

This is an important document and requires your immediate attention.

If you are in any doubt about how to deal with this document, you should contact your broker, financial adviser or legal adviser immediately.



Bidder's Statement and Target's Statement

The directors of Sundowner
unanimously recommend that
you accept the Offer

Bidder's Statement containing an Offer by
Lend Lease Funds Management Limited
ABN 94 000 335 473 in its capacity as trustee
of the LLREP2 Motor Inns Trust to
purchase all of your ordinary shares
in **Sundowner Motor Inns Limited**
ABN 18 078 847 784

Target's Statement by
Sundowner Motor Inns Limited
ABN 18 078 847 784

In connection with the Offer you will receive:

- 26.5 cents per Sundowner Share; plus
- a 2.5 cent per Sundowner Share Special Dividend payable by Sundowner

Important Notice

This booklet contains Lend Lease Funds Management Limited's Bidder's Statement dated 22 December 2006 and Sundowner Motor Inns Limited's Target's Statement dated 22 December 2006.

The matters addressed in this section represent a summary prepared by Lend Lease Funds Management Limited and Sundowner Motor Inns Limited relating to the offer. The reasons to accept the offer have been extracted from the Bidder's Statement. The information is qualified by the detailed information set out elsewhere in this booklet. You should read all of this booklet before deciding whether to accept the offer and in considering the information contained in the documents you may wish to seek independent financial and taxation advice.

Contents

i Overview

Key dates and contacts	2
Letter from the Chairman of Lend Lease Funds Management	3
Letter on behalf of directors of Sundowner	4
Why you should accept Lend Lease Funds Management's Offer	5

ii Bidder's Statement

iii Target's Statement

Key Dates and Contacts

Key Dates

Date of Bidder's Statement and Target's Statement 22 December 2006

Date of Offer 15 January 2007

Offer closes (unless extended or withdrawn) 7pm (Sydney time) on 21 February 2007

Key Contacts

Share registrar for the Offer:

Link Market Services Limited
LLFM Takeover Sundowner Offer
Level 12, 680 George Street
Sydney NSW 2000
Offer Information Line*
1800 882 147 (within Australia)
+61 2 8280 7924

* For legal reasons, calls to these numbers will be recorded.

Chairman's Letter



22 December 2006

Dear Sundowner Shareholder

Takeover bid for Sundowner

The Board of Lend Lease Funds Management Limited (**LLFM**), as trustee of LLREP2 Motor Inns Trust (the **Trust**), have the pleasure of enclosing an offer to acquire all of your shares in Sundowner Motor Inns Limited (**Sundowner**).

In connection with the Offer, Sundowner shareholders will receive:

- 26.5 cents in cash from LLFM for each Sundowner Share; plus
- a 2.5 cent Special Dividend payable by Sundowner, for each Sundowner Share held on the Special Dividend record date, if the Offer becomes unconditional.

The aggregate cash payment of 29 cents per Sundowner Share represents an effective premium of 45.7% to the volume-weighted average trading price of Sundowner Shares during the six month period to 21 December 2006 (the day prior to Sundowner's trading halt), or a premium of 60.2% to the volume-weighted average trading price of Sundowner Shares during the 12 month period to 21 December 2006.

The Sundowner board has unanimously recommended that, in the absence of a superior offer, Sundowner shareholders accept the Offer.

Mr Peter Copulos, Mr Stephen Copulos and Mr Andrew Fairley, the major shareholders in Sundowner who collectively control 64.7% of Sundowner Shares (either directly or indirectly), have agreed to accept the Offer for a combined amount of up to 19.9% of Sundowner Shares pursuant to a pre-bid agreement with their associated entities, Copulos Superannuation Pty Limited and Dugreen Pty Limited. Mr Peter Copulos is a non-executive director of Sundowner, Mr Stephen Copulos is an executive director of Sundowner and Mr Andrew Fairley is the chairman of Sundowner. LLFM considers that Mr Peter Copulos, Mr Stephen Copulos and Mr Andrew Fairley's entry into the pre-bid agreement demonstrates the attractiveness of the Offer.

In addition, Mr Peter Copulos, Mr Stephen Copulos and Mr Andrew Fairley have announced that they intend to accept this Offer in respect of the remaining 44.8% of Sundowner Shares controlled by them which are not subject to the pre-bid agreement, in the absence of a superior offer.

The Offer is subject to a limited number of conditions which are set out in this document, including LLFM having received valid acceptances for at least 90% of Sundowner Shares.

The Offer is scheduled to close at 7pm Sydney time on 21 February 2007, unless the Offer is extended. To accept this Offer please follow the instructions set out in this booklet.

