolution procedure and we are a Financial Ombudsman Service member.	7.5
Cooling off period	There is no cooling off right for Investors for the issue of units in ST2 as ST2 is illiquid.	2.9

2. TRUST STRUCTURE AND THE STAPLING

2.1 BACKGROUND

In 2007, the Trust acquired an interest in the Parramatta Property from ST2 on a deferred settlement basis. Completion of this acquisition is scheduled to occur prior to or by 18 August 2008.

As set out in section 1, the Trust will complete the acquisition of the Parramatta Property by issuing units in ST2 to Investors and stapling the units on issue in the Trust to the newly-issued units in ST2. Units in ST2 will not be issued to any new investors.

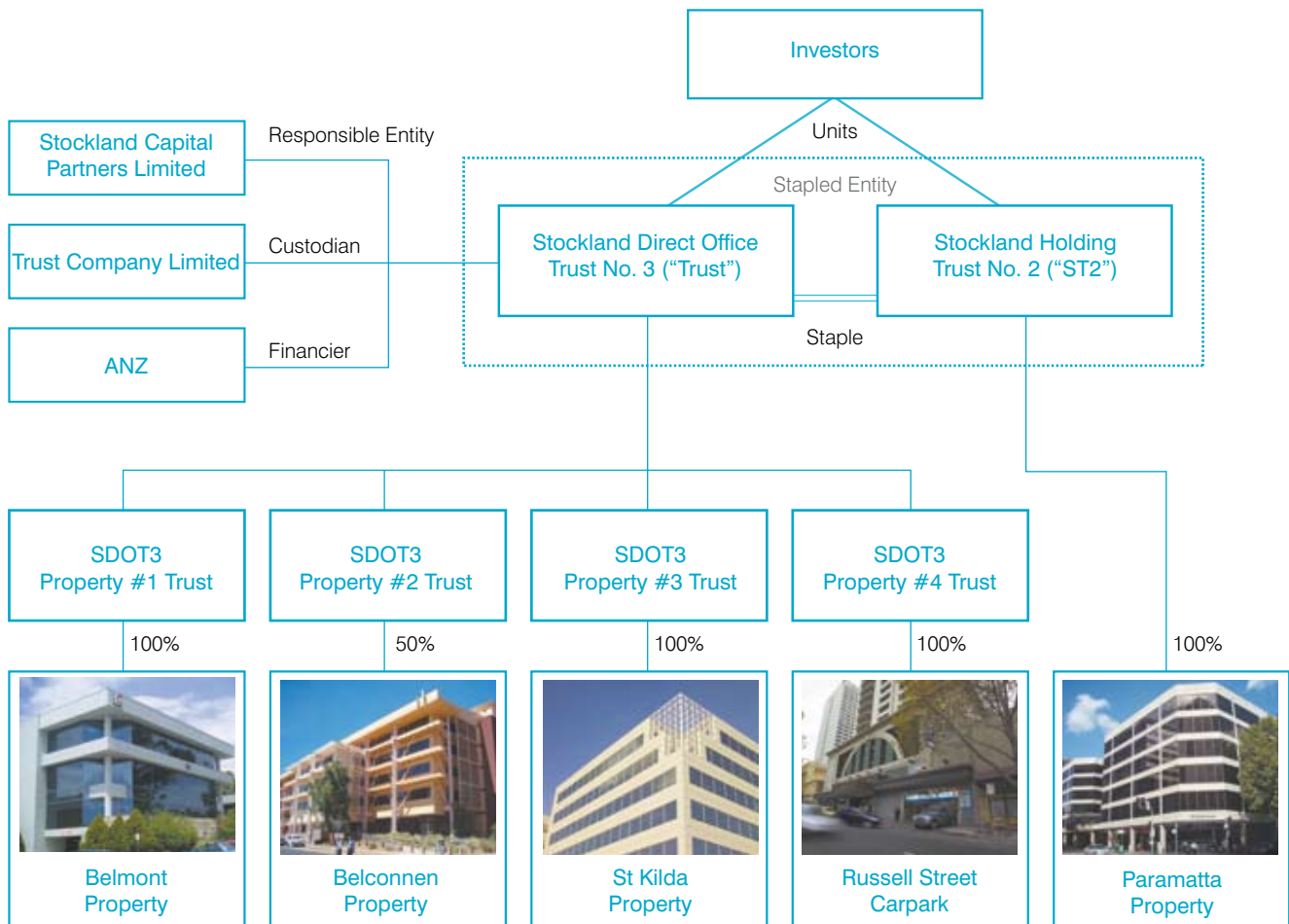
In order to effect the Stapling, we are required under the Corporations Act to issue you with this PDS.

**This PDS is for information purposes only.
No additional investment or action is required from Investors.**

Stockland will continue to manage the Stapled Entity and the Properties, including the Parramatta Property. Stockland is a top 30 ASX listed group with a market capitalisation of over \$7.9 billion (as at 30 June 2008) and owns and manages a portfolio of over \$9.3 billion (as at 31 December 2007).

2.2 STRUCTURE

The following diagram illustrates the structure of the Stapled Entity after the Stapling is effected. Further details of the Parramatta Property are set out in section 3.



2. TRUST STRUCTURE AND THE STAPLING (CONT.)

2.3 STAPLING MECHANICS

In broad terms, the Stapling involves the Responsible Entity of the Trust making a capital distribution to you and applying that capital distribution on your behalf to take up units in ST2.

We will subscribe for units in ST2 as agent for and in the name of Investors at the subscription price of \$0.13342 per unit. Investors will be issued units in ST2 in the same proportions as their unitholdings in the Trust. As and when units in ST2 are issued to Investors, units in the Trust and ST2 will be stapled to each other. Stockland will maintain its cornerstone investment in ST2, and therefore in the Stapled Entity.

Once the Stapling is completed, instead of just holding units in the Trust, you will now hold units in the Stapled Entity, and you will hold the same number of units in ST2 as you held in the Trust. The Stapling means that you may only deal with the Stapled Units together.

On Stapling, the value of the Stapled Units together will equal the value of the units held in the Trust immediately before Stapling. Your income entitlements will now be from the Stapled Entity, not just from the Trust.

You should receive a holding statement from the Registrar in August 2008 reflecting your holding in the Stapled Entity.

For more details about how the issue of units in ST2 will be funded, see section 2.5 below.

2.4 STAPLING EXAMPLE

Each Investor will receive one unit in ST2 for every one unit they hold in the Trust. An Investor holding 1,000 units in SDOT3 will receive 1,000 units in ST2. After Stapling, the Investor will hold 1,000 Stapled Units.

2.5 SOURCES AND APPLICATIONS OF FUNDS

No additional investment is required from Investors to be issued units in ST2.

The subscription price for the units in ST2 will be funded by return of capital from the Trust to Investors. The Trust will fund the capital return via a combination of the refund by ST2 of the \$8.01 million call option fee to the Trust (which was paid by SCPL as responsible entity of the Trust to ST2 upon entry into the Put and Call Option Deed) and equity already raised as part of the offer of units in the Trust.

2.6 INVESTMENT STRATEGY

Our investment strategy for ST2 and the Stapled Entity is unchanged from when you invested in the Trust. The strategy is to provide regular distributions and an opportunity for capital growth. To achieve this investment strategy, the Stapled Entity will have investments in a portfolio of four commercial properties and a car park.

We intend to convene an Investors' meeting before 30 June 2014 to consider an exit or a continuance strategy recommended by us which could include, but is not limited to, the following:

- continuing the Stapled Entity with a defined investment and liquidity strategy;
- selling the units in the Stapled Entity in consideration for units of another trust;
- undertaking a public offering of the units in the Stapled Entity or the Properties, with Investors potentially participating by way of a separate offer document; and/or
- selling the Properties and winding up the Stapled Entity.

At or before the Investors' meeting, we will provide you with information known to us that we consider material to making a decision and any material that the Corporations Act requires.

We will recommend a strategy which we believe will deliver the overall most favourable outcome to Investors, on balance, having regard to the risk and rewards of the strategy and the financial position of the Stapled Entity at the time.

