



# ASX Announcement

## 2012 Notice of Meetings and Proxy Form

15 October 2012

Attached are copies of the Notice of Meetings and Proxy Form for the 2012 Annual General Meeting of shareholders of Lend Lease Corporation Limited and general meeting of Unit Holders of Lend Lease Trust, which will be sent to securityholders today.

The meetings will be held at Ballroom 1, The Westin Hotel, 1 Martin Place, Sydney, NSW on Thursday 15 November 2012 commencing at 10.00am.

ENDS

For further information, please contact:

**Investor Relations:**

Sally Cameron  
Group Executive - Investor Relations  
Tel: 02 9236 6464

**Corporate Affairs:**

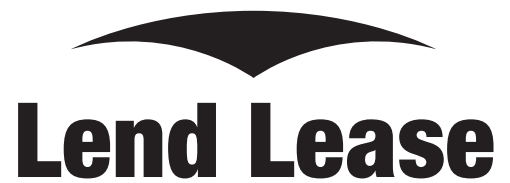
Iwona Polski  
Media & External Communications Manager  
Tel: 02 9237 5034

Lend Lease Corporation Limited ABN 32 000 226 228  
and

Lend Lease Responsible Entity Limited ABN 72 122 883 185 AFS Licence 308983  
as responsible entity for Lend Lease Trust ABN 39 944 184 773 ARSN 128 052 595

Level 4, 30 The Bond  
30 Hickson Road  
Millers Point NSW 2000  
Australia

Telephone +61 2 9236 6111  
Facsimile +61 2 9252 2192  
[www.lendlease.com](http://www.lendlease.com)



## Notice of Meetings

Annual General Meeting of Lend Lease Corporation Limited and Meeting of Unit Holders of Lend Lease Trust

The Annual General Meeting of shareholders of Lend Lease Corporation Limited (the **Company**) will be held in conjunction with a general meeting of unit holders of Lend Lease Trust (the **Trust**) (together, **Lend Lease Group**) at Ballroom 1, The Westin Hotel, 1 Martin Place, Sydney NSW, on **Thursday, 15 November 2012** at 10:00am.



15 October 2012

Dear Securityholder,

I am pleased to invite you to attend the 2012 Annual General Meeting (AGM) of Lend Lease Corporation Limited and Meeting of Unit Holders of Lend Lease Trust. The AGM will be held in Ballroom 1 of The Westin, No. 1 Martin Place, Sydney on Thursday 15 November 2012 commencing at 10.00am.

The Notice of Meetings contains details of the items of business that you have the opportunity to vote on, as well as explanatory notes and voting procedures.

During the year Michael Ullmer and Colin Carter joined the Board. In accordance with Rule 6.1(e) of the Constitution, they will be seeking election by securityholders at the AGM.

Non-executive directors Phillip Colebatch and Gordon Edington retire in accordance with Rule 6.1(f) of the Constitution and offer themselves for re-election.

Julie Hill has informed the Board that taking a range of circumstances into account, she will be re-balancing various obligations and travel demands in her life and will not be standing for re-election.

On behalf of the Board I thank Julie for the valuable contributions she has made during her 6 and a half years of service on the Board, and in particular all the energy and insight she has brought to the Company and her efforts to promote the Company's diversity agenda.

I also have great pleasure in enclosing for your consideration a proposal to capitalise Lend Lease Trust ("LLT") to allow the Group to hold passive investments in a manner which is beneficial to our securityholders.

In November 2009 securityholders voted in favour of a stapling proposal whereby a unit in LLT was stapled to each share in Lend Lease Corporation Limited ("LLC"). At the time LLT was capitalised with a nominal \$0.001 per unit on issue.

Since then the Board and management have considered various investment options for LLT which may be suitable to allow securityholders to access the benefits outlined in 2009 and to commence the capitalisation of LLT.

As previously announced, in July 2012 Lend Lease agreed to co-invest A\$500 million in the world class development at Barangaroo South in Sydney alongside Canada Pension Plan Investment Board, Australian Prime Property Fund Commercial (a Lend Lease managed fund) and 2 existing Australian Prime Property Fund Commercial investors, First State Super and Telstra Super. The Group's co-investment has been made through LLT. The Board has accordingly determined that the capitalisation of LLT is now appropriate.

As flagged at the time of the stapling, the most efficient manner of capitalising LLT is through a capital return from LLC which is applied to LLT. This results in capital being moved from one stapled entity to the other. This proposal is included in the attached Notice of Meetings and Explanatory Statement for your consideration and I urge you to read this carefully. The Board and I unanimously support the resolutions and we urge you to vote in favour of both at our Annual General Meeting on 15 November 2012.

Yours faithfully

A handwritten signature in black ink, appearing to read "David Crawford".

David Crawford AO  
CHAIRMAN

**Lend Lease Corporation Limited** ABN 32 000 226 228 and  
**Lend Lease Responsible Entity Limited** ABN 72 122 883 185 AFS Licence 308983  
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# ORDINARY BUSINESS OF THE COMPANY

## Financial Reports

1. The Directors' Report, the Financial Statements and the Independent Auditor's Report for the year ended 30 June 2012 will be laid before the meetings. The combined reports of the Company and the Trust for the year ended 30 June 2012 will also be laid before the meetings. No resolution is required for this item of business.

## Election of Directors

2. To consider and, if thought fit, to pass the following resolutions as separate ordinary resolutions of the Company:
  - a) that Mr Michael Ullmer, being a Director of the Company who retires in accordance with Rule 6.1(e) of the Constitution of the Company, being eligible, is elected as a Director of the Company.
  - b) that Mr Colin Carter, being a Director of the Company who retires in accordance with Rule 6.1(e) of the Constitution of the Company, being eligible, is elected as a Director of the Company.
  - c) that Mr Phillip Colebatch, being a Director of the Company who retires in accordance with Rule 6.1(f) of the Constitution of the Company, being eligible, is re-elected as a Director of the Company.
  - d) that Mr Gordon Edington, being a Director of the Company who retires in accordance with Rule 6.1(f) of the Constitution of the Company, being eligible, is re-elected as a Director of the Company.

## Remuneration Report

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

That the Company's Remuneration Report for the year ended 30 June 2012 be adopted.

# SPECIAL BUSINESS OF THE TRUST AND THE COMPANY

## Approval of Allocations of Performance Securities in the Lend Lease LTI Plan and Deferred Securities in the Lend Lease STI Plan to the Managing Director

4. To consider and, if thought fit, to pass the following resolution as an ordinary resolution of each of the Company and Trust:

That approval is given to issue to the Managing Director of Lend Lease Group, Mr Stephen McCann:

- a) Performance Securities; and
- b) Deferred Securities,

on the terms and conditions described in the Explanatory Notes accompanying this Notice of Meetings and in accordance with the terms of the Lend Lease Long Term Incentive Plan and Short Term Incentive Plan respectively.

# SPECIAL BUSINESS OF THE COMPANY

## Proportional Takeover Rules

5. To consider and, if thought fit, to pass the following resolution as a special resolution of the Company:

That the proportional takeover provisions contained in Rule 15 of the Company's Constitution be included as Rule 15 of the Constitution for a period of 3 years from the date of this resolution.

## Approving Capital Reduction and Lend Lease Trust Capitalisation

6. To consider, and if thought fit, to pass the following resolutions as ordinary resolutions of the Company:

- a) That pursuant to the Corporations Act 2001 (Cth), the Company's constitution and for all other purposes:

- (1) the paid up share capital of the Company be reduced by \$500.3 million; and
- (2) such reduction be effected and satisfied by the Company paying the Company's members who are registered as holders of ordinary shares in the Company on the Entitlement Date (as defined in the explanatory statement to this Notice of Meetings), \$0.871 per fully paid ordinary share held by the member,

on the terms and conditions set out in the explanatory statement to this Notice of Meetings, and conditional upon the approval of resolution 6(b) below.

- b) That pursuant to clause 2.6 of the Company's constitution, approval is given for the Company to be appointed as agent for, and in the name of each member, to apply the amount of the reduction that each member is entitled to pursuant to resolution 6(a), as additional capital to Lend Lease Trust pro rata in proportion to the number of units held by that member in Lend Lease Trust in the manner contemplated by clause 5.8(c) of the Lend Lease Trust Constitution, as further described in the explanatory statement to this Notice of Meetings.

# EXPLANATORY NOTES AND RELATED MATERIALS

Securityholders are referred to the Explanatory Notes accompanying and forming part of this Notice of Meetings.

## Voting Exclusion Statements

### *Item 3 – Remuneration Report*

The Company will disregard any votes cast on item 3:

- a) by or on behalf of a member of the key management personnel of the Company (KMP) disclosed in the Remuneration Report;
- b) by or on behalf of a closely related party (such as close family members and any companies the person controls) of those KMP disclosed in the Remuneration Report; and
- c) as a proxy by a member of the KMP or a closely related party of a member of the KMP.

However, a vote will not be disregarded if it is cast as proxy for a person entitled to vote on item 3:

- in accordance with a direction on the Proxy Form; or
- by the Chairman of the meetings pursuant to an express authorisation to exercise the proxy even though item 3 is connected with the remuneration of the Company's KMP.

### *Item 4 – Approval of Allocations of Performance Securities in the Lend Lease LTI Plan and Deferred Securities in the Lend Lease STI Plan to the Managing Director*

The Company will disregard any votes cast on item 4:

- a) in any capacity by Mr McCann (being the only director eligible to participate in any of the Company's employee incentive schemes) or any of his associates; and
- b) as a proxy by a member of the KMP or a closely related party of a member of the KMP.

However, a vote will not be disregarded if it is cast as proxy for a person entitled to vote on item 4:

- in accordance with the directions on the Proxy Form; or
- by the Chairman of the meetings pursuant to an express authorisation to exercise the proxy even though item 4 is connected with the remuneration of the Company's KMP.

## Other information

Information concerning resolutions 1, 2, 3, 4 and 5 is set out in the Explanatory Notes accompanying this Notice of Meetings. Information concerning resolutions 6(a) and 6(b) is set out in the separate explanatory statement accompanying this Notice of Meetings.

All items of business will be determined by poll.

By order of the Boards of Lend Lease Corporation Limited and Lend Lease Responsible Entity Limited as responsible entity of Lend Lease Trust.

### Wendy Lee

Company Secretary  
15 October 2012

## BACKGROUND INFORMATION

### Determination of Right to Vote

For the purposes of determining entitlement to vote at the meetings, stapled securities will be taken to be held by those registered as holders at 7.00pm on Tuesday, 13 November 2012. Transactions registered after that time will be disregarded in determining securityholders' entitlements to vote at the meetings.

### Proxies

If you are unable to attend the meetings, you are encouraged to appoint a proxy to attend and vote on your behalf. You may appoint a person (either an individual or body corporate) to act as your proxy at the meetings by completing the attached Proxy Form. A securityholder entitled to attend and cast at least two votes may appoint not more than two proxies. Where two proxies are appointed, each proxy may be appointed to represent a specified proportion of the securityholder's voting rights. If no proportion is specified, each proxy may exercise half of the securityholder's voting rights. A proxy need not be a securityholder of Lend Lease Group. A securityholder may direct the proxy how to vote in respect of each resolution. Any directions given to proxies must be followed. You are encouraged to direct your proxy how to vote on each resolution.

If the Chairman of the meetings is appointed, or taken to be appointed, as your proxy, but the appointment does not specify the way to vote on a resolution, then the Chairman intends to vote all available proxies in favour of the relevant resolution (subject to the other provisions of these notes, the Proxy Form and the voting exclusions in the Notice of Meetings).

The KMP (which includes each of the Directors) and their closely related parties will not be able to vote your proxy on item 3 (Remuneration Report) and item 4 (Approval of Allocations of Performance Securities in the Lend Lease LTI Plan and Deferred Securities in the Lend Lease STI Plan to the Managing Director) unless you tell them how to vote. If you intend to appoint a member of the KMP (such as one of the Directors), or one of their closely related parties, as your proxy, please ensure that you direct them how to vote on items 3 and 4.

If you intend to appoint the Chairman of the meetings as your proxy, you can direct him how to vote by either marking the boxes for items 3 and 4 (for example to vote "for", "against" or to "abstain" from voting). If you appoint the Chairman of the meetings as your proxy, or the Chairman of the meetings is appointed as your proxy by default, and you do not mark a box for items 3 and 4, then by signing and returning the Proxy Form you will be expressly authorising the Chairman of the meetings to exercise the proxy in respect of items 3 and 4 even though these items are connected with the remuneration of the KMP.

To be valid, voting forms, proxies or electronic voting instructions must be received by the Company's share registry, Computershare Investor Services Pty Limited, in Sydney before 10.00am on Tuesday, 13 November 2012.

Voting forms may be submitted in one of the following ways:

- Online at [www.investorvote.com.au](http://www.investorvote.com.au); or
- Online at [www.intermediaryonline.com](http://www.intermediaryonline.com) for intermediary online subscribers (custodians) only; or
- By mail to Computershare Investor Services Pty Limited, GPO Box 242 Melbourne, Victoria 3001 Australia; or
- By facsimile to Computershare Investor Services Pty Limited on 1800 783 447 (within Australia) or +61 3 9473 2555 (outside Australia).

Where:

- a securityholder has appointed a proxy (other than the Chairman) and the appointment of the proxy specifies the way the proxy is to vote on the resolution; and
- that securityholder's proxy is either not recorded as attending the meeting or does not vote on the resolution,

the Chairman of the meetings will, before voting on the resolution closes, be taken to have been appointed as the proxy for the securityholder for the purposes of voting on that resolution and must vote in accordance with the written direction of the securityholder.

## **Corporate Securityholders**

A corporate securityholder wishing to appoint a person to act as its representative at the meetings must provide that person with an authority executed in accordance with the company's constitution and the Corporations Act 2001, authorising him or her to act as the company's representative. The authority must be sent to the Share Registry, Computershare Investor Services Pty Limited, in advance of the meetings, or handed in at the meetings when registering as a corporate representative.

## **Voting by Attorney**

Where a securityholder appoints an attorney to act on his or her behalf at the meetings, the appointment must be made by a duly executed power of attorney. A securityholder entitled to attend and cast at least two votes may appoint not more than two attorneys. A securityholder may, in the power of attorney appointing an attorney, direct the attorney how to vote in respect of each resolution. Any directions given in this manner must be followed.