If you have any questions about the Offer, please do not hesitate to contact your broker or financial adviser or call the Offer Information Line on 1800 882 147 (toll free) from within Australia or +61 2 8280 7924 (not toll free) from outside Australia. In accordance with legal requirements, calls to these numbers will be recorded.

Yours sincerely,

A handwritten signature in black ink, appearing to read "Brian Norris".

Brian Norris
Chairman

Lend Lease Funds Management Limited,
in its capacity as trustee of LLREP2 Motor Inns Trust

Letter on behalf of the directors



22 December 2006

Dear Shareholder,

The enclosed Target's Statement sets out the formal recommendations of the directors of Sundowner in response to the Bidder's Statement issued by Lend Lease Funds Management Limited (LLFM). The Bidder's Statement is being sent to you together with the Target's Statement. The Bidder's Statement contains an Offer by LLFM to acquire all your Shares in Sundowner for a consideration of 26.5 cents per Share. In addition, you will receive a fully franked Special Dividend of 2.5 cents per Share from Sundowner. This Special Dividend will not be payable if the Offer does not become unconditional.

Having carefully considered the Offer, each of the directors recommends that you accept the Offer for the reasons outlined in the Target's Statement, including:

- the Offer, together with the Special Dividend, is at a premium to both the Net Tangible Assets and Net Assets of Sundowner, and at a substantial premium to the listed share price; and
- the directors of Sundowner believe that the Offer represents the best available opportunity for the company and its shareholders.

The Target's Statement sets out the full reasons for the directors' recommendations.

The directors who are shareholders in Sundowner, controlling in aggregate 65% of the shares, intend, in the absence of a higher Offer, to accept the Offer for all Shares held by them or on their behalf.

The Offer is open until 7pm (Sydney time) on 21 February 2007 unless it is extended. The instructions as to how you may accept the Offer are set out in section 2 of the Target's Statement and in section 9 of the Bidder's Statement.

The directors will keep you promptly informed of any developments in relation to the Offer or any other offer.

The directors encourage you to read this document carefully, and if you have any doubt as to the action you should take in relation to the Offer, the directors suggest that you seek professional advice or call the Offer Information Line on 1800 882 147 (toll free) from within Australia or +61 2 8280 7924 (not toll free) from outside Australia.

Yours faithfully

A handwritten signature in black ink, appearing to read "A E J Fairley".

A E J Fairley

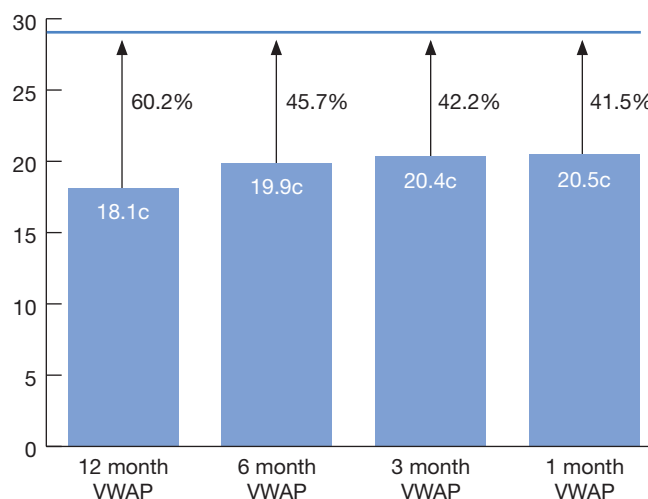
For and on behalf of the directors
Sundowner Motor Inns Ltd

10 reasons why you should accept the Offer

This section is extracted from and forms part of the Bidder's Statement. The Sundowner directors' reasons to accept are contained in the Target's Statement included later in this booklet.