2. TRUST STRUCTURE AND THE STAPLING (CONT.)

Irrespective of the recommended strategy, we will use our best endeavours to redeem units in the Stapled Entity held by Investors who wish to exit the Stapled Entity at that time. We will fund these redemptions through available cash reserves, or equity raised from alternative investors. We may also fund these redemptions from the sale of one or more Properties, if we consider that such a sale is in the best interests of Investors.

In accordance with our corporate governance framework, we, the Directors will review any approach to be recommended to you. Further, if there is a conflict of interest with Stockland's holding of units, Stockland will not vote on the strategy at the Investors' meeting.

2.7 LIMITED LIQUIDITY FACILITY ("LLF")

As stated in the Trust PDS, a Limited Liquidity Facility ("LLF") commenced in the quarter beginning 1 July 2008 through which Investors could sell their units in the Trust.

Once the Stapling occurs, units in the Trust and ST2 may only be traded together. Investors will be able to use the LLF to sell Stapled Units to ANZ. The LLF is limited to a maximum number of 1,000,000 Stapled Units per quarter once Stapling occurs.

The price that ANZ will pay for each Stapled Unit that it acquires from Investors under the LLF will be the most recent NTA per Stapled Unit ("Sale Price"), less withdrawal fees that will be deducted from the Sale Price. Withdrawal fees per transaction comprise 2.5% of the Sale Price, any transfer costs (including stamp duty) for the sale and a transaction processing fee of \$110 (inclusive of GST). The LLF form will be available on our website at www.stockland.com.au/UnlistedPropertyfunds/Investor/Stockland-Direct-Office-Trust-No-3.htm

Stockland Trust has placed a standing order with ANZ to purchase the Stapled Units acquired by ANZ under the LLF (a maximum 1,000,000 Stapled Units per quarter). The price payable by Stockland Trust to ANZ for the acquisition of the Stapled Units under the standing order is the Sale Price.

Investors should note that we or ANZ may terminate the LLF in certain circumstances. Please refer to section 5.4 "Liquidity" for an explanation of when we may terminate the LLF.

Full details of the LLF are set out in section 5.7 of the Trust PDS.

2.8 INFORMATION AVAILABLE TO INVESTORS

Once Stapling has occurred, the reports that you will receive will apply to your investment as units in the Stapled Entity. We will endeavour to provide you with the following information:

TYPE OF INFORMATION	WHEN AND HOW AVAILABLE
Investment report	Every six months, mailed with the distribution statements for the half years ending 30 June and 31 December (also available on our website www.stockland.com.au/unlistedpropertyfunds).
Distribution statement	Quarterly, mailed within two months of 31 March, 30 June, 30 September and 31 December each year.
Annual financial report	By 31 August each year by mail (also available on our website www.stockland.com.au/unlistedpropertyfunds).
Annual taxation statement	By 31 August each year by mail.

2.9 NO COOLING OFF PERIOD

As ST2 has investments in real estate, which is "illiquid" for the purposes of the Corporations Act, there will not be a cooling off period for the issue of units in ST2.

2.10 LABOUR STANDARDS OR ENVIRONMENTAL, SOCIAL AND ETHICAL CONSIDERATIONS

Corporate responsibility and sustainability ("CR&S") is becoming an increasingly important focus for the property sector, organisations and the community as a whole. Stockland adopts CR&S as a core business principle. Stockland's CR&S aim is to meet or exceed the expectations of all our stakeholders, delivering long term value and sustainability to Stockland's business.

We take environmental issues into account when managing our investments and sustainability measures will only be implemented when they are consistent with our duty to Investors in ST2 or, at a minimum, neutral to the ST2's financial returns and/or performance. Please refer to section 4.5 of the Trust PDS for more information about how we take environmental issues into account in this respect.

This aside, we will not take into account environmental, labour standards, nor social or ethical considerations in selecting, retaining or realising investments for ST2, except to the extent required by law or expected to have an effect on the price or value of investments.

More information about Stockland's CR&S approach can be found at www.stockland.com.au/about

2.11 CORPORATE GOVERNANCE AND CONFLICT RESOLUTION

We have established a corporate governance framework to protect your interests. This framework includes the following approach:

- detailed disclosure in this PDS of Stockland's roles, agreements and fees in relation to ST2 and the Parramatta Property;
- a comprehensive due diligence process involving independent legal, tax, accounting and property valuation experts;
- documented and executed agreements between Stockland, ST2 and the Trust, with independent legal advice;
- two of our Directors are independent of Stockland;
- monitoring of compliance with our obligations by our Compliance Committee;
- a six monthly review and full year audit of all retail funds by the scheme auditor and full year audit by the Compliance Plan auditor;
- a requirement for the approval of all related party transactions by unanimous vote of our board of Directors, including the two Directors who are independent of Stockland; and
- undertaking of actions in accordance with Stockland's conflicts of interest policy.

In addition, the Directors have a fiduciary duty to act in the best interests of Investors in relation to decisions affecting ST2.

3. THE PARRAMATTA PROPERTY

75 GEORGE STREET, PARRAMATTA, NSW

Asset type	Commercial
Building grade	B grade
Description	Five levels of office accommodation and two ground floor retail tenancies
Construction date	1985
Last refurbished	2007
Valuation	\$37.5 million*
Trust ownership	100% freehold
WALE	4.5 years
Site area	2,668 sqm
Lettable area	9,545 sqm
Car spaces	104
Occupancy rate	100%
No. of tenants	7
Major tenant	St George Bank Limited. (38.2% of lease term expires on 31 May 2012, the remainder expires in December 2012, with one five year option to renew)



Location

Parramatta is situated approximately 23 kilometres west of the Sydney CBD. Parramatta is considered a transport hub for Sydney's western suburbs, with a bus and rail interchange and RiverCat Wharf within walking distance of the Parramatta CBD.

Market overview

The Parramatta office market has experienced strong demand with increased net absorption and low vacancy rates. Vacancy in the Parramatta market is 7.4% (as at January 2008), down from 8.8% in January 2007.

Parramatta Property

The Parramatta Property is a five level, twin tower, B grade commercial office building with two retail tenancies on the ground floor, and 104 car spaces in the basement and covered parking at the rear. The Parramatta Property is located at the heart of the Parramatta CBD on the high profile corner of Smith Street and George Street.

Major tenant

St George Bank Limited occupies 66.6% of the Parramatta Property (by income). St George Bank Limited was established in 1937 as a housing based financial institution and is now Australia's fifth largest bank and one of the top 15 ASX listed companies in Australia with over 8,500 employees.

Valuation

The Parramatta Property's value is based on a 100% freehold interest in the Parramatta Property. The Parramatta Property was independently valued as at 30 June 2008.

* As at 30 June 2008.

4. FEES AND COSTS

CONSUMER ADVISORY WARNING

DID YOU KNOW?

Small differences in both investment performance and fees and costs can have a substantial impact on your long term returns.

For example, total annual fees and costs of 2% of your fund balance rather than 1% could reduce your final return by up to 20% over a 30 year period (for example, reduce it from \$100,000 to \$80,000).

You should consider whether features such as superior investment performance or the provision of better member services justify higher fees and costs.

You may be able to negotiate to pay lower contribution fees and management costs where applicable. Ask the fund or your financial adviser.

TO FIND OUT MORE

If you would like to find out more, or see the impact of the fees based on your own circumstances, the **Australian Securities and Investments Commission (ASIC)** website (www.fido.asic.gov.au) has a managed investment fee calculator to help you check out different fee options.

4.1 FEES AND OTHER COSTS

This section shows fees and other costs that you may be charged. These fees and costs may be deducted from your money, from the returns on your investment or from the fund assets as a whole.

The information on taxes is set out in another part of this document.

You should read all the information about fees and costs because it is important to understand their impact on your investment.

All fees and costs quoted in this section 4 include GST (where applicable) less any reduced input tax credits.

TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
FEES WHEN YOUR MONEY MOVES IN OR OUT OF THE STAPLED ENTITY		
Establishment fee The fee to open your investment	Nil	Not applicable
Contribution fee The fee on each amount contributed to your investment – either by you or your employer	Nil	Not applicable
Withdrawal fee The fee on each amount you take out of your investment	Nil	Not applicable
Termination fee The fee to close your investment	Nil	Not applicable

4. FEES AND COSTS (CONT.)

TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
MANAGEMENT COSTS		
The fees and costs for managing your investment	<p>Management fee (payable to the Responsible Entity) 0.46125% per annum of the gross asset value of the Stapled Entity.</p>	Calculated monthly and payable to the responsible entity from the assets of the Stapled Entity at the end of each quarter.
	<p>Trust operating expenses* Reimbursable costs and expenses estimated to be approximately 0.28% per annum of the gross assets of Stapled Entity.</p>	Paid or reimbursed out of the gross assets of the Stapled Entity.
	<p>Services fee A services fee equal to the Responsible Entity's reasonable estimate of its costs in providing its services as responsible entity for which it is not otherwise reimbursed under the general right to reimbursement for costs and expenses.</p>	Payable or reimbursed out of the assets of the Stapled Entity from time to time on demand by the Responsible Entity.
	<p>Performance fee 20.5% of the performance of the Stapled Entity above the Benchmark calculated every six months. The Benchmark is the 10 year bond yield (calculated as the average of the 10 year bond yield at the end of each month over the half year) plus 3.0% per annum. The performance fee for each six month fee period is capped at 0.46125% per annum of the closing gross asset value of the Stapled Entity at the end of the six month period for the period from Allotment until that date, less the aggregate of the fee caps for all prior six month periods. If the performance fee calculation is negative, we do not pay that negative amount. However, any underperformance or outperformance in respect of the Benchmark is carried forward to future periods.</p>	<p>The performance fee, if any, is calculated at the end of every half year by the Stapled Entity and is payable out of the assets of the Stapled Entity to the Responsible Entity on the earliest of:</p> <ul style="list-style-type: none"> – the date on which the Responsible Entity (or its replacement responsible entity if it is a related body corporate) retires or is removed as responsible entity; – the final distribution on winding up of the Stapled Entity; – the date of settlement of the sale of a Property or the Properties; and – the date which is 14 days after a meeting of Investors held before 30 June 2014 to consider termination of the Stapled Entity, and at which it was decided not to terminate the Stapled Entity. <p>SCPL is entitled to be paid the excess performance fee, if any, if it ceases to be responsible entity other than through voluntary retirement.</p> <p><i>(continued next page)</i></p>

* This figure is only an estimate and does not limit the ability of the Responsible Entity to recover any expenses it incurs in the proper performance of its duties as responsible entity of ST2 as set out under the constitution (see section 7.1). This fee is expressed as a percentage per annum, being approximately 0.28% of the gross assets of the Stapled Entity.

4. FEES AND COSTS (CONT.)

TYPE OF FEE OR COST	AMOUNT	HOW AND WHEN PAID
	Performance fee (cont.)	The performance fee is only payable if Investors' Application Moneys are exceeded by either: <ul style="list-style-type: none"> (i) the amount to be distributed on a winding up of the Stapled Entities; or (ii) if before a winding up, the consolidated net asset value of the Stapled Entity, plus any capital components arising from the sale, other realisation or revaluation of the Properties included in all distribution made in respect of the Stapled Units.

SERVICE FEES

Investment switching fee

The fee for changing investment options	Nil	Not applicable
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EXAMPLE OF ANNUAL FEES AND COSTS

This table gives an example of how the fees and costs for the Stapled Entity can affect your investment over a 1 year period. You should use this table to compare this product with other managed investment products.

EXAMPLE: STAPLED ENTITY GROSS ASSETS OF \$37.5 MILLION

BALANCE OF \$50,000

Management costs	0.74125%*	For every \$50,000 you have in the Stapled Entity, you will be charged \$370.63 each year.
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EQUALS:

Cost of Stapled Entity

If you had an investment of \$50,000 at the beginning of the year, you would be charged fees of:

\$370.63.*

What it costs you will depend on the investment option you choose and the fees you negotiate with your fund or financial adviser.

* The fees and costs in the above example are based on the assumption that the gross asset value of the Stapled Entity is \$136 million. **Additional fees may apply.** Management costs in the above example are shown as the sum of management fee and expense recoveries (assuming expense recoveries of 0.28% of the gross assets of the Stapled Entity). The above example does not take into account performance fees or service fees as it is not possible to estimate those fees or if they will be payable at all. Please refer to section 4.2 below for an explanation of how the performance fee is calculated.

If you are investing through an IDPS there are additional fees and costs charged by the operator of that service. Please refer to your IDPS offer document for the fees applicable to your investment.

4.2 ADDITIONAL EXPLANATION OF FEES AND COSTS

4.2.1 MANAGEMENT COSTS

Management Costs cover the general administration and management of the Stapled Entity. Management Costs comprise the management fee, the performance fee, trust operating expenses and the services fee. Each of these is discussed below.

Management fee

The management fee is 0.46125% of ST2's gross asset value, calculated monthly and payable from the assets of the Stapled Entity at the end of each quarter.

4. FEES AND COSTS (CONT.)

Performance fee

The performance fee is calculated at the end of every half year and is payable as outlined in section 4.1. The fee is calculated as:

- 20.5% of the performance of ST2 above the Benchmark (10 year bond yield plus 3.0% per annum);
- capped at 0.2306% of the closing gross asset value of ST2 at the end of each six month period;
- subject to a minimum of zero; that is, if the performance fee calculation is negative, we do not pay that negative amount;
- any underperformance in respect of the Benchmark is carried forward to future periods; and
- any outperformance of ST2 above the performance fee cap for a six month period is carried forward to future periods.

The performance fee is payable if Investors' Application Moneys are exceeded by either:

- (i) the amount to be distributed on a winding up of the Stapled Entities; or
- (ii) if before a winding up, the consolidated net asset value of the Stapled Entity,

plus any capital components arising from the sale, other realisation or revaluation of the Properties included in all distributions made in respect of the Stapled Units (see section 4.1 for further details on how and when the performance fee can be paid).

The following table sets out an example of how the performance fee for the Stapled Entity is calculated. The worked example is based on the following assumptions:

- the fee cap on the performance fee does not apply;
- the Stapled Entity is terminated on 30 June 2014;
- the closing NTA per Stapled Unit is \$1.10 (representing a Property growth rate of 3.6% per annum from the initial acquisition cost of \$132.85 million, after recovering all acquisition and fund establishment costs);
- total distributions from the Stapled Entity remain steady at 7.85% per annum; and
- the Benchmark return is 9% per annum (based on a 10 year bond yield of 6% per annum).

PERFORMANCE FEE EXAMPLE	CALCULATION	TOTAL
ASSUMPTIONS		
Number of Stapled Units (initial units in the Trust issued at \$1.00)	b	60.02m
Final NTA per Stapled Unit	a	\$1.10
Cumulative distributions made (based on a return profile of 7.75% per annum in year 1 and 7.85% per annum for years 2 to 7)	$[7.75\% + (7.85\% \times 6)] \times b$	\$32.92m
Cumulative Benchmark return (based on a Benchmark return of 9% per annum, comprising a 10 year bond yield of 6% per annum plus 3% per annum, for seven years)	$(9.00\% \times 7) \times b$	\$37.81m
PERFORMANCE FEE CALCULATION		
Net assets of the Stapled Entity	$c = a \times b$	\$66.02m
Value of initial units in the Trust	$b \times \$1.00$	\$(60.02)m
Increase in net asset value of the Stapled Entity	$d = c - (b \times \$1.00)$	\$6.00m
Cumulative distributions made from the Stapled Entity	e (see calculation above)	\$32.92m
Cumulative Stapled Entity return	$f = d + e$	\$38.92m
Cumulative Benchmark return	g (see calculation above)	\$(37.81)m
Outperformance	$h = f - g$	\$1.11m
Total performance fee payable	$h \times 20.5\%$	\$0.23m

4. FEES AND COSTS (CONT.)

The performance fee example is provided for illustrative purposes only and does not represent any actual or prospective information of ST2 or the Stapled Entity. We do not provide any assurance that ST2 or the Stapled Entity will achieve the performance used in the example.

It is not possible to estimate the actual performance fee, if any, payable in any given period, as we cannot accurately forecast what the performance of ST2 or the Stapled Entity will be.