The powers of attorney appointing an attorney, or a certified copy of the powers of attorney, must be sent to the Share Registry, Computershare Investor Services Pty Limited and received by 10.00am on Tuesday, 13 November 2012. Attorneys should also bring a copy of the power of attorney to the meetings.

## **Securityholder Questions**

Securityholders who are entitled to vote at the meetings may submit written questions to the Company, the Trust or the Auditor in advance of the meetings. Questions may be submitted on-line through [www.investorvote.com.au](http://www.investorvote.com.au).

Questions must be received by Thursday, 8 November 2012. Questions should relate to matters that are relevant to the business of the meetings, as outlined in the Notice of Meetings and the attached Explanatory Notes or, if directed to the Auditor, must relate to the content of the Auditor's reports or the conduct of the audit of the Financial Reports for the year ended 30 June 2012.

Questions will be collated, and during the meetings the Chairman will seek to address as many of the more frequently raised topics as possible having regard to available time. Please note that answers will not be sent to enquirers on an individual basis. A list of qualifying questions to the Auditor will be made available to securityholders attending the meetings.

## **Registration**

Registration will commence at 9.00am. For ease of registration, please bring your Proxy Form to the meetings.

# EXPLANATORY NOTES TO THE NOTICE OF MEETINGS

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## ORDINARY BUSINESS OF THE COMPANY

### Item 1 – Financial Reports

As required by section 317 of the Corporations Act, the Annual Financial Report, including the Directors' Report, Independent Auditor's Report and the Financial Statements for the year ended 30 June 2012, will be laid before the meetings. There is no requirement for a formal resolution on this item. However, during this item of business, securityholders will be given a reasonable amount of time to ask questions about or make comments on the Annual Financial Report and on the Management of the Company.

### Item 2 - To elect Directors

The following information is provided in respect of each candidate:

#### **a) M J Ullmer (Independent Non Executive Director)**

Mr Ullmer, aged 61 joined the Board in December 2011 and is a member of the Sustainability Committee and the Risk Management and Audit Committee.

#### *Experience and Qualifications*

Mr Ullmer brings to the Board extensive strategic, financial and management experience accumulated over his career in international banking and finance. He was the Deputy Group Chief Executive Officer of the National Australia Bank (NAB) until he stepped down from the Bank in August 2011. He joined NAB in 2004 as Finance Director and held a number of key positions including Chairman of the subsidiaries of Great Western Bank (US) and JB Were. Prior to NAB, Mr Ullmer was at Commonwealth Bank of Australia, initially as Group Chief Financial Officer and then Group Executive with responsibility for Institutional and Business Banking. Before that he was a Partner at accounting firms KPMG (1982 to 1992) and Coopers & Lybrand (1992 to 1997).

Mr Ullmer has a degree in mathematics from the University of Sussex. He is a Fellow of the Institute of Chartered Accountants and a Senior Fellow of the Financial Services Institute of Australia.

#### *Other Directorships and Positions*

Mr Ullmer currently serves as a Non Executive Director of Woolworths Limited (appointed January 2012) and sits on the Boards of the Melbourne Symphony Orchestra (appointed February 2007) and the National Gallery of Victoria (appointed December 2011) and chairs the Business Working with Education Foundation. He was previously an Executive Director of National Australia Bank (appointed October 2004, retired August 2011) and Non Executive Director of Fosters Group Limited until its acquisition by SAB Miller (appointed June 2008, resigned December 2011).

#### *Recommendation*

*The Board, other than Mr Ullmer, unanimously recommends that securityholders vote in favour of Mr Ullmer's election.*

#### **b) C Carter AM (Independent Non Executive Director)**

Mr Carter, aged 69 joined the Board in April 2012.

#### *Experience and Qualifications*

Mr Carter is one of the founding partners of The Boston Consulting Group in Australia, retiring as Senior Partner in 2001, and continues to work in an advisory capacity with the company. He has over 30 years of experience in management consulting advising on organisational and business strategy. His consultancy career has included major projects in Australia and overseas. Mr Carter has wide industry knowledge on corporate governance issues and has carried out board performance reviews for a number of companies. He has co-authored a book on boards, "Back to the Drawing Board".

Mr Carter holds a Bachelor of Commerce degree from Melbourne University and a Master of Business Administration from Harvard Business School, where he graduated with Distinction. He is a fellow of the Australian Institute of Company Directors.

#### *Other Directorships and Positions*

Mr Carter currently serves as a Non Executive Director of Wesfarmers Limited (appointed October 2002) and SEEK Limited (appointed March 2005). He is also President of the Geelong Football Club, and a director of World Vision Australia, and The Ladder Project which is the Australian Football League Players' project to combat youth homelessness. In 2010 he was appointed by the Australian Prime Minister to a role encouraging companies to increase indigenous employment.

#### *Recommendation*

*The Board, other than Mr Carter, unanimously recommends that securityholders vote in favour of Mr Carter's election.*

**c) P M Colebatch (Independent Non Executive Director)**

Mr Colebatch, aged 67 joined the Board in December 2005 and is Chairman of the Personnel and Organisation Committee and a member of the Risk Management and Audit Committee.

*Experience and Qualifications*

Mr Colebatch has held senior management positions in insurance and investment banking, and was formerly on the Executive Board of Swiss Reinsurance Company, Zurich. He was previously on the Executive Board of Credit Suisse Group, Zurich, where he was Chief Financial Officer, and was subsequently Chief Executive Officer of Credit Suisse Asset Management.

Mr Colebatch has a Bachelor of Science and Bachelor of Engineering from the University of Adelaide, a Master of Science from Massachusetts Institute of Technology and a Doctorate in Business Administration from Harvard University.

*Other Directorships and Positions*

Mr Colebatch is a Non Executive Director of Man Group plc (appointed 1 September 2007) and is on the Board of Trustees for the Prince of Liechtenstein Foundation and the LGT Group Foundation (appointed September 2009). He was a Non Executive Director of Insurance Australia Group Limited until his retirement in August 2012.

*Recommendation*

*The Board, other than Mr Colebatch, unanimously recommends that securityholders vote in favour of Mr Colebatch's election.*

**d) G G Edington (Independent Non-Executive Director)**

Mr Edington, aged 67 joined the Board in 1999 and is a member of the Risk Management and Audit Committee and the Sustainability Committee.

*Experience and Qualifications*

Qualified as a Chartered Surveyor, Mr Edington brings to the Board extensive UK and international experience in the property sector. Mr Edington was a Director of BAA plc and Chairman of BAA International. He joined BAA plc in 1988, became a member of the Board in 1991 and has been the Chairman of six BAA companies. He is a past President of the British Property Federation, was the chairman of UK property company Greycoat Estates Limited and was a member of the Bank of England Property Forum. Mr Edington was formerly Chairman of the Council of Trustees of the UK children's charity, Action for Children, and was awarded a CBE for services to children.

*Other Directorships and Positions*

Mr Edington is the Deputy Chairman of the Board of Trustees for the Fulham Palace Trust, based in the UK (appointed May 2011).

*Recommendation*

*The Board, other than Mr Edington, unanimously recommends that securityholders vote in favour of Mr Edington's election.*

**Item 3 - Remuneration Report**

The Company's Remuneration Report for the financial year ended 30 June 2012 is set out on pages 69 to 98 of the 2012 Annual Report and can also be found on the Company's website at [www.lendlease.com](http://www.lendlease.com). The Remuneration Report sets out the remuneration policy for the Company and discloses the remuneration arrangements in place for the Managing Director, specified executives and the Non Executive Directors. The Remuneration Report meets Australian disclosure requirements.

Securityholders will be given a reasonable opportunity to ask questions about or make comments on the Remuneration Report at the Annual General Meeting.

In line with legislation, this vote will be advisory only, and does not bind the Directors or Lend Lease Group, however the Directors will have regard to the outcome of the vote and any discussion when settling the remuneration policies in future years. Under the Corporations Act 2001, if 25% or more of votes that are cast are voted against the adoption of the remuneration report at two consecutive AGMs, securityholders will be required to vote at the second of these AGMs on a resolution (a "spill resolution") that another meeting be held within 90 days at which all of the Company's directors (other than the Managing Director and the CEO) must go up for re-election. Lend Lease Group encourages all securityholders to cast their votes on Item 3 (Remuneration Report).

In 2010, the Board completed an extensive review of Lend Lease's Executive Reward Strategy. The objective of the Executive Reward Strategy is to enable the Group to attract, retain and motivate exceptional people to deliver on the business strategy and create value for our securityholders. The delivery of reward components over periods of up to four years encourages sustainable long term performance.

During the year ended 30 June 2012, the Board made two significant changes to our executive remuneration practices which will take effect from 1 July 2012:

- implementation of a 'malus' provision (which allows the Board to adjust downwards the number of securities to vest) for future awards of Deferred Securities and Performance Securities in circumstance of material misstatement of the Group's financial accounts; and
- a mandatory holding of Lend Lease securities (requiring the Managing Director to accumulate and hold approximately 150% of his total package value and specified executives to hold approximately 100% of their total package, or base salary for specified executives outside Australia, in Lend Lease securities) to strengthen alignment between executives and securityholders. It is anticipated that the mandatory holding will be achieved within a six year period as future grants of Deferred Securities and Performance Securities vest.

These changes will further encourage the Managing Director and specified executives to take a long-term perspective when making decisions and strengthen alignment with securityholders.

The Board awards short-term incentive (STI) payments to the Managing Director and specified executives based on the achievement of Group and regional financial key performance indicators and individual performance. The pool of funds available for these awards is directly linked to the Group's financial position. As the Group profit after tax for 2012 was above target, the total STI pool was also above target level. The STI awards that are made to executives from the STI pool are approved by the Board.

Consistent with the Group's Executive Reward Strategy 50% of STI awards are paid as cash and 50% is deferred into Lend Lease securities. Half of the deferred portion vests one year after grant and the other half vests after two years provided that the executive continues in employment. The deferred portion of the STI award is forfeited if the executive resigns or is terminated for cause prior to the vesting date.

The Board also made awards of Long Term Incentive (LTI) during 2012. Consistent with the LTI award made last year, LTI will be assessed against a single performance hurdle which measures Lend Lease's total securityholder return (TSR) compared to the companies in the S&P ASX100 Index over a three and four year period.

The Board will continue to ensure that the Executive Reward Strategy aligns with our business strategy and supports further sustainable growth. We will continue to listen to you and consider refinements to our reward strategy where appropriate.

#### *Recommendation*

*The Board unanimously recommends that securityholders vote in favour of this Resolution.*

## SPECIAL BUSINESS OF THE TRUST AND THE COMPANY

### **Item 4 – Approval of Allocations of Performance Securities in the Lend Lease LTI Plan and Deferred Securities in the Lend Lease STI Plan to the Managing Director**

Securityholder approval is being sought to allocate to the Managing Director (MD) of Lend Lease, Stephen McCann:

- a) Performance Securities – which are part of Lend Lease's Long Term Incentive (LTI) Plan and seek to align the interests of executives with securityholders over a three to four year period; and
- b) Deferred Securities – which are part of Lend Lease's Short Term Incentive (STI) Plan and reward achievement against agreed financial and non-financial targets and seek to align the interests of executives and securityholders over a one and two year period.

It is intended that the above awards will be made to the MD on the following dates:

- a) Performance Securities – within 1 month of the meeting; and
- b) Deferred Securities – on or about 1 September 2013.

#### ***Why is securityholder approval being sought?***

ASX Listing Rule 10.14 requires that securityholders approve awards of securities issued to Directors. Securityholders' approval is required only if new securities are issued to a Director and not if securities are purchased on market. The intention of the requirement is to protect securityholders from dilution in the value of securities that may occur as a result of securities issued under employee incentive plans. No such dilution occurs if securities are purchased on market.

The Board may determine whether securities awarded will be purchased on market or issued. The Board's current intention is to purchase on market all Lend Lease securities required to satisfy the vesting of Performance Securities and Deferred Securities awarded, as this would cause no dilution to securityholders' interests. However, the Board considers it good governance to seek approval from securityholders for awards made to the MD. Subject to securityholder approval being obtained, the Board reserves the right to issue new securities instead of buying on market. In the event that the awards are not approved by securityholders, in order to meet the Company's contractual obligations under the MD's employment contract, it will be necessary for the Board to instead pay to the MD an amount in cash equivalent to the value of those awards and, to the extent that they are relevant, on the same terms as set out below (including the satisfaction of applicable performance hurdles and service conditions).

## **Background**

Each year the Board reviews and approves the remuneration of the MD. The MD's remuneration is set in accordance with the Executive Reward Strategy and with consideration of market benchmarks provided by an external remuneration consultant, presently PricewaterhouseCoopers. The MD's remuneration package includes:

- a) Fixed remuneration (salary, superannuation and benefits)
- b) Short term incentive payable in cash
- c) Short term incentive which is provided as a grant of Deferred Securities that vest subject to service-based conditions over a one and two year period
- d) A long term incentive in the form of Performance Securities which vest subject to achievement of a performance-based hurdle over a three and four year period and subject to continuing employment at the relevant vesting date.

### **a) Performance Securities – LTI Plan**

**Overview:** The LTI plan involves an annual grant of 'Performance Securities' to participants. The Performance Securities track the performance of Lend Lease securities and are subject to a performance-based hurdle over a three and four year period and subject to continuing employment at the relevant vesting date. The Board's current intention is that the cash value of the LTI awards will be settled in Lend Lease securities. Each Performance Security represents one fully paid Lend Lease security (comprising one fully paid ordinary share in the Company stapled to one fully paid ordinary unit in Lend Lease Trust). The Board may also provide cash or other benefits with equivalent value on vesting but its current intention is to provide Lend Lease securities.

**Performance hurdle:** All of the Performance Securities granted will be subject to Lend Lease's Total Securityholder Return (TSR) compared to a comparator group of companies comprising the S&P ASX 100 Index subject to any inclusions or exclusions determined by the Board.

If Lend Lease's TSR performance is ranked below the median of the comparator group, no Performance Securities will vest and Mr McCann will receive no Lend Lease securities. If Lend Lease's TSR performance is ranked at the median of the comparator group, 50% of Performance Securities will vest. 100% of Performance Securities will vest if Lend Lease's TSR is ranked at the 75th percentile. For relative TSR performance between the median and the 75th percentile, pro-rated vesting will occur on a straight-line basis resulting in vesting of between 50% and 100%.