- | | |
|--|---|
| <p>1 Your Board has unanimously recommended that you accept this Offer</p> | <p>The directors of Sundowner have unanimously recommended you accept LLFM's cash Offer, in the absence of a superior offer.</p> |
| <p>2 Sundowner's major shareholders have agreed to accept the Offer for part of their holding</p> | <p>The major shareholders in Sundowner (being entities controlled by the Copulos Group and Mr Andrew Fairley respectively), have agreed to accept the Offer for up to 19.9% of Sundowner Shares pursuant to a pre-bid acceptance agreement.</p> <p>These major shareholders have indicated that they intend to accept the Offer for their remaining shares, in the absence of a superior offer. These shareholders control a total of 64.7% of the shares in Sundowner.</p> |
| <p>3 Sundowner directors intend to accept the Offer</p> | <p>Sundowner directors who hold Sundowner Shares (whether personally or through controlled entities) intend to accept the Offer in respect of their holdings, in the absence of a superior offer.</p> |
| <p>4 You will receive an attractive premium to recent trading prices</p> | <p>LLFM is offering 100% cash consideration of 26.5 cents per Sundowner Share. In addition you will receive a 2.5 cent per Sundowner Share Special Dividend payable by Sundowner. The combined payments of 29 cents per Sundowner Share represents an attractive premium to key pricing benchmarks.</p> <p>The combined payments of 29 cents per Sundowner Share represents:</p> <ul style="list-style-type: none"> ■ A premium of 41.5% to the volume weighted average price (VWAP) of Sundowner Shares on the ASX of 20.5 cents for the one month prior to 21 December 2006; ■ A premium of 42.2% to the VWAP of Sundowner Shares on the ASX of 20.4 cents for the three months prior to 21 December 2006; ■ A premium of 45.7% to the VWAP of Sundowner Shares on the ASX of 19.9 cents for the six months prior to 21 December 2006; ■ A premium of 60.2% to the VWAP of Sundowner Shares on the ASX of 18.1 cents for the 12 months prior to 21 December 2006; and ■ A premium of 31.8% to the closing price of Sundowner Shares on the ASX of 22 cents on 21 December 2006. |

Premium reflected in 29.0 cent combined payment



10 reasons why you should accept the Offer

4 You will receive an attractive premium to recent trading prices (continued)	<p>Sundowner has announced that the Special Dividend will be franked to the extent there are franking credits available. The above premiums exclude the value of any franking credits received with the Special Dividend, which depending on your individual taxation circumstances may be of additional benefit to you.</p>
5 Sundowner's share price may fall if the Offer does not proceed	<p>If LLFM's Offer does not proceed, and no other takeover offers are made for Sundowner Shares, it is likely that Sundowner Shares would trade at a substantial discount to the Offer price.</p> <p>Sundowner directors have informed LLFM that at the date of this Bidder's Statement, LLFM's Offer is the only takeover offer that has been made for Sundowner Shares and Sundowner has not received any alternative approach from any party interested in making a superior offer. While there is the possibility that a superior offer may be made for Sundowner, the recommendation from the Sundowner directors remains in the absence of a superior offer.</p>
6 You will receive cash for your shares and not incur brokerage costs	<p>By accepting the Offer you will receive (subject to the conditions of the Offer being satisfied or waived) 26.5 cents per Sundowner Share from LLFM.</p> <p>In addition, if the Offer becomes unconditional Sundowner has advised it will declare a Special Dividend of 2.5 cents per share in respect of each Sundowner Share of which you are the registered holder on the record date for the Special Dividend (5.00pm Sydney time on the date seven business days after the date on which the Offer becomes unconditional).</p> <p>Your entitlement (if any) to receive the Special Dividend is not conditional on you accepting the Offer. The Special Dividend is, however, conditional upon the Offer becoming unconditional.</p> <p>You will not incur any brokerage charges by accepting this Offer from LLFM (you may incur brokerage costs and GST on those costs if you choose to sell your Sundowner Shares on the market).</p>
7 Prospect of compulsory acquisition	<p>If LLFM becomes entitled to compulsorily acquire your Sundowner Shares, it intends to do so. If your Sundowner Shares are compulsorily acquired, you will be paid later than Sundowner shareholders who accept the Offer.</p>
8 No superior proposals have been received by Sundowner	<p>Sundowner directors have confirmed that, as at the date of this Bidder's Statement, no superior offers have been received for the company.</p>
9 The Sundowner Share register is highly concentrated	<p>The Sundowner Share register is highly concentrated (as at 14 December 2006, the top 20 shareholders held approximately 85% of the total Sundowner Shares on issue) and shares trade on low volumes. Low liquidity typically impacts the ability to sell shares.</p>
10 The Offer represents fair value and is in the shareholders' interests	<p>The directors of Sundowner believe that having had regard to the operations, expected future earnings, growth prospects and risk profile of Sundowner, the Offer represents fair value for Sundowner Shares and is in the interests of all shareholders.</p> <p>Independently of the Offer, Sundowner has resolved not to pay a dividend for the financial year ended 30 June 2006. Further, Sundowner has indicated in a recent notice to the ASX on 5 September 2006 that the Sundowner Board has resolved that no dividends will be paid until it has completed its current cycle of property development projects. This is expected to be in 2008 in the absence of the Offer proceeding.</p>

Bidder's Statement

The directors of Sundowner
unanimously recommend that
you accept the Offer

Bidder's Statement containing an Offer by
Lend Lease Funds Management Limited
ABN 94 000 335 473 in its capacity as trustee
of the LLREP2 Motor Inns Trust to
purchase all of your ordinary shares
in **Sundowner Motor Inns Limited**
ABN 18 078 847 784