Trust operating expenses

The Constitution provides that, subject to the Corporations Act, the Responsible Entity is entitled to be reimbursed out of the assets of the Stapled Entity for any expense that we incur in the proper performance of our duties as responsible entity of ST2.

Services fee

Under the Constitution, the Responsible Entity is entitled to be paid an additional management fee equal to its reasonable estimate of its costs in providing services as responsible entity for which it is not otherwise reimbursed under the general right to reimbursement for costs and expenses.

This includes all overheads and applies whether incurred directly by the Responsible Entity, or reimbursed by the Responsible Entity to any of its related bodies corporate, in providing its services as responsible entity.

Taxation

Please refer to the Taxation Report in section 6.

Unless otherwise noted, all fees and costs specified in this PDS are GST inclusive, net of any input tax credits (including reduced input tax credits) available to ST2 and the Stapled Entity.

4.2.2 MAXIMUM FEES UNDER THE CONSTITUTION

We intend to charge the fees set out in section 4.1. We reserve the right to change the fees, subject to the maximum amounts under the Constitution (as set out above). We will provide at least 30 days' written notice to Investors if any such change is made.

We are entitled to the following maximum fees under the constitution:

- management fee of 1% per annum of the gross asset value of the Stapled Entity, calculated monthly and payable out of the assets of the Stapled Entity at the end of each quarter; and
- performance fees as described in section 4.2.1.

4.2.3 LLF WITHDRAWAL FEE

If Investors use the LLF to sell their Stapled Units to ANZ (see section 2.7), withdrawal fees will apply. The price paid by ANZ to Investors for each Stapled Unit sold under the LLF will be the most recent NTA per Stapled Unit ("Sale Price"), less withdrawal fees which will be deducted from the Sale Price. Withdrawal fees per transaction comprise 2.5% of the Sale Price, any transfer costs (including any stamp duty) for the sale and a transaction processing fee of \$110 (GST inclusive).

The following sets out a worked example of how the withdrawal fees would be calculated:

Number of Stapled Units sold		10,000
NTA per Stapled Unit		\$1
Sale Price		\$10,000
Withdrawal fee		\$(420)
	2.5% of Sale Price	\$250
	Transfer costs based on 0.6% stamp duty	\$60
	Transaction processing fee	\$110
	Total withdrawal fee	\$420
Price paid for Stapled Units sold under LLF		\$9,580

4. FEES AND COSTS (CONT.)

4.2.4 PROPERTY MANAGEMENT FEE

Stockland Property Management Pty Limited ACN 000 059 398 is the property manager (“Property Manager”) for the Parramatta Property. It will receive a property management fee of 1.0% per annum (e.g. \$1.00 for every \$100) of the aggregate of rent and outgoings payable by the tenants of the Parramatta Property plus reasonable recovery of costs incurred in performing its duties as property manager. A portion of this fee is recoverable from the tenants of the Parramatta Property as property outgoings (subject to terms of individual leases). ST2 will pay the non-recoverable portion.

In addition, leasing fees between 11% and 15% (e.g. between \$11 and \$15 for every \$100) of the first year’s rent payable under a lease are payable to Stockland Property Management Pty Limited for new leases obtained depending on the lease terms. Lease renewals attract a reduced fee.

The leasing fees and the portion of the property management fee that ST2 pays form part of the trust operating expenses as set out in section 4.1.

4.2.5 TRANSACTION COSTS

Whilst the Constitution authorises us to include transaction costs in calculating the application and redemption prices of units in ST2, we do not intend to charge transaction costs.

However, ANZ will charge withdrawal fees for the sale of Stapled Units through the LLF (see sections 2.7 and 4.2.3).

5. RISK FACTORS

5.1 INTRODUCTION

Many factors will influence ST2's performance which we cannot control. These factors may reduce the distribution levels from ST2, the value of the Parramatta Property and the tax deferred component of any distributions from ST2.

You should also be aware that holding an investment in ST2, like any units in a unit trust, represents an investment in ST2's equity and therefore ranks last for payment, after both secured and unsecured creditors of ST2 have been paid, if ST2 is terminated or wound up.

In this event, you will only receive a return of capital after repaying secured and unsecured creditors. In extreme circumstances, you may lose all of your capital invested in ST2.

The Trust has granted security to ANZ, including a fixed and floating charge and mortgages over the Properties, to secure amounts owing under the Finance Facility. ST2 will also grant security to ANZ for the Finance Facility, including a guarantee and indemnity, a fixed and floating charge over ST2's assets and a mortgage over the Parramatta Property. ST2's guarantee and security in support of the Trust's borrowings under the Finance Facility will increase Investors' exposure to unforeseen events or risk factors (including losses or gains to Investors).

5.2 PROPERTY RELATED RISKS

ST2 owns the Parramatta Property and will be subject to the usual property market risks, including:

- the property market and new competing developments in nearby areas may affect the value of the Parramatta Property (through capital gains or losses);
- if any tenants default, do not renew their leases or vacancies are not leased, this may reduce the distribution you will receive;
- we may need to renegotiate the facility limit under the Finance Facility with the Financier to cover the costs of repairs and maintenance or capital expenditure requirements. There is no guarantee that ANZ will agree to increase the facility limit under the Finance Facility. This may result in additional costs to ST2 and subsequently affect distributions to Investors. Alternatively, additional repairs and maintenance and capital expenditure may be funded from available cash, which may adversely impact ST2's distributions;
- if the non-recoverable portion of property expenses increase at a greater rate than rental increases, some property expenses will not be recoverable from tenants and ST2's income will reduce;
- if insurance policies do not cover damage, rectification costs may have an impact on your distributions and returns; and
- rent abatement and/or termination of the lease may result in less income being available to ST2 for distributions.

5.3 FINANCE RELATED RISKS

Although the Finance Facility has been signed, the Stapled Entity will be subject to the usual finance related risks, including:

- refinancing risk upon expiry of the Finance Facility on 27 June 2010. The Finance Facility may be extended annually for a further 12 months on an ongoing basis at our request (and with ANZ's consent). Whilst we expect to be able to extend the term of the Finance Facility, there is no guarantee that new facilities may be obtained at competitive or comparable interest rates, if at all. If the Finance Facility cannot be entirely refinanced on its termination or expiry, then your returns may be adversely affected or ST2 and/or the Trust may be wound up;
- Stockland has provided an interest rate swap to fix the interest rate on the Property Facility at 6.35% per annum until 27 June 2010. This interest rate will remain fixed for a further 4 years, subject to the margin and line fee under the Property Facility remaining at 0.60%. If the margin and/or line fee under the Finance Facility increases after 27 June 2010, returns to Investors may be adversely affected.
- the Capital Expenditure Facility is subject to a variable interest rate which may affect distribution levels; and
- The risk factors outlined in this section may result in breaching certain loan covenants which cannot be remedied within agreed timeframes. For example, if the gearing ratio exceeds 67%, ANZ may seek to renegotiate the Finance Facility or enforce its security and sell the Parramatta Property and/or the other Properties.

5.4 GENERAL RISKS

Changes in laws and government policy

Changes in government legislation, including changes to the taxation system or property laws, may affect ST2 distributions, or the value of the Parramatta Property. This may affect the relative attractiveness of holding units in the Stapled Entity.

Economic conditions

Demand for commercial property from both tenants and investors will be important in determining the level, if any, of income and capital growth of the Parramatta Property. Changes in the economy and market conditions may affect demand for the Parramatta Property and its value.

Liquidity

We have placed a standing order with ANZ to purchase the Stapled Units that ANZ acquires from Investors under the LLF. We or ANZ can terminate the LLF without notice to Investors for any reason, including to prevent any liability to stamp duty arising from the sales of the units. This includes if either the Trust or ST2 does not have sufficient spread of Investors required by the different rules governing stamp duty in the relevant Australian States and territories. This includes if any Investor (including Stockland who intends to maintain its 10% cornerstone investment in the Stapled Entity) and its related entities hold 20% or more units in the Stapled Entity.