50% of the Performance Securities will be tested against the performance hurdle after three years and the remaining 50% of the Performance Securities will be tested against the performance hurdle after four years. If the performance conditions are not met at the time of testing, then those Performance Securities will lapse.

The Board believes that relative TSR is an appropriate performance hurdle as it aligns the MD's interests with securityholder outcomes and provides a direct comparison of Lend Lease's performance against other listed companies.

**Quantum of award:** During the year ending 30 June 2013, subject to securityholder approval, Mr McCann will be granted 171,929 Performance Securities under the LTI Plan.

This LTI grant is approximately 20% of Mr McCann's total target reward and is consistent with the Executive Reward Strategy under which the Board has determined that the LTI granted to the MD should represent between 20% and 30% of the MD's total target reward.

The Board determined the number of Performance Securities by dividing the dollar value of the LTI grant (\$1,395,000) by the volume weighted average price of Lend Lease securities over the 20 trading days prior to 24 August 2012 (\$8.1138), and rounding to the nearest whole number.

**Distributions:** For each Performance Security that vests, the MD will also be entitled to an amount equal to the distributions that would have been declared or paid on the Lend Lease securities referable to those Performance Securities in the period from the date of grant to vesting. This will (subject to Board discretion) be settled on the same basis as the relevant Performance Securities (that is, by acquiring additional Lend Lease securities). The number of Lend Lease securities will be the additional amount divided by the closing price of a Lend Lease security on the trading day immediately preceding the relevant vesting date (rounded up or down to the nearest whole security).

**Termination of employment:** The treatment of any unvested Performance Securities at the time of termination depends upon the nature of the termination. If Mr McCann is terminated for cause or resigns, any unvested Performance Securities will lapse (unless the Board determines otherwise). If Mr McCann is a "good leaver" (e.g. the termination is due to retirement or redundancy), the number of unvested Performance Securities will be calculated on a pro-rata basis and will remain subject to the original performance conditions and will be tested at the original testing dates. In exceptional circumstances (e.g. death, total and permanent disablement or other circumstances determined by the Board), performance may be assessed at the date of termination with vesting to occur at that time.

**Material Misstatement in the Group's Financial Statements:** If at any time during the Performance Period (the period between the grant date and the vesting date) the Board becomes aware of a material misstatement in the Group's financial statements, the Board may determine that Mr McCann will forfeit any right or interest in, or entitlements relating to, some or all of his Performance Securities.

**Additional information:** The early vesting of the Performance Securities may be permitted by the Board in other limited circumstances such as a change in control of Lend Lease, in which case Mr McCann will be entitled to a pro-rata award or other amount as determined by the Board.

No amount is payable by Mr McCann upon the grant of these Performance Securities or to acquire Lend Lease securities at vesting. No loan will be provided to Mr McCann in relation to the LTI Plan award.

Other than Mr McCann, no director (or associate of a director) is currently entitled to participate in the LTI Plan. No grants have been made to a director (or associate of a director) other than Mr McCann under the LTI Plan since the Company and the Trust were stapled to form the Lend Lease Group. In accordance with the approval obtained at the 2011 Annual General Meeting, Mr McCann was issued 157,029 Performance Securities at no cost on 30 November 2011.

## **b) Deferred Securities**

**Overview:** Under the Lend Lease Deferred Securities Plan, the Board may grant “Deferred Securities” to the MD which will vest subject to service-based conditions. The number of Deferred Securities awarded to Mr McCann is dependent on his achievement against targets determined by the Board under the Lend Lease Short-term Incentive (STI) Plan. The Board has determined that 50% of any STI awarded to the MD will be paid as cash and 50% will be provided as a grant of Deferred Securities.

Mr McCann’s target STI for FY13 is \$3,335,000. In exceptional circumstances where the company and the MD have significantly over-performed, Mr McCann may be awarded 150% of his target or \$5,002,500 of which 50% would be in Deferred Securities (\$2,501,250). Although an award of this amount can only be made in exceptional circumstances, to allow for that possibility, approval is sought for this maximum amount. The maximum amount will only be awarded if the company exceeds the budgeted profitability for FY13 approved by the Board by a material amount and Mr McCann is also evaluated by the Board at the highest level on the objectives in his individual scorecard, leadership capabilities, values and behaviours.

50% of Mr McCann’s FY13 individual scorecard objectives are financial, including targets in relation to profit after tax, margin, cash flow, return on shareholders’ equity and new work secured. For commercial reasons, the specific details of these individual financial targets cannot be disclosed. The remaining 50% of Mr McCann’s scorecard includes goals in relation to safety, talent management and leadership, operational efficiency and the business strategy.

Subject to commercial sensitivities, the Board will provide further information on Mr McCann’s scorecard and the Board’s assessment in the FY13 Remuneration Report.

In addition to the above goals, the Board will also assess Mr McCann against Lend Lease’s defined leadership capabilities (including safety and diversity), values and behaviours.

Each Deferred Security represents one fully paid Lend Lease security. No amount is payable by Mr McCann upon grant of the Deferred Securities.

**Deferral Period:** In order to ensure continued alignment to securityholder interests and to support the retention of Mr McCann, the Deferred Securities will be subject to Vesting Conditions determined by the Board. Currently the Board has determined the following Vesting Conditions:

- 50% of the Deferred Securities (Tranche 1) will vest if Mr McCann has not terminated or given notice of the termination of his employment at or before one year after the grant date of the Deferred Securities (the grant date will be a date determined by the Board that is expected to be on or about 1 September 2013); and
- 50% of the Deferred Securities (Tranche 2) will vest if Mr McCann has not terminated or given notice of the termination of his employment at or before two years after the grant date of the Deferred Securities.

The Deferred Securities will be held on trust for Mr McCann during the period that the Deferred Securities are subject to Vesting Conditions. During this period, Mr McCann cannot sell or otherwise deal with these Deferred Securities.

**Termination of Employment:** Prior to the relevant vesting date, the Deferred Securities will be forfeited by Mr McCann if he is terminated for cause or resigns. However, if Mr McCann is a “good leaver” or if the termination of employment is due to special circumstances (including death, disability, redundancy, retirement or other circumstances determined by the Board), the Board may allow early vesting of some or all of the Deferred Securities or allow some or all of the Deferred Securities to remain in the Lend Lease Employee Share Acquisition Plan Trust on his behalf until the original vesting date. The Board retains the discretion to reduce Mr McCann’s entitlement to Deferred Securities at the time of, or following the cessation of, Mr McCann’s employment.

**Quantum of securities:** The maximum number of Deferred Securities to be granted to Mr McCann under the Deferred Securities Plan will be determined as follows:

$$DS = (50\% \times STI) / L$$

Where:

DS = the number of Deferred Securities to be awarded to Mr McCann.

STI = the dollar value of the actual STI award made to Mr McCann under the STI (including both cash and securities) after consideration by the Board of achievement against agreed targets.

L = the volume weighted average price of Lend Lease securities traded on ASX over the twenty trading days prior to the release of the full year results of the Company for the year ending 30 June 2013 (or if the Board considers that this period does not reflect a realistic price having regard to the recent trading history, such other period as determined by the Board).

For the year ending 30 June 2013, the maximum value of Deferred Securities which can be awarded to Mr McCann is \$2,501,250 (being half of the maximum STI opportunity which can be awarded to Mr McCann for exceptional performance).

As an illustrative example, assuming that the Board's assessment of the MD's performance against agreed targets leads to a total STI award of \$3,500,000, then \$1,750,000 would be delivered as Deferred Securities (that is, 50% of \$3,500,000). If the volume weighted average price of Lend Lease securities over the twenty trading days prior to the release of the full year results of the Company for the year ending 30 June 2013 was \$8.00 per security, the number of Deferred Securities granted to Mr McCann would be 218,750 (that is, \$1,750,000 / \$8.00).

**Material Misstatement in the Group's Financial Statements:** If at any time while Deferred Securities are subject to Vesting Conditions the Board becomes aware of a material misstatement in the Group's financial statements, the Board may determine that Mr McCann will forfeit any right or interest in, or entitlements relating to, some or all of his Deferred Securities.

**Additional information:** The early vesting of some or all of the Deferred Securities may be permitted by the Board in other limited circumstances such as a change in control of Lend Lease.

Other than Mr McCann, no director (or associate of a director) is currently entitled to participate in the STI (including the Deferred Securities Plan component). No grants have been made to a director (or associate of a director) other than Mr McCann under the STI since the Company and the Trust were stapled to form the Lend Lease Group.

No loan will be provided to Mr McCann in relation to the STI award or Deferred Securities.

#### *Recommendation*

*The Board (with Mr McCann abstaining) unanimously recommends that securityholders vote in favour of this Resolution.*

#### **Item 5 – Proportional Takeover Rules**

Securityholder approval is being sought for the reinsertion into the Company's Constitution of the provisional takeovers provision currently included as Rule 15.

A proportional takeover offer is a takeover offer where the offer made to each securityholder in the Company is only for a proportion of that securityholder's shares (which would also involve an offer for the equivalent proportion of that securityholder's stapled securities). The Constitution currently includes proportional takeover provisions (Rule 15). These came into effect in 1997 when the Company adopted its existing Constitution and were renewed by securityholders in 2000, 2003, 2006 and 2009.

Under the Corporations Act 2001 (Cth) (the Act), proportional takeover provisions expire after three years from adoption or renewal.

The proposed proportional takeover provisions are identical to those adopted in 2009. However, the three year period from the date of the 2009 Annual General Meeting will elapse, and the provisions currently contained in Rule 15 will expire, just prior to the 2012 Annual General Meeting. It is for this reason that the resolution seeks the reinsertion of the proportional takeover provisions into the Constitution (rather than their renewal).

The Act requires that the following information be disclosed in this notice:

#### **Effect**

If a takeover offer is made under a proportional takeover bid, the Directors must ensure that a resolution of securityholders to approve the takeover bid is voted on more than 14 days before the last day of the bid period (or such later date as is approved by the Australian Securities and Investments Commission).

Each securityholder has one vote for each fully paid share held. Each partly paid share carries a fraction of a vote, reflecting the amount paid up. The vote is decided on a simple majority. The bidder and its associates are not allowed to vote. If the resolution is not passed, transfers giving effect to takeover contracts for the bid will not be registered and the offer will be taken to have been withdrawn.

If the bid is approved (or taken to have been approved), the transfers must be registered (provided they comply with other provisions of the Act and the Constitution).

The Directors breach the Act if they fail to ensure the approving resolution is voted on. However, if the resolution is not voted on, the bid will be taken to have been approved.

The proportional takeover approval provisions set out above do not apply to full takeover offers and will only apply until three years after the date of reinsertion. The provisions may be renewed again, but only by a special resolution of securityholders.

### **Reasons**

A proportional takeover bid involves an offer for only a proportion of each member's securities. This may allow control of the Company to pass without members having the chance to sell all their securities to the bidder.

This may assist a bidder to take control of the Company without payment of an adequate control premium. The approval provisions will allow members to decide collectively if a proportional offer is acceptable in principle and will assist in ensuring that any partial offer is appropriately priced. At the date this notice was prepared, no Director is aware of a proposal by a person to acquire (or to increase) a substantial interest in the Company.

### **Potential advantages and disadvantages**

The Directors consider that the takeover approval provisions have no potential advantages or disadvantages for them. They remain free to make a recommendation on whether an offer under a proportional takeover bid should be accepted.

The Board also considers that there have been no advantages or disadvantages for either the Directors or the Company's members during the period since 2009 while the current proportional takeover provisions have been in effect.

The potential advantages of the takeover approval provisions for securityholders of the Company are:

- securityholders have the right to decide by majority vote whether an offer under a proportional takeover bid should proceed;
- the provisions may help securityholders to avoid being locked in as a minority;
- the bargaining power of securityholders is increased (this may help ensure that any partial offer is adequately priced); and
- knowing the view of the majority of securityholders may help each individual securityholder assess the likely outcome of the proportional takeover offer and to decide whether to accept or reject that offer.

The potential disadvantages for securityholders of the Company include:

- proportional takeover offers for securities in the Company may be discouraged;
- securityholders may lose an opportunity of selling some of their securities at a premium; and
- the chance of a proportional takeover being successful may be reduced.

The Board considers that the potential advantages for securityholders of the takeover approval provisions outweigh the potential disadvantages. In particular, securityholders as a whole are able to decide whether or not a proportional takeover bid is successful.

### *Recommendation*

*The Board unanimously recommends that securityholders vote in favour of this Resolution.*

### **ITEM 6 - Approving Capital Reduction and Lend Lease Trust Capitalisation**

Please refer to the separate explanatory statement accompanying this Notice of Meetings.

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**Lend Lease**

# Explanatory Statement

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In relation to a proposal to reduce the capital of Lend Lease Corporation Limited and apply the proceeds of the capital reduction to Lend Lease Trust.

This document is issued by Lend Lease Corporation Limited ABN 32 000 226 228.

## Contents

	Key shareholder actions	
	Important dates	
1	Overview	2
2	Steps to implement the Capital Reduction and LLT Capitalisation	3
3	Rationale for the Capital Reallocation Proposal	4
4	Financial impacts of the Capital Reallocation Proposal	6
5	Advantages and disadvantages of the Capital Reallocation Proposal	7
6	Other information	10
7	Recommendation and Notice	11
8	Glossary	12
9	Attachments	14

## Important Notices

### What is this document?

This document is an explanatory statement issued by Lend Lease Corporation Limited (ABN 32 000 226 228) (**Company**) dated 15 October 2012 and provides shareholders of the Company with details of the Capital Reallocation Proposal.

This document also includes Tax Letters by each of Greenwoods & Freehills Pty Ltd, Winston & Strawn and Linklaters.

### No investment advice

The information outlined in this explanatory statement does not constitute financial product advice and has been prepared without reference to your particular investment objectives, financial situation, taxation position and particular needs. It is important that you read this explanatory statement in its entirety before making any decision on how to vote on the Capital Reallocation Proposal. If you are in any doubt in relation to these matters, you should contact your investment, financial, taxation or other professional adviser.

### Defined terms

Capitalised terms used in this explanatory statement are defined in the Glossary in section 8. The Glossary also sets out some rules of interpretation which apply to this explanatory statement.

### Forward looking statements

Statements of intent in relation to future events should not be taken to be a forecast or prediction that those events will occur. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement and deviations are both normal and to be expected. The Company, Lend Lease Responsible Entity Limited (ABN 72 122 883 185), their respective officers, and any person named in this explanatory statement or involved in the preparation of this explanatory statement do not make any representation or warranty (either express or implied) as to the accuracy or likelihood of fulfilment of any forward looking statement, or any events or results expressed or implied in any forward looking statement. Accordingly, you are cautioned not to place undue reliance on those statements.