In connection with the Offer you will receive:

- 26.5 cents per Sundowner Share; plus
- a 2.5 cent per Sundowner Share Special Dividend payable by Sundowner

Contents

Important Information	8	Tax considerations	31
Summary of the Offer	9	Other material information	34
Information on LLFM and REP2	13	The terms and conditions of the Offer	37
Information on Sundowner and Sundowner Group	16	Definitions and interpretation	48
Information on Sundowner's Securities	20	Approval of Bidder's Statement	52
Sources of consideration	23	Attachment 1	54
LLFM's intentions in relation to Sundowner	25		

Important Information

This Bidder's Statement is issued by Lend Lease Funds Management Limited ACN/ABN 94 000 335 473 (**LLFM**) under Part 6.5 of the Corporations Act.

A copy of this Bidder's Statement (which includes the information in the previous section) was lodged with ASIC on 22 December 2006. Neither ASIC nor its officers take any responsibility for the content of this Bidder's Statement.

Investment advice

In preparing this Bidder's Statement, LLFM has not taken into account the individual objectives, financial situation or needs of individual Sundowner shareholders. Accordingly, before making a decision whether or not to accept the Offer, you may wish to consult with your financial or other professional adviser.

Disclaimer as to forward looking statements

Some of the statements appearing in this Bidder's Statement may be in the nature of forward looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainties. Those risks and uncertainties include factors and risks specific to the industry in which Sundowner and LLFM and the members of the LLFM Group operate as well as general economic conditions, prevailing exchange rates and interest rates and conditions in the financial markets. Actual events or results may differ materially from the events or results expressed or implied in any forward looking statement. None of LLFM, the officers of LLFM, any persons named in this Bidder's Statement with their consent or any person involved in the preparation of this Bidder's Statement, makes any representation or warranty (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, except to the extent required by law. You are cautioned not to place undue reliance on any forward looking statement. The forward looking statements in this Bidder's Statement reflect views held only as at the date of this Bidder's Statement.

Disclaimer as to Sundowner information

The information on Sundowner, Sundowner's securities and Sundowner Group contained in this Bidder's Statement has been prepared by LLFM using publicly available information and limited information made available to LLFM by Sundowner.

Information in this Bidder's Statement concerning Sundowner's business has not been independently verified by LLFM. Accordingly LLFM does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

Further information relating to Sundowner's business may be included in Sundowner's Target's Statement which Sundowner must provide to its shareholders in response to this Bidder's Statement.

Privacy

LLFM has collected your information from the Sundowner register of shareholders for the purpose of making this Offer and, if accepted, administering your holding of Sundowner Shares. The Corporations Act requires the name and address of shareholders to be held in a public register. Your information may be disclosed on a confidential basis to LLFM's related bodies corporate and external service providers, and may be required to be disclosed to regulators such as ASIC. The registered address of LLFM is Level 4, 30 The Bond, Road, Sydney NSW.

Defined terms

A number of defined terms are used in this Bidder's Statement. Unless the contrary intention appears, the context requires otherwise or words are defined in section 10 of this Bidder's Statement, words and phrases in this Bidder's Statement have the same meaning and interpretation as in the Corporations Act.

Summary of the Offer

1

1. Summary of the Offer

What LLFM is offering to buy	<p>LLFM is offering to buy all Sundowner Shares on the terms set out in this Bidder's Statement.</p> <p>You may only accept this Offer in respect of all Sundowner Shares held by you.</p>
What you will receive if you accept the Offer	<p>If you accept the Offer you will, subject to the satisfaction of the conditions to the Offer, receive 26.5 cents in cash for each of Your Shares, plus a Special Dividend of 2.5 cents for each of Your Shares payable by Sundowner.</p> <p>Sundowner's directors have announced that the Special Dividend will be paid on each of Your Shares for which you are the registered holder on the record date for the Special Dividend (5.00pm Sydney time on the date that is seven Business Days after the date (if any) on which the Offer becomes unconditional).</p>
When you will be paid	<p>LLFM will pay the cash consideration due to you under the Offer on or before the earlier of:</p> <ul style="list-style-type: none">■ one month after this Offer is accepted or one month after all of the conditions have been freed or fulfilled (whichever is the later); and■ 21 days after the end of the Offer Period. <p>Full details of when payments will be made are set out in section 9.6 of this Bidder's Statement.</p> <p>Sundowner's directors have announced that if the Offer becomes unconditional it will pay the Special Dividend of 2.5 cents per Sundowner Share on or before the earlier of:</p> <ul style="list-style-type: none">■ one month after all of the conditions have been freed or fulfilled; and■ 21 days after the end of the Offer Period.
No brokerage on acceptances	<p>You will not pay brokerage if you accept the Offer and the shares are registered in your name. Any such costs will be borne by LLFM.</p>
Broker handling fees	<p>If the Offer becomes or is declared unconditional, LLFM may pay a commission to brokers of up to 0.75% of the value of Sundowner Shares held by retail shareholders who accept the Offer. This amount may be paid by LLFM to brokers only and no part of the fee can be passed on or paid to Sundowner shareholders. The payment is not deducted from the proceeds due to you under the Offer.</p> <p>Full details in relation to broker handling fees are set out in section 8.3 of this Bidder's Statement.</p>
Close of the Offer	<p>The Offer closes at 7pm (Sydney time) on 21 February 2007, unless it is extended under the Corporations Act.</p>