6. TAXATION REPORT

Greenwoods & Freehills

11 August 2008

The Directors
Stockland Capital Partners Limited
Level 25
133 Castlereagh Street
Sydney NSW 2000

Dear Directors

**Stockland Direct Office Trust No.3 ("SDOT3")
Stockland Holding Trust No.2 ("ST2")
Australian Taxation Consequences**

We have been instructed by Stockland Capital Partners Limited (the "**Responsible Entity**"), as responsible entity for both SDOT3 and ST2, to prepare a taxation report for inclusion in the Product Disclosure Document ("**PDS**") dated on or about 12 August 2008, which relates to both the return of capital by SDOT3 and the application of that amount for the issue of units ("**Units**") in ST2.

Capitalised terms not elsewhere defined in this letter have the same meaning as in the PDS.

Greenwoods & Freehills Pty Limited has given its consent to the inclusion of this letter in the PDS.

1 Scope of report

This letter provides a summary of the principal Australian income tax and goods and services tax ("**GST**") implications arising from the return of capital by SDOT3, the application of that amount for the issue of the Units in ST2 and the subsequent holding and disposal of Units by Australian Resident Unitholders who:

- are individuals, trustees, complying superannuation entities and companies; and
- hold their Units in ST2 on capital account.

The information contained in this letter is based on the Australian income tax and GST laws applicable as at the date of this letter. Unitholders should note that taxation law and practice may change during the term of any investment, including the holding of Units in ST2.

The information contained in this letter is of a general nature only and does not constitute tax advice nor attempt to address all of the tax implications that may be relevant, and should not be relied upon as such. The precise tax consequences for Unitholders that invest in ST2 will depend on their own facts. Unitholders should not rely on the information contained in this opinion and should seek independent taxation advice in light of their own particular facts and circumstances.

The representatives of Greenwoods & Freehills Pty Limited involved in preparing this opinion are not licensed to provide financial product advice in relation to dealing in

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Greenwoods & Freehills Pty Limited ABN 60 003 146 852

securities. Accordingly, Greenwoods & Freehills Pty Limited does not seek to recommend, promote or otherwise encourage any party to acquire Units in ST2.

Unitholders should consider seeking advice from a suitably qualified Australian Financial Services Licence holder before making any investment decision. Unitholders should also note that taxation is only one of the matters that may need to be considered.

2 Capital return by SDOT3

It is intended that SDOT3 will make a capital return to its Unitholders. This capital return will be equal to the amount to be subscribed for the issue of the Units in ST2.

The capital returned to an Australian Resident Unitholder will reduce the cost base and reduced cost base of their existing units in SDOT3 by the amount returned (which should equal a proportion of what the Australian Resident Unitholder originally paid for the Unit).

As such, no capital gain should arise to the Australian Resident Unitholder in relation to the capital returned by SDOT3 unless the sum of the capital return and the tax deferred distributions that have been made by SDOT3 since the time of the initial subscription are in excess of the Unitholder's cost base. We understand that no capital gain should therefore arise for Unitholders who acquired their units in SDOT3 pursuant to the PDS dated 2 April 2007 initial issue.

3 Taxation of ST2

After the application of the capital return amount, the Unitholders of SDOT3 will become Unitholders in ST2 and therefore the taxation consequences arising from such a Unitholding need to be considered.

It is the intention of the Responsible Entity, as responsible entity of ST2, to manage ST2 such that ST2 will not be classified as a public trading trust under Division 6C nor a corporate unit trust under Division 6B. On this basis, the Responsible Entity, as responsible entity of ST2, should generally not be subject to tax in respect of the income and gains derived by ST2 provided that the Unitholders are presently entitled to all of the income of ST2 for each income year.

3.1 Income distributions

An Australian Resident Unitholder will include in its assessable income its share of the net income of ST2 for tax purposes as advised by the Responsible Entity.

In determining this amount, it is generally accepted that an Australian Resident Unitholder will include in their assessable income the proportion of the net income for taxation purposes of the trust based on their proportionate entitlement to the income of ST2. The Unitholder's entitlement to the income of ST2 will be governed by the terms of the Constitution of ST2. Further, an Australian Resident Unitholder's assessable income for an income year must include the taxable component of a distribution to which the Unitholder is entitled in respect of that year, even if the distribution is paid in a subsequent year or the distribution is reinvested.

Income distributed by ST2 will generally retain the character it had when it was derived by ST2.

Where a distribution from ST2 exceeds the Australian Resident Unitholder's share of the net income of ST2 for tax purposes, the excess may not be immediately taxable to the Australian Resident Unitholder but will, unless it relates to a distribution of a discount capital gain, reduce the cost base and reduced cost base of the Units held by the Australian Resident Unitholder (this excess is often called the 'tax deferred' component of the distribution).

Once the total tax deferred amounts received by the Australian Resident Unitholder exceeds its cost base in the Units, the tax deferred component of a distribution will give rise to an immediate capital gain. Certain types of Unitholders may be eligible for the capital gains tax ("CGT") discount in respect of this capital gain – refer to the discussion below.

3.2 Capital gains and CGT discount

To the extent that a net capital gain is included in ST2's net income for tax purposes, an Australian Resident Unitholder should be regarded as having derived a capital gain equal to the Australian Resident Unitholder's proportionate share of such a net capital gain.

The capital gain component of a distribution should be included in the Australian Resident Unitholder's calculation of their net capital gain. Where the capital gain includes a discounted capital gain component, the Australian Resident Unitholder will initially be required to 'gross-up' that amount by the discount applied by ST2 (i.e. 50%). The grossed-up capital gain is then included in the calculation of the Australian Resident Unitholder's net capital gain.

If an Australian Resident Unitholder is an individual, trustee or a complying superannuation entity, the amount of the Unitholder's grossed-up capital gain is reduced by the relevant CGT discount. If an Australian Resident Unitholder, who is an individual or trustee, applies the CGT discount method, the Unitholder's taxable capital gain (after offsetting any current year capital losses or carry forward net capital losses from previous years) will be reduced by one half (or one third if the Unitholder is a complying superannuation entity).

The CGT discount is not available to an Australian Resident Unitholder that is an individual, trustee or a complying superannuation entity in the first 12 months after the acquisition of its Units. In calculating the period of 12 months for CGT purposes, the Units are considered to have been acquired on their date of issue pursuant to this PDS not the date of acquisition of the original units in SDOT3. If the Australian Resident Unitholder is a company, the CGT discount is not available at any time.

The CGT concession component of a distribution represents the CGT discount claimed by ST2 in respect of capital gains made by ST2, the proceeds from which have been distributed to Unitholders. This component is not assessable when received by an Australian Resident Unitholder and will not reduce the cost base of the respective Units held by the Unitholder.

3.3 Disposal of units

(a) Capital gains

Upon disposal of a Unit, an Australian Resident Unitholder will make a capital gain if the consideration received exceeds the cost base of the Unit. The Australian Resident Unitholder will make a capital loss if the consideration received is less than the reduced cost base of the Unit.

The cost base and reduced cost base of a Unit is broadly the amount the Unitholder paid for them (including incidental costs of acquisition and disposal) reduced by the tax deferred component of ST2 distributions received by the Unitholder in respect of that Unit.

(b) CGT discount

The taxable amount of any capital gain may be reduced by the relevant CGT discount (if applicable) provided that the relevant criteria are satisfied.

(c) Stapling

The effect of the proposed stapling of one unit in SDOT3 to one Unit in ST2 is to apply restrictions to the transferability of the individual securities, such that they cannot be sold separately. Each individual security will retain their legal character without any change in their beneficial ownership. That is, from a tax perspective there would be no variation to the rights or obligations attaching to, or the beneficial ownership of, the individual securities as a consequence of the stapling.

As such, the proposed stapling of the units in SDOT3 and ST2 should not give rise to a CGT event and Unitholders will be regarded as holding two separate assets (being the unit in SDOT3 and the Unit in ST2) for tax purposes.

3.4 Tax File Number ("TFN") / Australian Business Number ("ABN") withholding

An Australian Resident Unitholder will be able to quote their TFN (or, where appropriate, their ABN) to the Responsible Entity when applying for the Units. However, if their TFN or ABN is not quoted, or no appropriate exemption from doing so is claimed, the Responsible Entity will be required to deduct tax from any distributions (other than distributions wholly from capital or treated as fully franked dividends) at the highest marginal tax rate plus the Medicare Levy (currently, 46.5%) before paying them to the Australian Resident Unitholder.