Any forward looking statements in this explanatory statement reflect views held by Lend Lease at the date of this explanatory statement.

# Capital Reallocation Proposal

This booklet sets out information in relation to resolutions 6.a) and 6.b) of the 2012 Notice of Meetings.

## Key Shareholder Actions

<b>READ THIS DOCUMENT IN FULL</b>	You should read this booklet in full. It contains important information to assist you in your voting decision. If you have any questions about the Capital Reallocation Proposal, please contact the Capital Reallocation Proposal Information Line on 1300 775 974 (if in Australia) or +61 2 8004 4314 (if outside Australia).
<b>VOTE ON THE CAPITAL REALLOCATION RESOLUTIONS</b>	It is important that you vote on the Capital Reallocation Resolutions. The Capital Reallocation Proposal will not proceed unless it is approved by a > 50% majority of the votes cast by Lend Lease shareholders attending the meeting in person or by proxy.
<b>DIRECTORS' RECOMMENDATION</b>	<b>The directors consider the Capital Reallocation Proposal to be in the best interest of shareholders and unanimously recommend that you vote in favour of the Capital Reallocation Proposal.</b>
<b>YOUR VOTE IS IMPORTANT</b>	If you are unable to attend the Lend Lease AGM on 15 November 2012, you may appoint a proxy to vote on your Shares on your behalf. If you wish to appoint a proxy, you need to complete the proxy form enclosed with this explanatory statement and return it to the address indicated on the form by no later than 10:00am on 13 November 2012.

## Important Dates

<b>SYDNEY TIME AND DATE 2012</b>	<b>EVENT</b>
<b>10:00 AM TUESDAY 13 NOVEMBER</b>	Closing date and time for receipt of completed proxy forms for the Lend Lease AGM Date and time for determining eligibility to vote at the Lend Lease AGM
<b>10:00 AM THURSDAY 15 NOVEMBER</b>	Lend Lease AGM
<b>23 NOVEMBER</b>	Entitlement Date for participating in the Capital Reduction
<b>ON OR ABOUT 26 NOVEMBER</b>	Implementation date: <ul style="list-style-type: none"><li>– the Company's capital is reduced by \$500.3 million</li><li>– the amount of the Capital Reduction is applied as additional capital to LLT</li></ul>

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## WHAT IS THE PURPOSE OF THIS BOOKLET?

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Lend Lease shareholders are being asked to approve a capital reallocation through a reduction in the capital of the Company and the application of that capital to Lend Lease Trust (**Capital Reallocation Proposal**). This booklet provides information to shareholders about the Capital Reallocation Proposal.

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## WHAT IS THE BACKGROUND TO THE CAPITAL REALLOCATION PROPOSAL?

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Lend Lease became a stapled group in November 2009, when each ordinary Share in the Company was stapled to one Unit issued by Lend Lease Trust ARSN 128 052 595 (**LLT**). LLT was established to allow Lend Lease the flexibility to acquire and hold assets in a more efficient way. At the time, LLT was established with nominal capital on the basis that the Company would seek to capitalise LLT at an appropriate time when potential investment opportunities for LLT had been identified.

This was described in the explanatory statement accompanying the stapling proposal (**Stapling EM**). More detail on the background to the Capital Reallocation Proposal is set out below under the heading 'Rationale for the Capital Reallocation Proposal'.

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## WHAT IS THE EFFECT OF THE CAPITAL REALLOCATION PROPOSAL?

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The amount of the capital of the Company will reduce by \$500.3 million and the amount of the capital in LLT will increase by \$500.3 million. The Capital Reallocation Proposal will not result in the payment of any amount directly to shareholders nor the issue or cancellation of any Shares or Units.

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## WHAT IS THE REASON FOR THE CAPITAL REALLOCATION PROPOSAL?

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The Company is now proposing to reallocate capital to LLT in order to provide LLT with a suitable capital base to pursue the holding of passive assets and access the intended benefits of the stapling. As announced in July 2012, Lend Lease has recently committed to a \$500 million co-investment in the Barangaroo South Development. The Capital Reallocation allows LLT to fund this commitment, and establishes a capital base in LLT that could be utilised to make further investments in passive assets in future.

The Capital Reallocation is proposed to be undertaken now to provide certainty for the equity structure of LLT's commitment to Barangaroo South and while the taxation impacts on the majority of shareholders of the Capital Reallocation are known, which are set out in the Tax Letters.

More detail on the reasons for the Capital Reallocation Proposal is set out below under the heading 'Rationale for the Capital Reallocation Proposal'.

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## HOW WILL THE CAPITAL REALLOCATION PROPOSAL OCCUR?

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The reallocation of capital from the Company to LLT involves the following two steps:

1. the reduction of the Company's share capital by \$500.3 million in aggregate (the **Capital Reduction**); and
2. the application of that amount as additional capital to LLT by the Company as agent for each member (the **LLT Capitalisation**).

The Capital Reduction and LLT Capitalisation cannot occur without the approval of the Company's shareholders (by ordinary resolution). Resolution 6.a) seeks shareholder approval to implement the Capital Reduction. Resolution 6.b) seeks shareholder approval to implement the LLT Capitalisation. Neither the Capital Reduction nor the LLT Capitalisation will be effected unless both resolutions are approved.

More detail on the two steps is set out below under the heading 'Steps to Implement the Capital Reduction and LLT Capitalisation'.

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## 2 Steps to Implement the Capital Reduction and LLT Capitalisation

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**WHAT DOES THE CAPITAL REDUCTION INVOLVE?**

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The Capital Reduction involves an 'equal' reduction of the Company's share capital. Under the Act, this means that the reduction will apply to each holder of ordinary shares, in proportion to the number of shares they hold, and on the same terms.

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**HOW MUCH IS THE CAPITAL REDUCTION?**

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The Capital Reduction will involve the return of an aggregate amount equal to \$500.3 million on or around 26 November 2012 and will apply to the registered holders of ordinary shares as at the Entitlement Date (23 November 2012, being the record date for participation in the resolution).

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**HOW WILL THE CAPITAL REDUCTION AFFECT MY SHARES?**

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The Company has 574,351,883 ordinary shares on issue. The Capital Reduction will reduce the capital referable to each share by \$0.871.

The Capital Reduction will not affect the number of Shares on issue, or change the number of Shares held by each shareholder of the Company. Accordingly, it will not affect the control of the Company.

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**WHAT DOES THE LLT CAPITALISATION INVOLVE?**

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The LLT Capitalisation involves the Company on behalf of members applying the proceeds of the Capital Reduction as additional capital to LLT. All proceeds of the Capital Reduction will be applied to LLT. No member will receive a cash distribution and all members will be treated equally.

The proceeds will be applied pro-rata in proportion to each member's respective holdings of existing Units in LLT. The members may authorise the Company to do this (by ordinary resolution) pursuant to clause 2.6 of the Company's constitution.

Together the Capital Reduction and the LLT Capitalisation make up the Capital Reallocation.

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**HOW WILL THE LLT CAPITALISATION OCCUR?**

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Upon receipt of the proceeds from the Capital Reduction, Lend Lease Responsible Entity Limited (as trustee of LLT) will apply those funds to pay up further capital on the members' existing Units in LLT. This will occur on a pro rata basis across all existing Units. The Board of Lend Lease Responsible Entity Limited (as trustee of LLT) has resolved to apply the proceeds of the Capital Reduction in this way.

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**HOW WILL THE LLT CAPITALISATION AFFECT MY UNITS?**

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The amount of capital referable to existing Units will be increased by an amount equal to the reduction of capital on existing Shares (i.e. \$0.871 per Share).

The LLT Capitalisation will not affect the number of Units held by each member. No additional Units will be issued to any member, nor will any member acquire any additional rights in LLT or the Company, other than the entitlement to additional paid up capital referable to each Unit of LLT.

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## 3 Rationale for the Capital Reallocation Proposal

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### **EFFICIENT STRUCTURE TO HOLD PASSIVE ASSETS**

Lend Lease's strategic direction is to be the leading international property and infrastructure group. Lend Lease is committed to creating and building innovative and sustainable solutions, forging partnerships and delivering strong investment returns. The Capital Reallocation will put in place a capital base for LLT to hold Lend Lease's passive property assets, as outlined in the Stapling EM.

It is not Lend Lease's intention to be included within the A-REIT Index. The stapled structure is designed to allow Lend Lease's investments in passive assets to be held in a manner to enhance yield.

The anticipated benefits outlined in the Stapling EM and those below will not be immediate but are planned to occur over time as passive assets held by LLT mature. Where LLT invests in passive assets which are not yet earning income (such as Barangaroo South during its development phase) the impact on distribution yield to members is expected to be minimal.

The key benefits of holding passive property assets in LLT were identified in the Stapling EM. These anticipated benefits are still applicable, and include the following:

- more predictable distributions on income generated from passive assets;
- yield enhancement from income streams from passive assets; and
- enhanced cash position of investors where distributions are treated as tax deferred (see attached Tax Letters for further detail on taxation implications);

The Stapling EM included a detailed discussion of the potential financial impacts of stapling, including hypothetical examples outlining the financial and taxation implications of investing in passive assets through LLT. For further information, members can obtain copies of the Stapling EM on the Lend Lease website at [www.LLCapitalisation.com](http://www.LLCapitalisation.com) or on request from the Lend Lease Company Secretary at +61 2 9277 2191.

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### **LLT INVESTMENT IN BARANGAROO SOUTH DEVELOPMENT**

Since the establishment of LLT in October 2009, Lend Lease has investigated various investments which may be appropriate for LLT. As announced to the ASX on 7 July 2012, LLT has now committed to invest \$500 million into Lend Lease International Towers Sydney Trust (LLITST), which will progressively invest in the development and ownership of commercial towers at the Barangaroo South development in Sydney, Australia.

Commitments for the remaining 75% in equity contributions to LLITST have been obtained from third party capital partners. Those commitments amount to \$1.5 billion and make up the balance of the \$2 billion of equity capital to be used to develop the first 2 commercial towers at Barangaroo South.

LLT's commitment is guaranteed by the Company and interim funding is being provided by a loan commitment from the Company. The proposed LLT Capitalisation of \$500.3 million will allow LLT to fund its Barangaroo South commitments through equity. The benefits of an equity (rather than debt) funded investment are outlined under the sub-heading 'Advantages of the Capital Reallocation Proposal' in section 5.

Following the completion of the development, LLT will earn rents from commercial tenants. Leasing commitments for over 70% of the office space in the first 2 towers have been obtained from Westpac, Lend Lease and KPMG (subject to the satisfaction of conditions). Income to LLT flowing from the commercial tenants should be available for distributions to members.

The \$500 million commitment from LLT to LLITST will be contributed progressively over the next 3-4 years to fund the Barangaroo South development. Pending draw-down, LLT will invest excess cash in short term investments that may include cash deposits with financial institutions and loans to the Company.

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**FUTURE  
OPPORTUNITIES AND  
INVESTMENTS**

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Over time, the capitalisation should also enable LLT to make other investments to further access the potential benefits of passive property holdings, subject to available funding. Such investments could include the transfer to LLT of some of the Company's existing passive assets if anticipated tax changes occur. There are currently no specific plans in this regard.

As suitable investment opportunities become available for LLT, further approvals may be sought from the Company's shareholders to reallocate capital to LLT.

The ownership interest LLT is taking in LLITST is consistent with Lend Lease's strategy for having recurring earnings from passive asset ownership. Pursuing capital recycling opportunities is consistent with Lend Lease's strategy and may therefore be contemplated within LLT in future periods (including potentially the investment in LLITST). This will allow consideration of further investment opportunities by LLT.

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## 4 Financial Impacts of the Capital Reallocation Proposal

The financial information<sup>1</sup> set out below shows:

- The Pre Capitalisation statements of financial position of Lend Lease Corporation (the “Company”), including its controlled entities (excluding LLT), plus the standalone financial position of LLT, and the Consolidated Lend Lease Group (the “Group”). The Company is deemed to control LLT for accounting purposes and therefore LLT is consolidated into the Group’s financial report. The statement of financial position of LLT has been set out separately below to demonstrate the impact of the proposed capital reallocation on the individual financial statements of LLT;
- The Post Capitalisation statements of financial position representing the Pre Capitalisation financial information adjusted for the impact of the proposed Capital Reallocation, assuming the transaction had occurred on 30 June 2012. The financial impact of the pro forma adjustments is to transfer \$500.3 million of cash from the Company to LLT, with a corresponding increase in the equity of LLT and decrease in the equity of the Company. There is no net financial impact on the consolidated net assets or equity of the consolidated Group as a result of the proposed capital reallocation.