There are some conditions to the Offer

The Offer is subject to a number of conditions set out in section 9.7 of this Bidder's Statement. These include:

- a minimum acceptance condition of 90%;
- no material adverse changes to Sundowner between the Announcement Date and the end of the Offer Period;
- no Prescribed Occurrences between the Announcement Date and the end of the Offer Period; and
- no changes in control in any member of the Sundowner Group between the Announcement Date and the end of the Offer Period.

Full terms of the conditions are set out in section 9.7 of this Bidder's Statement.

Sundowner Options

Sundowner has advised that there are currently no options on issue for Sundowner Shares. All options that were previously issued under the Sundowner Performance Rights Plan (as defined in Section 4) have been converted to Sundowner Shares.

How you accept the Offer**You may only accept the Offer for all your Sundowner Shares.****Issuer sponsored shareholders**

If your Sundowner Shares are held on Sundowner's issuer sponsored subregister (such holdings will be evidenced by an 'I' appearing next to your holder number on the enclosed Acceptance Form), to accept this Offer, you must complete and sign the Acceptance Form enclosed with this Bidder's Statement and return it to the address indicated on the form before the Offer closes.

CHESS sponsored shareholders

If your Sundowner Shares are in a CHESS Holding (such holdings will be evidenced by an 'X' appearing next to your holder number on the enclosed Acceptance Form), you may accept the Offer by either:

- completing and signing the Acceptance Form enclosed with this booklet and returning it to the address indicated on the form; or
- calling your broker and instructing your broker to accept the Offer on your behalf,

before the Offer closes.

Participants

If you are a Participant, acceptance of this Offer must be initiated in accordance with rule 14.14 of the ASTC Settlement Rules before the Offer closes.

Full details on how to accept the Offer are set out in section 9.3 of this Bidder's Statement.

1. Summary of the Offer

Where to go for further information

For queries on how to accept the Offer, see the enclosed Acceptance Form or call Link Market Services Limited on 1800 882 147 within Australia or +61 2 8280 7924 (from overseas).

For all other queries in relation to the Offer, please contact the Offer Information Line on 1800 882 147 (within Australia) or +61 2 8280 7924 (from overseas).

Please note that in order to comply with legal requirements, any calls to the above numbers will be recorded. Inquiries in relation to the Offer will not be received on any other telephone numbers of the Trust, LLFM or its advisers.

Important notice

The information in this section 1 is a **summary only** of LLFM's Offer and is qualified by the detailed information set out elsewhere in this Bidder's Statement.

You should read the entire Bidder's Statement and the Sundowner Target's Statement before deciding whether to accept the Offer.

Information on LLFM and REP2

2

2. Information on LLFM and REP2

2.1 Overview of LLFM, REP2 and the Trust

The bidder under the Offer is LLFM. LLFM is the trustee of the Trust, a wholly owned subsidiary trust of Lend Lease Real Estate Partners 2 (**REP2**). LLFM is making the Offer in its capacity as trustee of the Trust.

LLFM is also a wholly owned subsidiary of Lend Lease Corporation Limited. LLFM acts as trustee of a number of sub-trusts which hold property assets.

LLREI is the trustee of REP2 which holds 100% of the Trust. The Trust is a special purpose vehicle which has been established in order to purchase Sundowner Shares.

2.2 Directors

Directors of LLREI and LLFM

The directors of LLREI (the trustee and manager of REP2) are:

- Brian Norris, Chairman
- Robert Hattersley
- Philip Ling
- Steve McCann
- Geoff McWilliam
- Paul Say

These persons are also the directors of LLFM (being the trustee of the Trust).

2.3 History, structure and ownership of REP2

(a) History

Lend Lease Corporation Limited (**Lend Lease**), established in 1958, is a global integrated real estate company. Lend Lease is headquartered in Sydney and listed on the Australian Stock Exchange, and has a presence in more than 40 countries.