For those unitholders in SDOT3 who have already provided their TFN in respect of their unitholding in SDOT3, the Responsible Entity of SDOT3 will provide the Responsible Entity of ST2 with their TFN as agent of each Unitholder in respect of the Unitholding in ST2.

3.5 GST

No GST will be payable in respect of the return of capital by SDOT3, nor the issue, transfer or disposal of the Units held in ST2 or on any distributions made in respect of the Units held in ST2.

Yours faithfully

GREENWOODS & FREEHILLS PTY LIMITED

Greenwoods & Freehills

7. ADDITIONAL INFORMATION

7.1 CONSTITUTION OF ST2

ST2 is a registered managed investment scheme. SCPL is the responsible entity of ST2. The main rules governing the operation of ST2 are set out in the constitution of ST2.

The constitution is supplemented by the Corporations Act, any modifications and exemptions made by ASIC, and the general law of trusts.

We must comply with all of the obligations imposed by the constitution and the general law in administering ST2. ST2 has a Compliance Plan that sets out the measures that we will apply in operating ST2 to ensure that it complies with the constitution and Corporations Act.

A copy of the constitution is available free of charge upon request.

SUMMARY OF THE CONSTITUTION

The main provisions of the constitution that deal with the rights and obligations of Investors are:

- **distributions:** subject to the terms of issue of particular units, Investors are entitled to be paid distributions from ST2's income proportionate to their unitholding. We will pay distributions within two months of the end of the relevant period. Distributions will be calculated quarterly;
- **units:** a unit in ST2 confers an equal undivided interest in the beneficial interest of ST2;
- **meetings:** the rights of Investors to requisition, attend and vote at meetings are mostly prescribed by the Corporations Act. The constitution provides that the quorum for a meeting is normally two or more Investors holding at least 10% of all units in ST2;
- **transfer:** Investors may transfer units in ST2 in any form approved by us;
- **no redemption:** Investors do not have a right to redeem units whether ST2 is illiquid or liquid. ST2 is illiquid if less than 80% of its assets are cash and marketable securities. It is expected that ST2 will be illiquid. We will, however, make a withdrawal offer to Investors under the LLF. If ST2 becomes liquid, Investors may, at our discretion, be granted the opportunity to redeem units on 60 days' written notice while ST2 is liquid;
- **winding up:** the net proceeds of ST2 will be distributed to Investors proportionate to their unitholdings; and
- **liability:** an Investor is liable for expenses we incur as a result of their individual act or omission. The liability of each Investor is otherwise limited under the constitution to any amount remaining unpaid in relation to their units. However, Australian courts have not yet tested the effectiveness of provisions of this kind.

The constitution also deals with our powers, duties and liability:

- **powers:** we have the power to borrow, invest and generally manage ST2. We also have the power to issue units and options over units, although the constitution contains specific provisions concerning the pricing of units;
- **duties:** our duties are mostly prescribed by the Corporations Act. These include the duty to act honestly and in the best interests of Investors and to exercise the degree of care and skill that a reasonable person would exercise if they were in our position;
- **fees:** we are entitled to be paid fees from ST2. These fees are disclosed in section 4. We may accept lower fees than we are entitled to receive under the constitution, or may defer payment for any period;
- **expenses:** subject to the Corporations Act, we are entitled to be reimbursed out of the assets of ST2 for all expenses incurred in relation to properly performing our duties. Such expenses include, but are not limited to, expenses connected with acquiring, disposing, insuring or holding custody of the assets of ST2; expenses connected with borrowing arrangements on behalf of ST2; and fees paid to agents, advisers, contractors and valuers, irrespective of whether they are our associates. We are also entitled to be reimbursed for any GST paid in relation to such expenses;

7. ADDITIONAL INFORMATION (CONT.)

- **restructure:** we have the power to do all things necessary to give effect to a restructure proposal, including compulsorily acquiring or transferring units for consideration including securities, if the restructure proposal has been approved by a Special Resolution. All present and future members will be bound by the terms and requirements of a restructure proposal approved by Special Resolution, even if those terms and requirements include, among other things, a compulsory transfer of units to proposed acquirers of units;
- **miscellaneous:** we are entitled to act upon advice given by professionals, value the assets of ST2 at any time, deal with ourselves or have an interest in a contract or transaction, and retire as responsible entity; and
- **liability:** we are not liable in contract, tort or otherwise for any loss suffered by Investors except as imposed by the Corporations Act. We are entitled to be indemnified out of the assets of ST2 for any liability we incur in properly performing our duties or exercising any of our powers in relation to ST2.

The constitution provides that ST2 will terminate on the earliest of the date:

- specified as the termination date by us in a notice to Investors;
- proposed by us and approved by a Special Resolution; or
- on which ST2 terminates according to the constitution or by law.

We intend to convene a meeting of Investors before 30 June 2014 to consider a resolution to terminate or continue ST2. In accordance with the Corporations Act, the constitution may be amended by us (if the change is not reasonably considered to be adverse to the rights of Investors) or by a Special Resolution.

7.2 ACQUISITION OF THE PARRAMATTA PROPERTY

ST2, a wholly owned subsidiary of Stockland, owns the Parramatta Property which has a current market value of \$37.5 million as at 30 June 2008.

DEED OF AGREEMENT

The Trust has entered into a Deed of Agreement with ST2 in respect of the Parramatta Property. The Deed of Agreement entitles the Trust to acquire the Parramatta Property using one of three alternatives by 18 August 2008 depending on which alternative is in the best interests of Investors. The alternatives were:

1. exercising a put and call option over the Parramatta Property under a Put and Call Option Deed;
2. stapling units in the Trust to units in ST2; or
3. an alternative transaction by which the Trust would acquire the economic benefit to the Parramatta Property.

The Deed of Agreement required the Trust to enter into a concurrent lease and a Put and Call Option Deed with ST2 in respect of the Parramatta Property. The general effect of the concurrent lease is to transfer to the Trust all benefits, obligations and responsibilities accruing to the owner of the Parramatta Property. Both the concurrent lease and Put and Call Option Deed will terminate or lapse by 19 August 2008.

Under the Put and Call Option Deed, the Trust paid to ST2 a call option fee of \$8.01 million. This fee has been refunded to the Trust to effect the Stapling.

The Trust must pay an “annual interest payment” to ST2 until the Trust has completed the acquisition of the Parramatta Property. This fee represents an interest rate of BBSY plus 40 basis points per annum on the balance of the purchase price of the Parramatta Property, after taking into account the call option fee paid under the Put and Call Option Deed.

In our view, the stapling of units in the Trust to units in ST2 is the most efficient structure for the Trust to acquire the Parramatta Property and is in the best interest of Investors. The Stapling process is explained in section 2.

7. ADDITIONAL INFORMATION (CONT.)

7.3 OTHER MATERIAL CONTRACTS

We have entered into or intend to enter into a number of other material contracts on behalf of ST2. A summary of each of these material contracts is provided below:

DOCUMENT NAME	PARTIES	PURPOSE OF DOCUMENT
Compliance Plan	Stockland Capital Partners Limited as responsible entity of ST2	Specifies how we will monitor our obligations as a responsible entity of a managed investment scheme under the Constitution and Corporations Act.
Registry Agreement	Stockland Capital Partners Limited and Computershare Investor Services Pty Limited	Provides for the Registrar to provide registry services to the Trust and ST2 for the Stapled Units.
Custody Deed	Trust Company Limited and Stockland Capital Partners Limited as responsible entity of ST2	<p>ST2 pays TCL 0.01% per annum of the gross asset value of the ST2.</p> <p>The rights and obligations of TCL are set out in the custody deed, which includes a clause limiting the liability of the custodian.</p> <p>TCL holds scheme assets as directed by us, which are registered in its name on behalf of the responsible entity of the ST2.</p>
Property Management Agreement	Stockland Property Management Pty Limited	<p>The terms of this document were summarised in section 12.9 of the Trust PDS.</p> <p>In summary, the Property Manager will perform a range of property management, leasing and facilities management related services. This includes managing the Parramatta Property under the terms of the leases, supervising the provision of contractors' services and negotiating any new leases, lease renewals and rent reviews.</p> <p>The Property Manager also prepares financial records, budgets, reports and collects rent.</p> <p>The Property Manager must meet key performance indicators and is entitled to certain fees (see section 4.2.4).</p> <p>The agreement is for 6 years and continues on a monthly basis thereafter.</p> <p>We can terminate the agreement if the Property Manager fails to meet key performance indicators (other than CR&S initiatives) or fails to perform a material obligation which is not rectified within 21 days or where a Property is sold.</p>

7. ADDITIONAL INFORMATION (CONT.)

7.4 MASTER TRUSTS OR WRAP ACCOUNTS

We have authorised the use of this PDS as disclosure to Investors who invest through an IDPS or IDPS-like scheme (which are sometimes referred to as a master trust or wrap account) or a nominee or custody service (together, “master trusts” or “wrap accounts”).