	Pre Capitalisation June 2012 A\$ million			Post Capitalisation June 2012 A\$ million		
	Company	LLT	Consolidated	Company	LLT	Consolidated
<b>Current Assets</b>						
Cash And Cash Equivalents	957.5	0.4	957.9	457.2	500.7	957.9
Loans And Receivables	1,874.5	-	1,874.5	1,874.5	-	1,874.5
Inventories	862.8	-	862.8	862.8	-	862.8
Other Assets	152.9	-	152.9	152.9	-	152.9
<b>Total Current Assets</b>	<b>3,847.7</b>	<b>0.4</b>	<b>3,848.1</b>	<b>3,347.4</b>	<b>500.7</b>	<b>3,848.1</b>
<b>Non Current Assets</b>						
Loans And Receivables	330.2	-	330.2	330.2	-	330.2
Inventories	1,696.3	-	1,696.3	1,696.3	-	1,696.3
Investments Accounted For Using The Equity Method	470.2	-	470.2	470.2	-	470.2
Investment Properties	3,415.0	-	3,415.0	3,415.0	-	3,415.0
Property, Plant & Equipment	669.4	-	669.4	669.4	-	669.4
Intangible Assets	1,405.1	-	1,405.1	1,405.1	-	1,405.1
Other Assets	609.8	-	609.8	609.8	-	609.8
<b>Total Non-Current Assets</b>	<b>8,596.0</b>	<b>-</b>	<b>8,596.0</b>	<b>8,596.0</b>	<b>-</b>	<b>8,596.0</b>
<b>Total Assets</b>	<b>12,443.7</b>	<b>0.4</b>	<b>12,444.1</b>	<b>11,943.4</b>	<b>500.7</b>	<b>12,444.1</b>
<b>Current Liabilities</b>						
Trade And Other Payables	3,465.8	-	3,465.8	3,465.8	-	3,465.8
Resident And Accommodation Bond Liabilities	2,422.9	-	2,422.9	2,422.9	-	2,422.9
Borrowings And Financing Arrangements	100.0	-	100.0	100.0	-	100.0
Other Liabilities	333.4	-	333.4	333.4	-	333.4
<b>Total Current Liabilities</b>	<b>6,322.1</b>	<b>-</b>	<b>6,322.1</b>	<b>6,322.1</b>	<b>-</b>	<b>6,322.1</b>
<b>Non Current Liabilities</b>						
Trade And Other Payables	592.2	-	592.2	592.2	-	592.2
Borrowings And Financing Arrangements	1,257.1	-	1,257.1	1,257.1	-	1,257.1
Other Liabilities	361.5	-	361.5	361.5	-	361.5
<b>Total Non-Current Liabilities</b>	<b>2,210.8</b>	<b>-</b>	<b>2,210.8</b>	<b>2,210.8</b>	<b>-</b>	<b>2,210.8</b>
<b>Total Liabilities</b>	<b>8,532.9</b>	<b>-</b>	<b>8,532.9</b>	<b>8,532.9</b>	<b>-</b>	<b>8,532.9</b>
<b>Net Assets</b>	<b>3,910.8</b>	<b>0.4</b>	<b>3,911.2</b>	<b>3,410.5</b>	<b>500.7</b>	<b>3,911.2</b>
<b>Equity</b>						
Issued Capital	2,077.6	0.6	2,078.2	1,577.3	500.9	2,078.2
Treasury Shares	(111.0)	-	(111.0)	(111.0)	-	(111.0)
Reserves	(119.3)	-	(119.3)	(119.3)	-	(119.3)
Retained Earnings	2,058.2	(0.2)	2,058.0	2,058.2	(0.2)	2,058.0
Other Non Controlling Interests	5.3	-	5.3	5.3	-	5.3
<b>Total Equity</b>	<b>3,910.8</b>	<b>0.4</b>	<b>3,911.2</b>	<b>3,410.5</b>	<b>500.7</b>	<b>3,911.2</b>

1. The financial information in this section has been presented in abbreviated form. It does not contain all of the disclosures usually provided in a consolidated financial report prepared in accordance with Australian Accounting Standards. Further detail on key accounting policies for Lend Lease can be found in the financial reports of the Lend Lease Group which can be obtained from the Investor Centre at [www.lendlease.com](http://www.lendlease.com).

## 5 Advantages and Disadvantages of the Capital Reallocation Proposal

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### ADVANTAGES OF THE CAPITAL REALLOCATION PROPOSAL

As set out in section 3 above and the Stapling EM, LLT was established to provide Lend Lease the flexibility to hold property investment assets in a more efficient structure.

The tax transparent nature of LLT will allow it to distribute earnings from passive assets to investors on a pre-tax basis. Distributions from LLT on a pre-tax basis should enhance the overall yield from an investment in Lend Lease, with the potential for positive market impacts on the trading price of Lend Lease securities. Depending on the circumstances of individual investors, distributions of income or capital gains may also result in more efficient tax outcomes. The enhanced yield is contingent on LLT earning returns on its investments. In the context of the Barangaroo South investment outlined in this document, it is not anticipated that net rental income will flow until completion of the first 2 towers, targeted for late 2015 – early 2016. In the interim, earnings in LLT will be from short-term investments of its surplus cash which may include cash deposits with financial institutions or loans to the Company pending draw-downs for Barangaroo South. Accordingly, the impact of an enhanced yield from LLT may be expected to occur over time, once rental income has commenced.

The full benefits described above cannot be realised unless LLT has capital to invest in passive assets. The Capital Reallocation Proposal reallocates excess capital from the Company to LLT to allow members access to the benefits of the stapled structure over time. Set out further below is a hypothetical example showing the indicative impact of the Capital Reallocation Proposal based on the assumptions outlined.

#### **Barangaroo South investment**

In the context of LLT's investment in Barangaroo South, the reallocation of capital from the Company to LLT is economically preferable to the existing loan arrangements between LLT and the Company.

In the first instance, it is intended that LLT would utilise the capital to meet its investment commitment in the Barangaroo South development. By investing its own equity capital, LLT should be able to deliver greater returns to its members over time. This is because the tax transparent nature of LLT will allow it to distribute earnings to investors on a pre-tax basis. If LLT were to borrow the necessary funds from the Company, any interest paid to the Company would reduce the income otherwise distributable by LLT.

The Capital Reallocation Proposal aims to enhance the overall yield of the stapled securities over time, which may improve the trading valuation of Lend Lease securities.

#### **Efficient Structure to hold Passive Assets**

Some of the efficiencies referred to above, and in the attached Tax Letter from Greenwoods & Freehills Pty Ltd, which are potentially available to some members, require that those members have paid up more than a nominal amount of their units in LLT. The capitalisation of LLT will result in the paying up of LLT units to more than a nominal amount.

LLT may pay distributions which represent rental income which has been sheltered from tax by depreciation allowances in respect of the Barangaroo South towers. Such distributions are tax-deferred distributions; the Australian tax consequences of receiving tax-deferred distributions are discussed in the attached Tax Letter from Greenwoods & Freehills Pty Ltd. As the discussion in that letter shows, for tax-deferred distributions to give full access to the yield enhancements and economic efficiencies for members, members should have a tax cost base that is greater than the tax-deferred distribution amounts.

Investors should seek their own professional tax advice referable to their own circumstances.

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**DISADVANTAGES OF THE CAPITAL REALLOCATION PROPOSAL**

The Capital Reduction reallocates capital from the Company to LLT. If LLT does not make its surplus cash available to the Company after the Capital Reallocation, the Company (viewed separately) would have less cash with which to pursue investments, during the period from the Capital Reallocation until LLT has met its funding commitment to Barangaroo South.

The range of investment options available to LLT is more limited, comprising passive assets and other eligible investments. However, the holding of such assets is consistent with Lend Lease's strategy, and (for the reasons described above) LLT is a more efficient vehicle for the holding of these assets.

In accordance with the Act, the Company's board has determined that the Capital Reduction is fair and reasonable to LLC shareholders as a whole and will not materially prejudice the Company's capacity to pay its creditors. Immediately upon completion of the capitalisation, there will be no change in the funds available for Lend Lease, which will, as a result of the capitalisation of LLT, be able to invest more efficiently in passive assets.

As noted above, some general observations on tax implications for investors are set out in the attached Tax Letters from Greenwoods & Freehills Pty Ltd, Winston & Strawn and Linklaters.

**WHAT HAPPENS IF THE CAPITAL REALLOCATION PROPOSAL IS NOT APPROVED?**

If the Capital Reallocation Proposal is not approved, there will be no change to Lend Lease's capital structure at this stage. Passive investment opportunities may continue to be pursued through the Company rather than LLT. In this case, the benefits of stapling, as described above and in greater detail in the Stapling EM, will not be accessed. The Company will continue to provide funding for LLT's investment in Barangaroo South by way of loan consistent with its current obligations. Over time, this is anticipated to be less economically efficient for members than the proposed LLT Capitalisation, for the reasons set out in section 3.

The Company has guaranteed LLT's obligations in the Barangaroo South development. If the Capital Reallocation Proposal is not approved, the Company will continue to lend funds to LLT for LLT to meet its equity commitments or the Company may potentially acquire LLT's obligations and ownership of interests in LLTST.

**Hypothetical example showing impact of the Capital Reallocation Proposal**

As indicated above, the impacts on Lend Lease of the Capital Reallocation are expected to be minimal until commencement of rental streams from LLT's investments. The example below illustrates the potential impact of the proposed capitalisation on net profit of Lend Lease for a full year, on the hypothetical acquisition of a fully complete \$500 million property investment earning rental income (based on the assumptions set out below). This hypothetical example is not intended to be a forecast or estimation of actual performance of LLT's investments, including its investment in Barangaroo South.

Profit & Loss (\$ millions)	Current Structure		Following capitalisation	
	Company	Trust	Company	Trust
Net operating income from asset	42.5	-	-	42.5
Interest expense	(35.0)	-	(35.0)	-
<b>Net profit/(loss) before tax</b>	7.5	-	(35.0)	42.5
Tax	(2.3)	-	10.5	-
<b>Net profit/(loss) after tax</b>	5.2	-	(24.5)	42.5
<b>Consolidated group profit after tax</b>	<b>5.2</b>		<b>18.0</b>	

Income earned by the Company is taxed at the Company level. Distributions made by the Company (dividends) are taxed in the shareholders' hands and may benefit from franking when credits are available and attached to those dividends.

Income earned by the Trust is generally not taxed at the Trust level. Distributions made by the Trust are taxed in the unitholders' hands in accordance with their individual circumstances.

## Assumptions

- LLT is capitalised by \$500m through a capital return from LLC funded by LLC through debt
- Cost of debt is 7% per annum
- Numbers have been rounded to the nearest \$100,000
- Company tax rate is 30%
- The property investment has completed construction and is tenanted with a 8.5% yield
- The example does not:
  - examine the impacts on distribution policy (see section 6 below), franking credits which may be distributed from the Company in the Current Structure or on the carried forward losses in the Company following capitalisation
  - include transaction costs, operating costs, capital expenditure or depreciation and amortisation
  - take into account the impact of tax deferred distributions which should arise as an ordinary consequence of LLT's investment in Barangaroo South. Tax deferred distributions will arise if and when LLT distributes rental income against which tax depreciation and other tax allowances have been claimed. These allowances may result in LLT having more cash arising from its investment than net income for tax purposes. Such cash distributed to unitholders is received on a tax deferred basis (see section 3 of the Greenwoods & Freehills Pty Ltd Tax Letter)

## 6 Other Information

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**HOW WILL THE PROPOSAL AFFECT LEND LEASE'S DISTRIBUTION POLICY?**

As indicated in the Stapling EM, it is intended that distributions from LLT after the LLT Capitalisation will be equivalent to all net operating income of LLT after any allowance that Lend Lease Responsible Entity Limited (as trustee for LLT) considers prudent as a provision for future expenditures.

Distributions from LLT may be off-set to some extent by some reduction in the amount distributed from the Company. The directors of the Company separately assess its dividend pay-out ratio from time to time in light of prevailing circumstances and will continue to do so.

Lend Lease's current distribution policy is to pay out between 40% and 60% of operating profit after tax. Operating profit after tax represents statutory profit after tax adjusted to exclude certain unrealised property revaluation gains and losses.

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**WHAT ARE THE STATUTORY REQUIREMENTS TO UNDERTAKE THE CAPITAL REDUCTION?**

Under the Act, a company can reduce its share capital if the reduction:

- (a) is fair and reasonable to the company's shareholders as a whole;
- (b) does not materially prejudice the company's ability to pay its creditors; and
- (c) is approved by shareholders under section 256C of the Act.

Having considered these matters, the directors of the Company consider that the Capital Reduction:

- (a) is fair and reasonable to the Company's shareholders as a whole; and
- (b) does not materially prejudice the Company's ability to pay its creditors

Shareholders will be treated equally under the Capital Reduction. The holders of shares in the Company also hold units in LLT in the same proportions. The effect of the Capital Reduction is simply to reallocate capital across the stapled group as contemplated at the time the stapling was established and in accordance with the constitutions of the Company and LLT. The Capital Reduction does not affect control of Lend Lease in any way.

The Company has assessed its financial position having regard to its obligations, liabilities and commitments and considers that the Capital Reduction does not materially prejudice the Company's ability to pay its creditors.

Accordingly, the directors of the Company consider that the requirements of the Act are satisfied in relation to the proposed Capital Reduction.

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## 7 Recommendation and Notice

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**DIRECTORS' RECOMMENDATION**

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The directors of the Company unanimously recommend that shareholders vote in favour of the Capital Reduction and LLT Capitalisation.

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**VOTING INTENTION OF DIRECTORS**

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As at 12 October 2012, the directors of the Company hold in aggregate 904,539 shares in the Company out of a total of 574,351,883 shares in the Company on issue (0.12%). The directors support the Capital Reallocation Proposal and intend to vote all of their shares in the Company in favour of the Capital Reallocation Proposal.

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**CONSENTS AND DISCLAIMERS**

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Each of Greenwoods & Freehills Pty Ltd, Winston & Strawn and Linklaters has given and has not, before the date of issue of this explanatory statement, withdrawn its consent to:

- be named in this explanatory statement as taxation adviser to the Company in relation to the Capital Reallocation;
- the inclusion of their respective Tax Letters and the references to the respective Tax Letters in the form and context in which they are included in this explanatory statement; and
- the inclusion of other statements in this explanatory statement which are based on or referable to statements made in the respective Tax Letters.

Each of Greenwoods & Freehills Pty Ltd, Winston & Strawn and Linklaters:

- does not make, or purport to make, any statement in this explanatory statement other than those statements included in their respective Tax Letters; and
  - to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this explanatory statement other than as described in this section with their consent.
- 

**NO OTHER MATERIAL INFORMATION**

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Other than as set out in this booklet and noted below, there is no other information known to directors of the Company which they consider may reasonably be expected to be material to a shareholder in deciding whether or not to vote in favour of the Capital Reduction and LLT Capitalisation.

As contemplated by the Act, this booklet does not disclose information where it would be unreasonable to require the Company to do so because the Company had previously disclosed the information to the Company's shareholders.