Lend Lease Investment Management (**LLIM**) manages 11 funds throughout Asia Pacific and the UK on behalf of institutional clients. In the Asia Pacific region, LLIM manages over A\$4.5 billion in property funds (as at 30 June 2006). Funds managed in the region include the Australian Prime Property Fund, Lend Lease Real Estate Partners 1 Limited, Lend Lease Real Estate Partners 2 (being REP2), Lend Lease Core Plus Fund, Asia Pacific Investment Company 2 and Lend Lease Communities Fund 1.

REP2 is a property investment fund which was established on 3 May 2004 to invest in real estate in Australia for enhanced returns. The investment philosophy for REP2 is to focus on investments which it believes may benefit from intensive management focus and expertise. As an enhanced fund it targets investments at the higher end of the investment risk spectrum.

(b) Structure

The Trust has been established specifically to invest in Sundowner. LLFM is the trustee of the Trust and as trustee is responsible for the management of the Trust.

LLREI is the trustee of REP2. As trustee, LLREI is responsible for the management of REP2 and seeks to identify specific real estate assets that require a significant investment of real estate skills.

(c) Ownership

REP2 is a trust in which units have been issued to a number of wholesale investors. Investors have each committed a minimum \$5 million, with Lend Lease having a co-investment of 10% of the total equity committed.

2.4 Principal activities of LLFM and REP2

(a) REP2

REP2 invests, funds and trades in real estate to earn returns in accordance with its investment policy. REP2 targets specific real estate assets that require a significant investment of real estate skills. The investments are management-intensive, and have above-average risks. For these reasons, REP2 believes many investors would not have the expertise to directly own and manage this style of asset or operate successfully with this investment strategy.

(b) LLFM

The principal activity of LLFM is to act as trustee of a number of sub-trusts which hold property assets.

2.5 Financial information on REP2

(a) Basis of presentation

The historical financial information below is a summary only of the full financial accounts for REP2 for the financial periods described below, which include the notes to the accounts.

(b) Balance sheets

The summarised historical balance sheet of REP2 as at 30 June 2006 and 30 June 2005, set out below has been extracted from the audited consolidated balance sheet of REP2 as at 30 June 2006 and 30 June 2005.

Lend Lease Real Estate Partners 2 Consolidated Balance Sheets

	As at 30 June 06 \$'000	As at 30 June 05 \$'000
Total Current Assets	3,355	1,133
Total Non-Current Assets	66,966	47,991
Total Assets	70,321	49,124
Total Current Liabilities	3,397	1,136
Total Non-Current Liabilities	37,850	29,845
Total Liabilities	41,247	30,981
Net Assets	29,074	18,143

(c) Income statements

The summarised historical income statements of the REP2 for the periods ending 30 June 2006 and 30 June 2005 shown below have been extracted from the audited consolidated income statements for the years ended 30 June 2006 and 30 June 2005.

Lend Lease Real Estate Partners 2 Consolidated Income Statements

	Year ended 30 June 06 \$'000	Year ended* 30 June 05 \$'000
Revenue	41,587	1,713
Total Revenue	41,587	1,713
Total Expenses	37,632	3,120
Net Operating Income Before Tax	3,955	(1,407)

* The period shown represents the period from 3 May 2004 (date of inception of REP2) to 30 June 2005.

2.6 Announcement by LLFM in relation to the Offer

On 22 December 2006, LLFM made a public announcement to ASX in relation to the Offer. A copy of that announcement is contained in Attachment 1 of this Bidder's Statement.

Information on Sundowner and Sundowner Group

3

3. Information on Sundowner and Sundowner Group

Information in this Bidder’s Statement concerning Sundowner’s business has not been independently verified by LLFM. Accordingly, LLFM does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

Further information relating to Sundowner’s business may be included in the Sundowner Target’s Statement which Sundowner must provide to Sundowner shareholders in response to this Bidder’s Statement.

3.1 Overview of Sundowner Group

Sundowner Group comprises:

- Sundowner Motor Inns Limited (**Sundowner**), a company limited by shares;
- Sundowner Chain Motor Inns Pty Ltd (**Sundowner Trustee**), a wholly owned subsidiary of Sundowner and the trustee of the Sundowner Chain Motor Inns Trust; and
- Sundowner Chain Motor Inns Trust, a unit trust.

