



Stockland Direct Office Trust No.1
ARSN 110 688 009
Responsible Entity
Stockland Capital Partners Limited
ABN 86 078 081 722
AFSL: 241188

Unlisted Property Funds

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21 May 2012

Dear Investor,

Stockland Direct Office Trust No. 1 (SDOT1) Update

I refer to your investment in SDOT1, and my letter to you of 29 June 2011.

As you are aware, investors received an interim distribution on 29 June 2011 of 128.5 cents per unit, which represented a capital gain of approximately 120 cents per unit, with the balance of approximately 8.5 cents per unit representing tax deferred income.

You will also recall that a retention amount of \$21 million (**Retention Amount**) is being held until 15 June 2012 to support warranties provided by SDOT1 to Future Fund, the purchaser of Waterfront Place. If there are no claims on the Retention Amount as at 15 June 2012, then a final return of capital will be made to investors prior to 30 June 2012. In addition to the Retention Amount, a contingency has been maintained for unforeseen and yet to be determined costs that may be incurred by SDOT1 until 15 June 2012.

Current estimates of the final return of capital on the wind up of the Fund to investors range between 0 cents per unit (if the Retention Fund and contingency are exhausted), and 38 cents per unit if there are no claims against the Retention Fund and contingency. To date, there have been no claims lodged against the Retention Amount.

What happens on 15 June 2012?

If, at 15 June 2012, there are no claims against the Retention Amount, we propose to make a final return of capital to investors using the monies remaining in the Retention Amount and contingency to redeem the units in SDOT1, and wind up SDOT1 by 29 June 2012 to minimise administrative costs to investors, and return capital as quickly as possible.

What is the tax position for the final return of capital on wind up of SDOT1?

Investors who contributed \$1 per unit and have held their investment since the inception of SDOT1, have received tax deferred distributions of 55.8111 cents to date. As tax deferred distributions are in effect a return of capital for tax purposes, the cost base in the units for such investors is currently 44.1889 cents.

As approximately 38 cents per unit will be returned on winding-up, investors will incur a CGT loss on each unit of approximately 6 cents.

As an example, an investment of \$10,000 has the following cashflow over the over the life of SDOT1:

	Cash \$	Cost Base \$
Capital invested		10,000
Distributions		
- Tax Deferred	5,581	(5,581)
- Capital Gain	12,062	
Tax on Capital Gain ¹	(2,804)	
Return on Wind-up	3,800	(3,800)
Cash to investor after tax	18,639	
CGT loss		(619)

¹ Estimated CGT paid by investors after the 50% CGT discount and applying the top marginal tax rate.

You will be advised of the exact amount of the final return of capital in the distribution notice that will be issued at the time of making the final return of capital at the end of June 2012. A tax statement will also be issued at that time.

We strongly recommend that you seek advice from your tax advisor regarding your particular circumstances and any tax implications likely to arise from the final return of capital.

If you wish to discuss any aspect of this letter, or have any additional queries, please contact me or our Client Relations Manager Justin Wong on (02) 9035 2736.

Yours faithfully,



Tracey Jordan
National Manager, Unlisted Property Funds
Stockland Capital Partners Limited