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## Definitions

<b>Act</b>	Corporations Act 2001 (Cth).
<b>AGM</b>	the annual general meeting of the Company, to be held at 10:00am on 15 November 2012 at Ballroom 1, The Westin Hotel, 1 Martin Place, Sydney NSW.
<b>A-REIT Index</b>	the S&P/ASX 200 A-REIT Index (XPJ) which contains the listed vehicles classified as REITs. REITs own property and derive income from rental returns.
<b>Capital Reallocation Proposal</b>	the reduction in the capital of the Company and the application of that capital to Lend Lease Trust as described in this explanatory statement.
<b>Capital Reallocation Resolutions</b>	resolutions 6.a) and 6.b) to be considered by the Company's shareholders at the AGM, which relate to: <ul style="list-style-type: none"> <li>– the Capital Reduction; and</li> <li>– the LLT Capitalisation.</li> </ul>
<b>Capital Reduction</b>	the reduction of the Company's share capital by \$500.3 million in aggregate.
<b>Company</b>	Lend Lease Corporation Limited (ABN 32 000 226 228).
<b>Entitlement Date</b>	the record date for participation in the Capital Reduction in accordance with the ASX Listing Rules.
<b>Lend Lease</b>	the stapled group comprising the Company and LLT.
<b>LLITST</b>	Lend Lease International Towers Sydney Trust
<b>LLT or Lend Lease Trust</b>	Lend Lease Trust (ARSN 128 052 595).
<b>LLT Capitalisation</b>	the application of the amount of the Capital Reduction as additional capital to LLT by the Company as agent for each member.
<b>LLT Constitution</b>	the constitution of LLT dated 12 November 2009.
<b>member</b>	a holder of stapled securities in Lend Lease.
<b>Notice of Meetings</b>	the notice to convene the AGM on 15 November 2012 to consider and, if thought fit, pass various resolutions, including the Capital Reallocation Resolutions.
<b>Share</b>	an ordinary share in the Company
<b>Stapling EM</b>	the explanatory statement issued by the Company dated 12 October 2009 in relation to the stapling of the Company's shares to LLT's units.
<b>Tax Letters</b>	the taxation related letters prepared by each of Greenwoods & Freehills Pty Ltd, Winston & Strawn and Linklaters.
<b>Unit</b>	an ordinary unit in LLT

## Interpretation

Headings and boldings are inserted for convenience and do not affect the interpretation of this explanatory statement and unless the contrary intention appears

- (a) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them;
- (b) the singular includes the plural and vice versa;
- (c) the word person includes an individual, a firm, a body corporate, an unincorporated association or an authority;
- (d) mentioning anything after includes, including, for example, or similar expression, does not limit what else might be included;
- (e) a reference to a person includes a reference to the person's executors, administrators, successors, substitutes (including persons taking by novation) and assigns;
- (f) a reference to a time is a reference to the time in Sydney, New South Wales;
- (g) a reference to any thing (including any amount) is a reference to the whole and each part of it and a reference to a group of persons is a reference to any one or more of them;
- (h) a reference to a part, clause, annexure, exhibit or schedule is a reference to a part and clause of, and an annexure, exhibit and schedule to, this explanatory statement; and
- (i) a reference to \$, A\$ or cents is to Australian currency unless denominated otherwise.

## Greenwoods & Freehills

The Directors  
Lend Lease Corporation Limited

12 October 2012

The Directors  
Lend Lease Responsible Entity Limited as  
trustee for Lend Lease Trust

30 The Bond  
30 Hickson Road  
MILLERS POINT NSW 2000

Dear Directors

### Australian Taxation Report

We have been asked by Lend Lease to prepare a taxation report on the Australian taxation issues arising in relation to the transactions described in detail in the Explanatory Statement and which can, for present purposes, be summarised as:

- a return of capital to members of the Company (i.e. the **Capital Reduction**); and
- the investment by those members of the amounts received by them under the Capital Reduction in LLT (i.e. the **LLT Capitalisation**).

The information contained in this report is of a general nature only. It does not constitute tax advice and should not be relied upon as such. It has been prepared to assist members to understand the Australian tax consequences flowing from their participation in the Capital Reduction and LLT Capitalisation and, as such, is written as if addressed to them. We have not addressed the tax treatment of members who hold their securities on revenue account such as banks and other trading entities or non-resident members who currently hold their securities through a permanent establishment in Australia.

**All investors should seek independent professional advice on the consequences of their participation in the transactions, based on their particular circumstances. Members who are not resident in Australia should obtain advice on the taxation implications arising in their local jurisdiction of participating in the Capital Reduction and LLT Capitalisation.**

Unless otherwise stated, capitalised terms used in this report are defined in the same way as they are in the Explanatory Statement.

This report is based on the provisions of the *Income Tax Assessment Act 1936*, the *Income Tax Assessment Act 1997*, Australian Taxation Office ("ATO") rulings and determinations, and announcements made by the Government to amend the tax laws up to the date of this letter.

The Government has previously announced a proposed new regime for the taxation of managed investment trusts (which would include LLT). The intended start date for this new regime is currently 1 July 2014. No exposure draft legislation has been released in respect of this proposal.

Doc 510281848

MLC Centre Martin Place Sydney NSW 2000 Australia  
GPO Box 4982 Sydney NSW 2001 Australia

Telephone +61 2 9225 5955 Facsimile +61 2 9221 6516  
www.gf.com.au DX 482 Sydney

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The proposed changes will not be known until they are legislated. The comments below do not take into account those proposals. Members should monitor the progress of these proposed changes and should seek their own advice regarding the impacts of those changes given their individual circumstances.

For those members who continue to hold shares in the Company that they acquired, or are taken to have acquired, prior to 20 September 1985, some additional comments are provided at section 5 below.

## **1 Capital Reduction (Subject to Class Ruling from ATO)**

The ATO has issued a draft Class Ruling confirming that no part of the Capital Reduction will be treated as a dividend for Australian tax purposes. The Company anticipates that a final Class Ruling (upon which members will be able to rely) will be issued should members approve the Capital Reduction and LLT Capitalisation.

As such, provided the amount of the Capital Reduction does not exceed the current cost base of your shares in the Company, there should be no immediate tax consequences to you as a result of the Capital Reduction. Rather, the tax consequences should be as follows:

- the cost base of your shares in the Company will be reduced by an amount equal to the Capital Reduction; and
- the cost base of your units in LLT will be increased by an amount equal to the Capital Reduction.

## **2 LLT Capitalisation**

As stated above, the reinvestment of the Capital Reduction amount into your existing units in LLT will increase the cost base of your units in LLT by an amount equal to the Capital Reduction.

The increased cost base in LLT units will allow Australian resident members to receive tax-deferred distributions up to an amount equal to that increased cost base in LLT units without being immediately taxable on the distribution. For non-resident members, provided Australian CGT does not apply to their holding of shares in the Company and units in LLT (see section 4 below), tax-deferred distributions should be free from Australian tax.

The interaction between the cost base of a unit in LLT, and tax-deferred distributions, was explained in detail in the Taxation Report in the Stapling EM that was provided to members as part of the initial stapling proposal. Sections 3 and 4 following provide an additional explanation of this interaction.

## **3 Tax treatment of distributions from LLT**

LLT is not liable to income tax provided members are presently entitled to all of the income of LLT.

### **3.1 Australian Residents**

An Australian resident member includes in their assessable income the taxable component of the LLT distributions to which the member is entitled (being the member's proportionate share of LLT's taxable income) even if the distributions are reinvested.

If a net capital gain is included in the taxable income of LLT (for example, on disposal of an asset), Australian resident members will be regarded as having derived a capital gain equal to their proportionate share of that net capital gain. However, where discount capital gains treatment has been applied in calculating the net capital gain for LLT, Australian resident members will be required to gross-up the amount of the capital gain included in their assessable income. Australian resident members can then apply any available capital losses from other sources to offset the capital gain and then apply their own CGT discount factor, if applicable.

The tax deferred component of a distribution an Australian resident member receives from LLT will generally not be included in that member's assessable income. However the tax deferred component will reduce the cost base of the member's LLT units.

If and when the cost base of a member's LLT unit is reduced to zero, any further receipts of tax deferred distributions in respect of that unit will be assessable to the Australian resident member on receipt as a capital gain. Australian resident members who are individuals, trustees or complying superannuation entities and who have held the relevant unit for 12 months or more at the time of the receipt of the distribution should be entitled to apply the applicable CGT discount factor to reduce the capital gain (after offsetting capital losses). For more information on applying the CGT discount see section 4.3 below.

### 3.2 Non-Residents

LLT will be required to withhold tax from certain distributions paid to non-resident members. The amount to be withheld is dependent on a range of factors including the source of the distributed amount and the country of residence of the member. The withholding tax is a final tax in Australia.

Unfranked dividends, interest and royalties distributed by LLT will be subject to withholding tax which is generally imposed at a rate of 30% for dividends and royalties and 10% for interest. Non-resident members who are residents of a country which has entered into a Double Tax Agreement with Australia, such as the United Kingdom and United States, might be entitled to a lower rate of withholding tax.

Distributions from LLT of income other than dividends, interest and royalties should be subject to managed investment trust withholding tax. LLT will withhold tax from such distributions to the extent they represent taxable income of LLT. However, taxable income of LLT that is non-Australian sourced income or capital gains on assets that are not "taxable Australian property" ("taxable Australian property" mainly includes direct and indirect interests in land situated in Australia) will not be subject to withholding. Any "tax deferred" amount distributed by LLT to non-resident members should not be subject to withholding and should not result in a CGT gain.

The managed investment trust withholding tax rate will depend on the country in which the relevant non-resident member is a resident and the nature of the income. For residents of countries with which Australia has an "effective exchange of information on tax matters" (such as the United Kingdom and United States), the general rate will be 15%. However, this is reduced to 10% to the extent distributions are sourced from amounts paid to LLT by a Clean Building MIT. This lower 10% rate should be available in relation to income generated from the Barangaroo South investment provided LLITST qualifies as a Clean Building MIT at the relevant time.

For residents of other countries (i.e. those with whom Australia does not have an exchange of information arrangement) the managed investment trust withholding rate will be 30%.

## 4 Tax treatment of disposal of Stapled Securities

As a consequence of stapling, each share in the Company and LLT unit comprising a **Stapled Security** may not be traded separately. However, each share in the Company and each unit in LLT is a separate CGT asset. Accordingly, where there is a disposal of a Stapled Security, there will necessarily be a disposal for CGT purposes of both a share in the Company and a unit in LLT.

Where consideration is received in connection with a transaction that relates to more than one CGT asset, the capital proceeds for each asset is so much of the total consideration as is reasonably attributable to that asset.

Accordingly, the capital proceeds referable to the disposal of each share in the Company and each unit in LLT must be determined by apportioning the total capital proceeds received in respect of the disposal of the Stapled Security between the share and the unit on a reasonable basis.

#### 4.1 Australian Residents

Upon disposal of a Stapled Security, a member will make a capital gain if:

- the portion of the consideration reasonably attributable to the share in the Company exceeds the cost base of the share; and/or
- the portion of the consideration reasonably attributable to a LLT unit exceeds the cost base of the LLT unit.

A member will make a capital loss if:

- the portion of the consideration reasonably attributable to the share in the Company is less than the reduced cost base of the share; and/or
- the portion of the consideration reasonably attributable to a LLT unit is less than the reduced cost base of the unit.

Importantly, capital gains and losses in relation to shares acquired, or taken to have been acquired, prior to 20 September 1985 for CGT purposes are disregarded.

In broad terms, the cost base (and reduced cost base) of a:

- share in the Company is the amount the member paid for them (including incidental costs of acquisition and disposal), less the Capital Reduction amount;
- LLT unit, is the amount the member paid for them (including the LLT Capitalisation amount, and incidental costs of acquisition and disposal), less any reductions for the "tax deferred" component of distributions received.

#### 4.2 Non-Residents

Only non-resident members who (together with associates) hold 10% or more of the total Stapled Securities on issue may have Australian CGT consequences on disposal of their Stapled Security. Based on the current member register, no non-resident member meets this requirement. Should this remain the case, then there will be no Australian CGT consequences for a non-resident member on disposal of their Stapled Securities.

The Australian Government has announced that effective from 8 May 2012, non-resident members will no longer be entitled to the CGT discount for capital gains accrued after that date. A non-resident will still be entitled to the CGT discount on capital gains accrued prior to 8 May 2012 (after offsetting any capital losses), provided they choose to value the relevant asset as at that time. Legislation has yet to be enacted to give effect to this announcement.

#### 4.3 CGT discount

If a member is an individual, a complying superannuation entity or a trustee and acquired (or is taken to have acquired) for CGT purposes Company shares or LLT units at least 12 months prior to the date of their disposal (or other eligible CGT event happening in relation to the relevant Stapled Security), the amount of the member's capital gain is reduced by the relevant CGT discount. If calculating the member's capital gain in this way, the cost base cannot be indexed.

In calculating the period of 12 months for CGT purposes, LLT units acquired pursuant to the Stapling Proposal are considered to have been acquired on 20 November 2009.

If a member who is an individual or trustee applies the CGT discount method, the member'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 member is a complying superannuation entity).

If the member is a company, the CGT discount is not available. The member may be entitled to index the cost base of their shares in the Company.

#### 4.4 Indexed cost base

For shares in the Company acquired (or taken to have been acquired) prior to 20 September 1999, for CGT purposes, members (other than those who are eligible for, and

## Greenwoods & Freehills

choose to use, the CGT discount, outlined above) may choose to calculate any capital gain on disposal using a cost base indexed for inflation. If the member makes a capital loss, the reduced cost base is not indexed. The cost base may only be indexed for inflation up to 30 September 1999.

Members who choose to calculate the gain on their shares in the Company using an indexed cost base cannot apply the CGT discount to that capital gain. However, the member may still be eligible to apply the CGT discount method in calculating the gain on their LLT units.

### **5 Pre-CGT Company shareholders**

For holders of pre-CGT shares, this transaction transfers value away from CGT assets on which no CGT gain or loss will arise on disposal (i.e. the pre-CGT shares in the Company) to assets (i.e. units in LLT) that will be subject to CGT. This could potentially be viewed as a disadvantage, as it is moving capital from an environment in which growth will not be taxed into one in which it is.

On the other hand, the capital injected into LLT as part of the LLT Capitalisation increases the taxpayer's cost base in the LLT units by the capital injected, and gives rise to the possibility of earning tax-deferred distributions – something that is not currently possible.

Yours faithfully

GREENWOODS & FREEHILLS PTY LIMITED

per: 

**Anthony Watson**  
Director  
Greenwoods & Freehills

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WINSTON & STRAWN LLP

BEIJING  
CHARLOTTE  
CHICAGO  
GENEVA  
HONG KONG  
HOUSTON  
LONDON  
LOS ANGELES

200 PARK AVENUE  
NEW YORK, NEW YORK 10166  
  
+1 (212) 294-6700  
  
FACSIMILE +1 (212) 294-4700  
  
www.winston.com

MOSCOW  
NEW YORK  
NEWARK  
PARIS  
SAN FRANCISCO  
SHANGHAI  
WASHINGTON, D.C.