If you invest through a master trust or wrap account, you do not become a direct investor. The Registrar will record the operator or custodian of the master trust or wrap account as the Investor. The master trust or wrap account will be the person who exercises the rights and receives the benefits of an Investor. Reports and documentation relating to ST2 will be sent to the operator or custodian.

If you invest through a master trust or wrap account, you may be subject to different conditions from those set out in this PDS, particularly in relation to:

- fees and expenses;
- cut off times; and
- distribution calculations and timing of distributions.

Investors using master trusts or wrap accounts should contact their financial adviser or operator or custodian for queries relating to their investment.

7.5 COMPLAINTS

If you are not satisfied with our services or have a complaint, you may write to us at the address shown in the Corporate Directory.

Your complaints will be acknowledged within 14 days of receipt, and investigated with a view to reporting back to you within 45 days. We will attempt to resolve all complaints within 21 days. The Constitution provides a framework governing how complaints must be dealt with.

Where a complaint remains unresolved, you may be entitled to take your complaint to the Financial Ombudsman Service (“FOS”), our nominated external dispute resolution body, if your claim is not more than \$150,000.

FOS is a new independent external dispute handling body approved for this purpose by ASIC for dealing with financial services disputes. Where you have referred a complaint to FOS, the case officer will follow the procedures set out in the terms of reference of FOS.

Once referred and once relevant time periods to settle the complaint have expired, FOS will work with both parties to seek a mutually acceptable resolution of the complaint. To contact FOS, you should telephone 1300 780 808 or write to GPO Box 3, Melbourne VIC 3001.

7.6 OTHER DETAILS OF ST2

Auditor

We have appointed KPMG as the auditor of ST2 and of the Compliance Plan. The partner of KPMG appointed as the auditor of ST2 is different to the audit partner of KPMG appointed as the Compliance Plan auditor.

Registrar

Computershare Investor Services Pty Limited has been appointed as the registrar of ST2.

7.7 ROLE OF ANZ

ANZ is the Financier to SCPL in its capacity as responsible entity of the Trust. It will also participate with Stockland in providing the LLF. In these capacities, ANZ will, if necessary, act to protect its interests ahead of those of Investors and other parties.

7. ADDITIONAL INFORMATION (CONT.)

7.8 CONSENTS

Directors' consent

The Directors have each consented to the issue of this PDS.

ANZ

- does not make, or purport to make, any statement that is included in this PDS or any statement on which a statement in this PDS is said to be based, other than as specified in the PDS;
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements or omissions from this PDS, other than the references to its name in the form and context in which it is named and a statement or report included in this PDS with its consent as specified in this PDS; and
- has given and has not withdrawn its written consent to be named in this PDS in the form and context in which it is named.

Trust Company Limited – consent and disclaimer

It is not the role of Trust Company Limited ("TCL") the Custodian to protect the rights and interests of Investors. TCL does not guarantee the return of any investment, any tax deduction availability or performance of any of the investments of ST2. TCL has given and not withdrawn its consent to be named as custodian in this PDS. It has not been involved in the preparation of any part of this PDS. It has not authorised or caused the issue of, and expressly disclaims and takes no responsibility for, any part of this PDS, except for reference made to it in the form and context in which it appears.

Greenwoods and Freehills Pty Limited:

- has not made any statement in this PDS or any statement on which a statement in this PDS is said to be based, other than the Taxation Report in the form and context in which it appears in section 6 of the PDS ("Taxation Report");
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any statements or omissions from this PDS, other than the Taxation Report included in this PDS with its consent; and
- has given and has not withdrawn its written consent to be named in this PDS in the form and context in which it is named.

Other consents

Stockland entities referred to in this PDS, ANZ, Computershare Investor Services Pty Limited and KPMG have given, and have not withdrawn, their written consent to be named in this PDS in the capacity in which they are named.

7.9 PRIVACY

Current privacy legislation provides you with increased levels of protection relating to the collection and use of your personal information. By having applied for units in the Trust, you agreed to the following:

- we, and third parties such as investment advisers, financial planners and brokers ("Parties"), may exchange your information with each other, including:
- any information provided by you in the application form for the Trust (including your TFN);
- any other personal information provided by you to any of the Parties or which they otherwise lawfully obtain about you; and
- any transaction details or transaction history arising out of your arrangements with any of the Parties;
- if we engage a third party ("Service Provider") to do something on our behalf (e.g. a mail house or data processor), you agreed that we and the Service Provider may exchange with each other any information referred to above;
- we might give any information referred to above to entities other than the Parties and the Service Providers, where it is required or allowed by law, or where you have otherwise consented;
- any information referred to above can be used by the Parties and any Service Provider for establishing or updating your investment in the Stapled Entity, and for the administration of your investment, planning, product development, research purposes, and statistical analysis; and
- we may contact you in relation to other products or services offered by Stockland, unless you elected to not receive such information by ticking the relevant box on the application form for the Trust or contacting us by telephone on 1300 369 230.

7. ADDITIONAL INFORMATION (CONT.)

We may also use and disclose the personal information you provide us for the purposes of complying with our obligations in respect of anti-money laundering and counter-terrorism financing in Australia (see below for further details).

You can access your personal information that we hold. Sometimes, there is a reason why that is not possible, in which case you will be told why. If you would like to find out what sort of personal information we have about you, or wish to make a request for access, you can contact us by telephone on 1300 369 230.

7.10 ANTI-MONEY LAUNDERING AND COUNTER-TERRORISM FINANCING

In order to meet our obligations under the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 and related rules and regulations (“AML Law”) in Australia, we may at any time require further information from you to undertake a detailed verification of your identity and the source of any application payments.

All Investors are required to meet anti-money laundering requirements (“the AML requirements”) to hold an investment in the Stapled Entity. If we believe you do not meet the AML requirements, which include a requirement that related third-party payments can be identified as coming from a source related to you (for example, a spouse) or from an account in your name with another financial institution, or if you do not provide to us information we require to satisfy our AML requirements, we will contact you regarding any additional information we require. We will take any necessary steps to comply with applicable AML Law, including automatically withdrawing your investment or terminating it early and we may suspend payment of withdrawal proceeds.

As an Investor, you undertake to provide us with all additional information and assistance that we may reasonably require in order for us to comply with our obligations under the AML Law.

By investing in the Stapled Entity, you warrant that:

- you are not aware and have no reason to suspect that:
- the monies used to fund your investment in the Stapled Entity have been or will be derived from or related to any money laundering, terrorism financing or other illegal activities, whether prohibited under Australian law, international law or convention or by agreement; or
- the proceeds of your investment will be used to finance any illegal activities; and
- you are not a politically exposed person or organisation.