3.2 Directors

As at the date of this Bidder Statement, the directors of Sundowner are:

Andrew Edwin John Fairley	<ul style="list-style-type: none"> ■ Chairman and non-executive director ■ Member of the Audit Committee ■ Member of the Remuneration Committee
Peter Christos Copulos	<ul style="list-style-type: none"> ■ non-executive director ■ Member of the Audit Committee
Stephen Copulos	<ul style="list-style-type: none"> ■ executive director
Graham Clifford Couch	<ul style="list-style-type: none"> ■ Independent non-executive director ■ Chairman of the Audit Committee ■ Chairman of the Remuneration Committee
Mal Lucas-Smith	<ul style="list-style-type: none"> ■ non-executive director

3.3 History, structure and ownership

(a) History

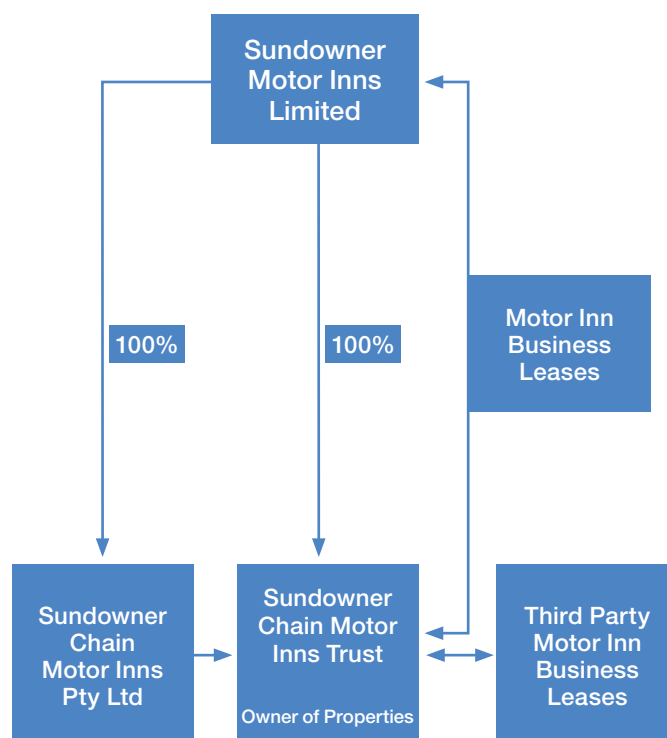
Sundowner Motor Inns Limited is a listed Australian Public Company which commenced trading on the Australian Stock Exchange in November 1997.

(b) Structure

Sundowner Trustee is the registered owner of all the motor inn properties owned by the Sundowner Group, including furniture, fittings and equipment, other than furniture, fittings and equipment in motor inns leased to third party operators.

The Group-owned motor inn businesses are leased to Sundowner. The lessees, including Sundowner, own the stock together with the liquor licences for the properties and operate the motor inns businesses pursuant to the applicable property leases.

The structure of the Sundowner Group is as follows:



3. Information on Sundowner and Sundowner Group

(c) Ownership

Ownership under Sundowner rests in more than 750 shareholders.

The following directors are noted as having substantial interest in Sundowner as at the date of this Bidder's Statement:

- (1) Mr P C Copulos and Mr S Copulos: 49.4% of total issued ordinary shares;
- (2) Mr A E J Fairley: 15.3% of total issued ordinary shares; and
- (3) Mr G C Couch: 0.33% of total issued ordinary shares.

The top 20 shareholders in Sundowner own approximately 85% of the total issued shares.

The top 40 shareholders in Sundowner own approximately 89% of the total issued shares.

3.4 Principal activities of Sundowner and Sundowner Group

The principal activities of the Sundowner Group are:

- the ownership and operation of motor inn properties throughout Australia;
- the operation of the Sundowner Membership Program, under which Sundowner acts as franchisor to various independent motor inn operators that have adopted the Sundowner brand;
- the ownership of freehold motor inn sites that are leased to third parties for the operation of motor inn businesses;
- the operation of a Sunclub reward network in which frequent customers are able to collect points for use at Sundowner motor inns; and
- the ownership of development sites, including a subdivision and vacant land.

3.5 Financial information on the Sundowner Group

(a) Basis of presentation of historical financial information

The historical financial information below relates to the Sundowner Group on a stand-alone basis and accordingly does not reflect any impact of the Offer. It is a summary only and the full financial accounts for the Sundowner Group for the financial periods described below, which include the notes to the accounts, can be found in Sundowner's annual reports for those periods.

(b) Historical financial information on the Sundowner Group

(1) Balance sheet

The summarised historical balance sheet of the Sundowner Group as at 30 June 2006 and 30 June 2005 set out below has been extracted from the audited consolidated balance sheet of the Sundowner Group as at 30 June 2006 and 30 June 2005.