October 12, 2012

The Directors  
Lend Lease Corporation Limited

The Directors  
Lend Lease Responsible Entity Limited as trustee for Lend Lease Trust

Level 4, 30 The Bond  
30 Hickson Road  
MILLERS POINT NSW 2000

Re: U.S. Federal Income Tax Consequences of Capital Reduction and Lend Lease Trust Capitalization

Ladies and Gentlemen:

We have been asked by Lend Lease Corporation Limited (the "Company") to summarize certain United States ("U.S.") Federal income tax consequences to the U.S. shareholders of the Company and the U.S. unit holders of Lend Lease Trust ("LLT") (collectively, the "U.S. Shareholders," and individually, a "U.S. Shareholder") arising from a proposed reallocation of capital from the Company to LLT, as described in detail in the Explanatory Statement to which this letter is attached.

The Company is seeking approval to reallocate capital to LLT, by way of the following transactions: (i) the reduction of the Company's share capital through a payment to those shareholders registered as holders of ordinary shares on the Entitlement Date, including the U.S. Shareholders (the "Capital Reduction"); and (ii) the application of such amount to LLT by the Company, as agent for each such shareholder, pro rata in proportion to the number of Units held by each such shareholder in LLT (the "LLT Capitalization," and together with the Capital Reduction, the "Capital Reallocation Proposal").

Capitalized terms not defined herein have the same meanings assigned in the Explanatory Statement.

**This summary does not discuss all material tax consequences to any particular U.S. Shareholder nor any tax considerations that may be relevant to certain types of U.S. Shareholders subject to special treatment under U.S. Federal income tax laws.**

CHI:2681880.4

**Further, this summary does not discuss any state or local tax laws. The tax consequences of the Capital Reallocation Proposal to a U.S. Shareholder will depend on each U.S. Shareholder's particular circumstances. U.S. Shareholders are advised to consult their own tax advisors with respect to the application of the U.S. Federal income tax laws to the Capital Reallocation Proposal in their particular circumstances.**

The following summary is based upon the provisions of the Internal Revenue Code of 1986, as amended (the "Code"), Treasury Regulations promulgated thereunder, current administrative rulings, judicial decisions and other applicable authorities, all of which are subject to change or new interpretation, both prospectively and retroactively, and such changes or interpretation, as well as changes in the facts as they have been represented to us or assumed by us, could affect the discussion herein. For purposes of the discussion herein, we have assumed that the Capital Reallocation Proposal will occur on or before December 31, 2012.

**I. U.S. Federal Income Tax Consequences of the Capital Reduction**

**A. Dividend Income**

For U.S. Federal income tax purposes, the Capital Reduction should result in a deemed dividend distribution ("Dividend") from the Company to U.S. Shareholders to the extent the Capital Reduction is made out of the Company's current and accumulated earnings and profits, as computed under U.S. Federal income tax principles ("E&P"). For this purpose, the current E&P of the Company will be determined as of the close of its taxable year (i.e., June 30, 2013) and without regard to the amount of E&P of the Company at the time of the distribution.

Each U.S. Shareholder shall be required to include in gross income its respective share of the Dividend. With regard to dividends denominated in foreign currencies, the amount of dividend income that must be included in the income of the U.S. Shareholder is equal to the U.S. dollar value of the payments made, determined at the spot rate on the date the dividend distribution is includible in income, regardless of whether the payment is in fact converted into U.S. dollars. Further, to the extent the current and accumulated E&P of the Company is greater than the amount of the Capital Reduction, each U.S. Shareholder's tax basis in the Shares should remain the same. If the Capital Reduction exceeds the Company's current and accumulated E&P, such excess should be treated as a non-taxable return of capital to the extent of the U.S. Shareholder's basis in its ordinary shares and distributions in excess of such basis should be treated as amounts received on the sale or exchange of such ordinary shares, resulting in the recognition of capital gain.

The Capital Reduction will be in the amount of approximately \$500,000,000. Based on the Company's most recently published financial statements, it would appear that the Company's accumulated E&P is in excess of such amount and thus that all of the Capital Reduction should be taxable as a Dividend for U.S. Federal income tax purposes.

**B. Applicable Tax Rates**

Generally, the U.S. Federal income tax rate applicable to a dividend depends on the status of the taxpayer receiving the dividend. Subject to the discussion set forth below, the following tax rates will apply to U.S. Shareholders depending on their status:

- Non-corporate U.S. Shareholders will generally recognize “qualified dividend” income, subject to tax at a rate up to 15 percent rate.
- Corporate U.S. Shareholders will generally recognize ordinary income subject to tax at the applicable marginal income tax rate up to 35 percent.
- Tax-exempt U.S. Shareholders (e.g., pension funds, individual retirement accounts and charities) generally will not be subject to tax with respect to their dividend income, provided that such dividend income does not constitute “unrelated business taxable income” (“UBTI”) of such tax-exempt U.S. Shareholder.

As stated above, a Dividend that a non-corporate U.S. Shareholder receives from the Company in a taxable year beginning before January 1, 2013 will be subject to a maximum U.S. Federal income tax rate of 15% if the dividend is a “qualified dividend.” Dividends shall be so treated if the non-corporate U.S. Shareholder has held the ordinary share on which the Dividend is paid for more than 60 days during the 120-day period beginning 60 days before the ex-dividend date, disregarding for this purpose any period during which the non-corporate U.S. Shareholder has entered into any of certain specified hedging transactions.

Additionally, in order for a dividend paid by a foreign corporation to constitute a “qualified dividend”, (i) either (a) the shares with respect to which such dividend is paid must be readily tradable on an established securities market in the United States, or (b) such foreign corporation must be eligible for the benefits of a comprehensive income tax treaty with the United States that the U.S. Secretary of Treasury determines is satisfactory for this purpose and that includes an exchange of information program, and (ii) such foreign corporation must not have been, in the year prior to the year the dividend is paid, and must not be, in the year the dividend is paid, a passive foreign investment company (“PFIC”).

The income tax treaty between Australia and the United States (the “Treaty”) satisfies the requirements of clause (i)(b) and the Company believes it is eligible for the benefits of the Treaty. Whether or not the Company is a PFIC must be determined annually at the close of each taxable year. Based on its business results for the taxable year ended June 30, 2012 and the composition of its assets, the Company believes that it was not a PFIC for U.S. Federal income tax purposes for the taxable year ended June 30, 2012 and expects that it will not be a PFIC for the taxable year ended June 30, 2013, although there can be no assurance in this regard.

Dividend income that is not “qualified dividend” income is subject to tax as ordinary income. Ordinary income of a non-corporate U.S. Shareholder is generally subject to tax at marginal income tax rates, with a highest marginal rate of 35 percent.

A corporate U.S. Shareholder will be subject to U.S. Federal income tax on its Dividend income at the marginal income tax rate applicable to such corporation's ordinary income, with a highest marginal rate of 35 percent.

A tax-exempt U.S. Shareholder generally will not be subject to U.S. Federal income tax on its portion of the Dividend. However, if such Dividend income constitutes UBTI, it may be subject to U.S. Federal income tax. In general, passive income earned by a tax-exempt U.S. Shareholder should not constitute UBTI, unless funds are borrowed to acquire such passive income-producing assets. UBTI is generally subject to tax in the same manner as income recognized by a taxable corporation, with a highest marginal rate of 35 percent.

## **II. U.S. Federal Income Tax Consequences of the LLT Capitalization**

### **A. Deemed Capital Contribution – Tax Basis Adjustment**

For U.S. Federal income tax purposes, the LLT Capitalization should be treated as a capital contribution to LLT by the U.S. Shareholders in an amount equal to the Capital Reduction received by each such U.S. Shareholder. A U.S. Shareholder, regardless of its status, should not recognize any gain as a result of the LLT Capitalization. Moreover, a U.S. Shareholder's tax basis in its LLT Units should be increased by the amount of the Capital Reduction treated as a deemed capital contribution by such U.S. Shareholder to LLT.

The Company's shares have been stapled with Units issued by LLT (together, a "Stapled Security"). As a consequence, each Company share and LLT Unit comprising a Stapled Security may not be traded separately. Accordingly, upon the disposition of a Stapled Security, the consideration received will be allocated between the Company share and LLT Unit that make up the Stapled Security according to their relative fair market values for purposes of determining the gain or loss recognized upon the disposition for U.S. Federal income tax purposes.

If a U.S. Shareholder sells a Stapled Security, the U.S. Shareholder's gain or loss with respect to a Unit will be equal to the difference between the amount realized on the sale with respect to the Unit and the U.S. Shareholder's adjusted tax basis in the Unit, as adjusted by the LLT Contribution. The Stapled Securities are traded on the Australian Stock Exchange, an established securities market; therefore, for purposes of determining gain or loss in respect of the sale of the Units for a currency other than U.S. dollars, a cash-basis U.S. Shareholder is required to compute the amount realized with respect to the stock or securities (as determined on the trade date) by translating the units of foreign currency received into U.S. dollars at the spot rate on the settlement date of the sale while an accrual-basis U.S. Shareholder may elect whether to translate the units of foreign currency received into U.S. dollars at the spot rate on the trade date for the sale or on the settlement date of the sale. Subject to the PFIC rules discussed below, any such gain or loss will be capital gain or loss if the Unit was held as a capital asset, and will be long-term or short-term depending on whether the Unit has been owned for the long-term capital gain holding period (more than one year).

For an individual U.S. Shareholder, capital gain recognized on the sale or other disposition of a Unit held for more than one year will generally be taxed at a maximum rate of 15

percent. Capital gain for a Unit held for one year or less will be taxed at the rates applicable to ordinary income. For corporate U.S. Shareholders, long-term capital gains and short-term capital gains are taxable at the same rates as ordinary income, generally at a highest marginal rate of 35 percent. U.S. Shareholders must aggregate capital gains and losses for each taxable year. In the event a U.S. Shareholder realizes a net capital loss for any year, there are limitations on the ability to deduct such capital loss. Capital losses generally may be used only to offset capital gains.

## **B. PFIC**

### *1. In General*

A foreign corporation is a PFIC if (i) 75 percent or more of its gross income for the taxable year is passive income or (ii) the average percentage of assets it held during the taxable year which produce passive income or which are held for the production of passive income is at least 50 percent. Passive income includes both rents and the net gains from the sale of property which gives rise to rent income. If LLT is considered a PFIC, a U.S. Shareholder investing directly or indirectly in LLT must pay U.S. Federal income tax on certain distributions from, or gain from the disposition of, the Units at ordinary income tax rates, with an interest charge on the deemed tax deferred as if the gain was earned pro-rata over the U.S. Shareholder's holding period for the Units. For a taxable U.S. Shareholder, such consequences would generally be materially worse than the tax consequences described above. Based on its past and anticipated future income and the nature of its operations, LLT currently expects that it has been and will continue to be treated as a PFIC for U.S. Federal income tax purposes.

### *2. QEF*

In order to mitigate the adverse tax consequences described above, a taxable U.S. Shareholder may desire to make an election to treat LLT as a qualified electing fund ("QEF") with respect to such U.S. Shareholder ("QEF election") by attaching Internal Revenue Service ("IRS") Form 8621 to its U.S. Federal income tax return.

If a U.S. Shareholder makes a QEF election with respect to LLT in the first year in which it is a U.S. Shareholder of LLT and LLT is a PFIC, ordinary earnings and net long-term capital gains of LLT will flow through to such U.S. Shareholder on a current basis, whether or not distributed. A corporate U.S. Shareholder will not be eligible for the dividends received deduction in respect of such income or gain. The amount included in the taxable income of a U.S. Shareholder as a result of the QEF election will increase such U.S. Shareholder's tax basis in the Units of LLT. Distributions made by LLT attributable to such QEF income would be tax-free and would reduce the U.S. Shareholder's tax basis in the Units. Also, such U.S. Shareholder's subsequent gain on the disposition of the Unit would be taxable at the usual capital gains rates and the interest charge would be avoided, all in the manner generally described above.

Once made, a QEF election applies to all subsequent years until revoked with IRS consent. Thus, a QEF election made by a U.S. Shareholder for its initial investment in LLT will apply for all later investments by such U.S. Shareholder in LLT.

If a U.S. Shareholder makes a QEF election with respect to LLT after the first year in which it is a U.S. Shareholder of LLT and LLT is a PFIC, the U.S. Shareholder also should consider making a “deemed sale” election in conjunction with the QEF election. As a result, the U.S. Shareholder would be treated as recognizing deemed gain on the first day of the first tax year that LLT becomes a QEF to the extent of the excess of the then current fair market value of such Units over the U.S. Shareholder’s tax basis in such Units. In the present circumstances, this gain, if any, would appear to be relatively minor and would be subject to U.S. Federal income tax, plus an interest charge under the PFIC rules. The U.S. Shareholder’s adjusted basis in the Units would be increased by the recognized gain, and the U.S. Shareholder would have a new holding period for the Units for the purposes of applying the PFIC rules after the deemed sale. Thereafter, the U.S. Shareholder would be taxed solely under the QEF regime described above. Because LLT may have been characterized as a PFIC in a prior taxable year, a U.S. Shareholder that wishes to make a QEF election with respect to LLT should also consider making a “deemed sale” in connection therewith. If such an election is not made, such U.S. Shareholder’s gain on the disposition of its LLT Units may remain subject to the adverse PFIC consequences described above.

A taxable U.S. Shareholder should consider carefully whether to make a QEF election. A QEF election will be available only if LLT provides each U.S. Shareholder, upon request, with all information that a U.S. Shareholder making such election is required to obtain for U.S. Federal income tax purposes, including a “PFIC Annual Information Statement” provided by LLT. In general, the “PFIC Annual Information Statement” is intended to provide the U.S. Shareholder with information necessary to determine the amount includible in the U.S. Shareholder’s taxable income as a consequence of the QEF election. In addition, such PFIC must agree to permit the shareholder to inspect the PFIC’s permanent books of account, records, and such other documents as may be maintained by the PFIC for purposes of preparing the Annual Information Statement.