8. GLOSSARY

TERM	MEANING
A-IFRS	Australian Equivalents to International Financial Reporting Standards.
AFSL	Australia Financial Services Licence.
Allotment	The date on which units in the Trust were issued to Investors.
AML Law	The Anti-Money Laundering and Counter-Terrorism Financing Act 2006 and related rules and regulations.
ANZ	Australia and New Zealand Banking Group Limited ABN 11 005 357 522 which is the provider of the LLF and the Financier.
Application Moneys	The amount included as part of an Investor's application for units in the Trust.
ASIC	The Australian Securities and Investments Commission.
BBSY	The average bid rate displayed at or about 10.30a.m. on 30 June 2008 on the Reuters screen BBSY page for a term equivalent to 30 days expressed as a yield percent per annum to maturity.
Capital Expenditure Facility	The portion of the Finance Facility used to fund maintenance and capital expenditure.
Compliance Committee	A sub-committee of our board of Directors. The functions of the Compliance Committee are to monitor our compliance with the Compliance Plan, Constitution and Corporations Act.
Compliance Plan	A plan which sets out the measures that we will apply in operating ST2 to ensure compliance with matters as required by the Corporations Act and Constitution.
Constitution	ST2's constitution dated 10 November 2003 (as amended from time to time).
Corporations Act	Corporations Act 2001 (Cth).
Deed of Agreement	The deed of agreement in respect of the Parramatta Property between TCL as custodian for ST2, TCL as custodian for the Trust, SCPL as trustee of ST2 and SCPL as trustee of the Trust dated 2 April 2007.
Directors	Our directors.
Finance Facility	The facility provided to SCPL in its capacity as responsible entity of the Trust by ANZ, as Financier (or another financier if the facility is refinanced), comprising the Property Facility and Capital Expenditure Facility.
Financier	ANZ, in its capacity as provider of the Finance Facility.
FOS	Financial Ombudsman Service.
GST	As defined in the A New Tax System (Goods and Services Tax) Act 1999 (Cth).
IDPS	An investor directed portfolio services including wraps and master trusts.
Investor, you or your	An investor in the Trust who will be issued units in ST2 and registered as the holder of Stapled Units in the Trust and ST2.
LLF	Limited Liquidity Facility, a facility allowing Investors to sell their Stapled Units (as amended or replaced).
NTA	The net tangible assets as calculated in accordance with A-IFRS.
NTA per Unit	The NTA divided by the number of Stapled Units on issue.
Parramatta Property	The property located at 75 George Street, Parramatta, NSW.

8. GLOSSARY (CONT.)

TERM	MEANING
PDS	This document which is a product disclosure statement.
Properties	All five properties in which the Trust has an interest (see section 2.2), one of which is the Parramatta Property.
Property Facility	The portion of the Finance Facility used to fund the purchase of the Properties.
Put and Call Option Deed	The Put and Call Option Deed in respect of the Parramatta Property between TCL as Custodian for ST2, TCL as Custodian for the Trust, SCPL as trustee of ST2 and SCPL as trustee of the Trust entered into pursuant to the Deed of Agreement.
Registrar	Computershare Investor Services Pty Limited ABN 48 078 279 277.
Responsible Entity or SCPL	Stockland Capital Partners Limited ABN 86 078 081 722.
Sale Price	The price paid for each Stapled Unit acquired under the LLF, gross of any fees and charges.
Special Resolution	A resolution of Investors at a meeting that requires approval of at least 75% of the votes cast by Investors present (whether in person, by representative or proxy) and entitled to vote.
Stapled Entity	The Trust and ST2, the units in which are Stapled to each other.
Stapled Units	A unit in the Trust and a unit in ST2 which must be dealt with together.
Stapling	The process of stapling the units in the Trust to the units in ST2, and Stapled has a corresponding meaning.
ST2	Stockland Holding Trust No. 2 ARSN 132 129 134.
Stockland	Stockland Corporation, Stockland Trust and /or, as the context requires, their controlled entities or responsible entities or trustees of any trusts owned by them.
TCL	Trust Company Limited ACN 004 027 749.
Trust	Stockland Direct Office Trust No. 3 ARSN 124 439 925, or when the context requires, a sub-trust of Stockland Direct Office Trust No. 3.
Trust PDS	The product disclosure statement for Stockland Direct Office Trust No. 3 ARSN 124 439 925 dated 2 April 2007.
WALE	The weighted average lease expiry (weighted by income).
We, our or us	Stockland Capital Partners Limited ABN 86 078 081 722, AFS Licence Number 241188, as responsible entity for ST2, and if the context requires, as responsible entity for the Trust.



APPLICATION FORM

This application form relates to the PDS dated 12 August 2008 issued by SCPL as the responsible entity of ST2.

This application form will be completed by SCPL on your behalf. No action from you is required. Please do not fill in this form.

A Application amount

Number of Units
at \$0.13342 per Unit =

Total Investment Amount \$

B Payment method

SCPL will subscribe for units on your behalf. You do not need to send any money.

C Investor details

Investor 1

Title Given Name Surname Date of Birth / /

Investor 2

Title Given Name Surname Date of Birth / /

Investor 3, Company, Superannuation Fund Trustee or Trustee

Company, Superannuation Fund Trustee or Trustee Date of Birth / /

Superannuation Fund Name or Trust Name

Contact Name

D Contact details

Number and Street or PO Box

Suburb, City or Town State Postcode

Home telephone Work telephone Mobile

Email address (for receipt of annual financial reports, investment reports, distribution and taxation statements)

E Tax File Number, ABN or exemption code

Investor 1 Investor 2 Investor 3, Company, Superannuation Fund or Trust

F Foreign person

Investor 1 Yes No

Investor 2 Yes No

Investor 3, Company, Superannuation Fund or Trust Yes No

G Distribution payments

You will continue to receive any distribution payments in the same way and to the same account as you currently receive distribution payments from Stockland Direct Office Trust No. 3 ("SDOT 3").

H Reporting and Marketing

You will continue to receive the same level and method of reporting and information as you currently receive for SDOT3.

By lodging this Application Form, you agree:

- you have read and understood the PDS to which this Application Form is attached,
- you will be bound by the constitution of ST2, and
- we may accept or reject this Application in whole or in part.

Further, by lodging this Application Form, you acknowledge:

- you have not relied on any statements or representations made by anybody (including the Responsible Entity and its officers, employees or agents) prior to applying, other than those representations made in the PDS,
- you have made an offer to become an Investor in ST2 and that offer cannot be revoked,
- Pursuant to the Constitution of SDOT3, SCPL is authorised as your agent to provide your tax file number (TFN) or ABN to the Responsible Entity of ST2. Accordingly if you have provided this information to the responsible entity of SDOT3, no further action is required in respect of your investment in ST2, and
- SCPL is entitled to request such information in respect of the issue of units in ST2. It is not an offence not to quote your TFN, ABN or claim an exemption, however, if you do not provide your TFN, ABN or claim an exemption, SCPL will deduct tax from any distribution of income at the highest marginal rate plus the Medicare levy.

IMPORTANT NOTICE

- A person who gives another person access to this application form must, at the same time and by the same means, give the other person access to the PDS. Units in ST2 will only be issued on receipt of an Application Form issued together with the PDS.
- A complete copy of the paper form of the PDS, this form, and any supplementary document will be sent to you free of charge if requested.
- The offer under the PDS is available to people receiving the PDS within Australia.
- You should read the PDS in full before completing this Application Form because the PDS contains important information.

CORPORATE DIRECTORY

RESPONSIBLE ENTITY OF ST2 (AND ISSUER OF THIS PDS)

Stockland Capital Partners Limited
ABN 86 078 081 722 AFSL 241188

DIRECTORS OF THE RESPONSIBLE ENTITY

Peter Scott (Chairman)

David Kent

Matthew Quinn

Tony Sherlock

COMPANY SECRETARIES OF THE RESPONSIBLE ENTITY

Phillip Hepburn and Derwyn Williams

RESPONSIBLE ENTITY'S REGISTERED OFFICE

Level 25

133 Castlereagh Street

Sydney NSW 2000

Mail: GPO Box 998, Sydney NSW 2001

Telephone: 1300 652 748 (local rate)

Email: unlistedpropertyfunds@stockland.com.au

Internet: www.stockland.com.au/unlistedpropertyfunds

REGISTRAR

Computershare Investor Services Pty Limited

GPO Box 2975

Melbourne VIC 3001

CUSTODIAN

Trust Company Limited

Level 4, 35 Clarence Street

Sydney NSW 2000

AUDITOR

KPMG

10 Shelley Street

Sydney NSW 2000