LLT expects that it will compile the information necessary and permit the access to its books and records required to submit a PFIC Annual Information Statement to U.S. Shareholders making QEF elections, although no assurance can be given that LLT will satisfy these requirements for all years in which it is characterized as a PFIC. Moreover, under certain circumstances, similar information may need to be obtained and access to books and records provided by any corporation in which LLT owns an interest if such lower-tier corporation is itself treated as a PFIC for U.S. Federal income tax purposes and a QEF election is made with respect to such lower-tier corporation. No assurance can be given that LLT can or will obtain a PFIC Annual Information Statement or the information required to permit a QEF election with respect to any such lower-tier corporation. **U.S. Shareholders are advised to consult their own tax advisors with respect to the consequences of making a QEF election in their particular circumstances.**

### *3. Tax Exempt U.S. Shareholders*

In general, income to a tax-exempt U.S. Shareholder is exempt from U.S. Federal income tax unless such income is treated as UBTI. Passive income is generally excluded from UBTI unless such income is derived from debt-financed property. Accordingly, a tax-exempt U.S. Shareholder should not be subject to U.S. Federal income tax with respect to its LLT Units

under the PFIC regime, unless the Shareholder's acquisition of the Units is debt-financed, within the meaning of the UBTI provisions. A tax-exempt U.S. Shareholder may not make a QEF election if it would not otherwise be subject to tax on income from the Units.

### **III. Pending Changes in U.S. Federal Income Tax Law**

As stated above, in general long-term capital gains of individual taxpayers are currently subject to tax at a maximum rate of 15 percent. This rate is scheduled to increase to 20 percent for long-term capital gains recognized in taxable years beginning after December 31, 2012. Additionally, it is possible that future legislation may eliminate the distinction between ordinary and qualified dividends and may cause all dividends to be taxed at regular ordinary income tax rates, with the highest marginal ordinary income tax rate scheduled to increase to 39.6 percent after December 31, 2012.

Recently enacted legislation generally imposes an additional tax of 3.8% on the "net investment income" of certain high-income non-corporate taxpayers. For this purpose, the term "net investment income" is defined broadly to include all forms of investment income, such as dividends and net capital gains. These tax rates may change as a result of future legislation. U.S. Shareholders should consult their own tax advisors regarding the possible implications of these rate increases in their particular circumstances.

**In order to assure compliance with IRS Circular 230, U.S. Shareholders are hereby notified that: (A) any discussion of U.S. Federal tax issues contained or referred to in this memorandum is not intended and was not written to be used, and cannot be used, for the purpose of avoiding penalties that may be imposed under the Code, (B) such discussion is written in connection with the promotion or marketing of the transactions discussed herein, and (C) each U.S. Shareholder should seek advice based on its particular circumstances from an independent tax advisor.**

Very truly yours,



Winston & Strawn LLP

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## Linklaters

Linklaters LLP  
One Silk Street  
London EC2Y 8HQ  
Telephone (+44) 20 7456 2000  
Facsimile (+44) 20 7456 2222  
DX Box Number 10 CDE  
Direct Line +44 207 456 5714  
Direct Fax +44 207 456 2222  
mark.kingstone@linklaters.com

The Directors  
Lend Lease Corporation Limited  
30 The Bond  
30 Hickson Road  
Millers Point NSW 2000

The Directors  
Lend Lease Responsible Entity Limited (as  
trustee of the Lend Lease Trust)  
Level 4  
30 The Bond  
30 Hickson Road  
Millers Point NSW 2000

12 October 2012

Dear Directors

### **United Kingdom Taxation**

Unless otherwise stated, terms used in this letter are defined in the same way as they are in the Explanatory Statement.

We have been asked by the Company and LLT to provide a general summary of certain limited aspects of the UK tax treatment of the Capital Reduction and the LLT Capitalisation which we provide below.

The following paragraphs, which are intended as a general guide only, are based on current United Kingdom ("**UK**") tax legislation and the practice of HM Revenue & Customs ("**HMRC**") (which may not be binding on HMRC). They do not constitute tax advice and should not be relied on as such. They relate only to the position of shareholders in the Company who are the beneficial owners of their Company shares and their units in LLT, who hold their Company shares and their units in LLT as an investment (other than under a personal equity plan or an individual savings account) and who are resident, and if an individual, domiciled and ordinarily resident, only in the UK for taxation purposes. They do not apply to shareholders or unit holders who have (or are deemed to have) acquired their shares or units by virtue of an office or employment, or shareholders or unit holders who are or will be officers or employees of the Company, LLT or a company forming part of the Lend Lease group.

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If you are in any doubt as to your taxation position, you should consult an appropriate professional adviser immediately.

### ***Tax Consequences of the Capital Reduction***

#### *Income*

The Capital Reduction should not give rise to a liability to UK tax on income for Company shareholders within the charge to UK income tax. As such, Company shareholders within the charge to UK income tax should be subject to tax in respect of the Capital Distribution in accordance with the provisions described in the section below (*Capital*),

Based on the corporate history of the Company, and whilst the position is not free from doubt, it is our view that no amount of the Capital Reduction should be treated as an income distribution for UK corporation tax purposes. As such, Company shareholders within the charge to UK corporation tax should be subject to tax in respect of the Capital Reduction in accordance with the provisions described in the section below (*Capital*), and not in accordance with the rules relating to company distributions.

The HMRC confirmation that the LLT Capitalisation can form part of the cost base of units (see "*Tax Consequences of the LLT Capitalisation*" below) is based on the premise that no part of the Capital Reduction constitutes an income distribution for UK tax purposes.

#### *Capital*

Company shareholders who are within the charge to UK tax will, except in the circumstances set out in the following paragraph, be treated as making a part disposal of their Company shares which may, depending on such a shareholder's individual circumstances (including the availability of exemptions, reliefs or allowable losses), give rise to a liability to UK tax on capital gains.

If a shareholder's share of the Capital Reduction is small in comparison with the value of such shareholder's Company shares, such shareholder will not be treated as having disposed of the shares in respect of which such share of the Capital Reduction was received. Instead, an amount equal to such share of the Capital Reduction will be deducted from the base cost of the relevant shareholder's Company shares.

Under current HMRC practice, any cash payment of £3,000 or less or (if greater) which is 5 per cent. or less of the market value of a Company shareholder's holding of Company shares will generally be treated as small for these purposes.

For capital gains tax purposes, all amounts (including acquisition costs and disposal proceeds) are required to be translated into sterling at the relevant time so that, for example, gains may arise solely by reference to fluctuations in exchange rates.

### ***Tax Consequences of the LLT Capitalisation***

As stated in the Explanatory Statement and in accordance with Clause 5.8(c) of the LLT Constitution, Lend Lease Responsible Entity Limited as trustee of LLT will treat the LLT Capitalisation as if it were payment in full of an instalment on a partly paid unit. HMRC has confirmed to Ernst & Young LLP (as UK taxation advisers to the Company and LLT) that as a result, and based on the specific facts of the LLT Capitalisation, the LLT Capitalisation can form part of the base cost of the units in LLT in computing any capital gain or allowable loss arising on

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their subsequent disposal. HMRC is aware that holders of units in LLT will rely on this confirmation for UK tax purposes, however such holders should note that HMRC could at a later date reverse its confirmation, in which case the LLT Capitalisation would not form part of such base cost.

Yours sincerely

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Linklaters LLP

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# Lend Lease

Lend Lease Corporation Limited ABN 32 000 226 228  
and  
Lend Lease Trust ARSN 128 052 595

## Lodge your vote:



**Online:**  
[www.investorvote.com.au](http://www.investorvote.com.au)



**By Mail:**  
Computershare Investor Services Pty Limited  
GPO Box 242 Melbourne  
Victoria 3001 Australia

Alternatively you can fax your form to  
(within Australia) 1800 783 447  
(outside Australia) +61 3 9473 2555

For Intermediary Online subscribers only  
(custodians) [www.intermediaryonline.com](http://www.intermediaryonline.com)

**For all enquiries call:**  
(within Australia) 1300 850 505  
(outside Australia) +61 3 9415 4000

000001 000 LLC  
MR SAM SAMPLE  
FLAT 123  
123 SAMPLE STREET  
THE SAMPLE HILL  
SAMPLE ESTATE  
SAMPLEVILLE VIC 3030

## Proxy Form



Vote online or view the annual report, 24 hours a day, 7 days a week:

[www.investorvote.com.au](http://www.investorvote.com.au)



**Cast your proxy vote**



**Access the annual report**



**Review and update your securityholding**

**Your secure access information is:**

**Control Number: 999999**

**SRN/HIN: 1999999999**

**PIN: 99999**



**PLEASE NOTE:** For security reasons it is important that you keep your SRN/HIN confidential.

**For your vote to be effective it must be received by 10.00am Tuesday 13 November 2012.**

### How to Vote on Items of Business

All your securities will be voted in accordance with your directions.

**Appointing a proxy:** If you wish to appoint the Chairman of the Meetings as your proxy, mark the box in Step 1. If the person you wish to appoint as your proxy is someone other than the Chairman of the Meetings please write the name of that person in Step 1. If you leave this section blank, or your named proxy does not attend the Meeting, the Chairman of the Meetings will be your proxy. If your named proxy attends the meeting but does not vote on a poll on an item of business in accordance with your voting directions, the Chairman of the Meetings will become your proxy in respect of that item.

**Voting 100% of your holding:** Direct your proxy how to vote by marking one of the boxes opposite each item of business. If you do not mark a box your proxy may vote as they choose subject to any voting restrictions that apply to the proxy (see below). If you mark more than one box on an item your vote will be invalid on that item.

**Voting a portion of your holding:** Indicate a portion of your voting rights by inserting the percentage or number of securities you wish to vote in the For, Against or Abstain box or boxes. The sum of the votes cast must not exceed your voting entitlement or 100%.

**Appointing a second proxy:** You are entitled to appoint up to two proxies to attend the meeting and vote on a poll. If you appoint two proxies you must specify the percentage of votes or number of securities for each proxy, otherwise each proxy may exercise half of the votes. When appointing a second proxy write both names and the percentage of votes or number of securities for each in Step 1 overleaf.

**A proxy need not be a securityholder of Lend Lease Group.**

**Voting restrictions applying to key management personnel:** If you appoint a member of the key management personnel of Lend Lease Corporation Limited (which includes each of the Directors) or one of their closely related parties as proxy, the KMP will not be able to cast your votes on items 3 and 4 unless you direct them how to vote or the Chairman of the Meetings is your proxy.

If you appoint the Chairman of the Meetings as your proxy or the Chairman of the Meetings is appointed as your proxy by default, and you do not mark a voting box for items 3 or 4, then by signing and returning this form you will be expressly authorising the Chairman of the Meetings to exercise the proxy in respect of the relevant item even though the item is connected with the remuneration of the KMP of the Company. The Chairman of the Meetings intends to vote all available proxies in favour of each item of business.

### Signing Instructions for Postal Forms

**Individual:** Where the holding is in one name, the securityholder must sign.

**Joint Holding:** Where the holding is in more than one name, all of the securityholders should sign.

**Power of Attorney:** If you have not already lodged the Power of Attorney with the registry, please attach a certified photocopy of the Power of Attorney to this form when you return it.

**Companies:** Where the company has a Sole Director who is also the Sole Company Secretary, this form must be signed by that person. If the company (pursuant to section 204A of the Corporations Act 2001) does not have a Company Secretary, a Sole Director can also sign alone. Otherwise this form must be signed by a Director jointly with either another Director or a Company Secretary. Please sign in the appropriate place to indicate the office held.

### Attending the Meeting

Bring this form to assist registration. If a representative of a corporate securityholder or proxy is to attend the meeting you will need to provide the appropriate "Certificate of Appointment of Corporate Representative" prior to admission. A form of the certificate may be obtained from Computershare or online at [www.computershare.com](http://www.computershare.com).

**Comments & Questions:** If you have any comments or questions for the company, please write them on a separate sheet of paper and return with this form.

**GO ONLINE TO VOTE, or turn over to complete the form**

MR SAM SAMPLE  
 FLAT 123  
 123 SAMPLE STREET  
 THE SAMPLE HILL  
 SAMPLE ESTATE  
 SAMPLEVILLE VIC 3030

**Change of address.** If incorrect, mark this box and make the correction in the space to the left. Securityholders sponsored by a broker (reference number commences with 'X') should advise your broker of any changes.



I 9999999999

I ND

# Proxy Form

Please mark  to indicate your directions

## STEP 1 Appoint a Proxy to Vote on Your Behalf

XX

I/We being a member/s of Lend Lease Group hereby appoint

the Chairman of the Meetings OR

**PLEASE NOTE:** Leave this box blank if you have selected the Chairman of the Meetings. Do not insert your own name(s).

or, failing the individual or body corporate named or if no individual or body corporate is named, the Chairman of the Meetings, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following directions (or if no directions have been given, and to the extent permitted by law, as the proxy sees fit) at the Annual General Meeting of Lend Lease Corporation Limited and General Meeting of Lend Lease Trust to be held at Ballroom 1, The Westin Hotel, 1 Martin Place, Sydney NSW on Thursday 15 November 2012 at 10.00am and at any adjournment or postponement of the meetings.

**Chairman authorised to exercise undirected proxies on remuneration related resolutions:** Where I/we have appointed the Chairman of the Meetings as my/our proxy (or the Chairman becomes my/our proxy by default), by signing and returning this form I/we expressly authorise the Chairman to exercise my/our proxy on Items 3 and 4 (except where I/we have indicated a different voting intention below) even though Items 3 and 4 are connected directly or indirectly with the remuneration of a member of key management personnel of the Company.

If the Chairman of the Meetings is (or becomes) your proxy you can direct the Chairman to vote for or against or abstain from voting on Items 3 and 4 by marking the appropriate box in step 2 below.

## STEP 2 Items of Business

**PLEASE NOTE:** If you mark the **Abstain** box for an item, you are directing your proxy not to vote on your behalf on a show of hands or a poll and your votes will not be counted in computing the required majority.

	For	Against	Abstain
2(a) Election of Director - Mr Michael Ullmer	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2(b) Election of Director - Mr Colin Carter	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2(c) Re-election of Director - Mr Phillip Colebatch	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2(d) Re-election of Director - Mr Gordon Edington	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3 Adoption of Remuneration Report	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4 Approval of Allocations of Performance Securities in the Lend Lease LTI Plan and Deferred Securities in the Lend Lease STI Plan to the Managing Director	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5 Proportional Takeover Rules	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6(a) Approval of Capital Reduction	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6(b) Approval of Lend Lease Trust Capitalisation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

The Chairman of the Meetings intends to vote all available proxies in favour of each item of business.

## SIGN Signature of Securityholder(s) *This section must be completed.*

Individual or Securityholder 1

Sole Director and Sole Company Secretary

Securityholder 2

Director

Securityholder 3

Director/Company Secretary

Contact Name

Contact Daytime Telephone

Date / /