Sundowner Consolidated Balance Sheets

	As at 30 June 06 \$'000	As at 30 June 05 \$'000
Total Current Assets	5,562	3,594
Total Non-Current Assets	72,119	71,321
Total Assets	77,681	74,915
Total Current Liabilities	1,642	2,885
Total Non-Current Liabilities	28,150	26,292
Total Liabilities	29,792	29,177
Net Assets	47,889	45,738

(2) Income statements

The summarised historical income statements of the Sundowner Group for the periods ended 30 June 2005 and 30 June 2006 shown below have been extracted from the audited consolidated income statements for the years ended 30 June 2005 and 30 June 2006.

Sundowner Consolidated Income Statements

	As at 30 June 06 \$'000	As at 30 June 05 \$'000
Revenue	24,021	23,143
Other Income	1,198	533
Total Revenue	25,219	23,676
Total Expenses	25,240	22,079
Net Operating Income Before Tax	(21)	1,597

3.6 Other material information about the Sundowner Group

Sundowner has engaged SJ Higgins Pty Ltd Building Contractors to complete the redevelopment of the motor inn at Geelong known as Sundowner Motor Inn, Geelong. As at the date of this Bidder's Statement, the construction works are substantially complete. Final completion of all room accommodation and some common areas is expected early 2007.

LLFM has been informed by Sundowner that there are no material issues or factors affecting Sundowner's ability to complete the works and obtain the necessary occupation certificate for all components of the motor inn.

3.7 Publicly available information about Sundowner Group

Sundowner is a listed disclosing entity for the purposes of the Corporations Act and as such is subject to regular reporting and disclosure obligations. Specifically, as a listed company, Sundowner is subject to the listing rules of ASX which require continuous disclosure of any information Sundowner has concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

ASX maintains files containing publicly disclosed information about all listed companies. Sundowner's file is available for inspection at ASX during normal business hours.

In addition, Sundowner is required to lodge various documents with ASIC. Copies of documents lodged with ASIC by Sundowner may be obtained from, or inspected at, an ASIC office.

A substantial amount of information about Sundowner is available in electronic form from: www.sundownermotorinns.com.au.

3.8 Announcement by Sundowner in relation to the Offer

On 22 December 2006, Sundowner made a public announcement to ASX in relation to the Offer. A copy of that announcement is contained in Attachment 1 of this Bidder's Statement.

Information on Sundowner's Securities

4

4. Information on Sundowner's securities

4.1 Sundowner's issued securities

According to documents provided by Sundowner to ASX, as at the date of this Bidder's Statement, Sundowner's issued securities consisted of 179,198,669 Sundowner Shares.

4.2 Sundowner Options – Performance Rights Plan

According to documents provided by Sundowner, as at the date of this Bidder's Statement, there is a Sundowner Group Performance Rights Plan (the **Performance Rights Plan**).

Under the Performance Rights Plan, participating employees are granted performance rights or Sundowner Options, which are a right to acquire a Sundowner Share for no consideration. At the time an offer is made to participating employees under the Performance Rights Plan, a performance period will be set, during which the employee must satisfy certain performance criteria in order to be allocated a Sundowner Share for each performance right.

As at the date of this Bidder's Statement, Sundowner has advised that there are no performance rights on issue to Sundowner Group employees. All performance rights previously granted have been converted to Sundowner Shares and are therefore eligible to participate in the Offer.

4.3 Interests in Sundowner securities

Immediately before the Offer was sent, none of the directors of LLFM held a Relevant Interest in any Sundowner securities.

As at the date of this Bidder's Statement:

- LLFM's voting power in Sundowner was 19.9%; and
- LLFM had a relevant interest in 35,660,635 Sundowner Shares.

As at the date of the Offer:

- LLFM's voting power in Sundowner was 19.9%; and
- LLFM had a relevant interest in 35,660,635 Sundowner Shares.

4.4 Dealings in Sundowner Shares and Sundowner Options

(a) Previous four months

Neither LLFM nor any associate of LLFM has provided, or agreed to provide, consideration for Sundowner Shares under any purchase or agreement during the four months before the date of this Bidder's Statement, except as described below.

On 22 December 2006 LLFM acquired a relevant interest from Copulos Superannuation Pty Ltd and Dugreen Pty Limited (**Copulos Super & Dugreen**) in 15% and 4.9% respectively, of the fully paid, ordinary issued shares in Sundowner (the **Optioned Shares**) under two separate pre-bid acceptance and option agreements provided to ASX on 22 December 2006. Copulos Super is associated with Sundowner directors Mr Peter Copulos and Mr Stephen Copulos and Dugreen is associated with Sundowner chairman Mr Andrew Fairley.

Under the above agreements:

- whilst the Takeover Bid is conditional, LLFM has a call option over the Optioned Shares and can exercise the option if someone other than LLFM publicly announces a bid for Sundowner Shares; and
- if the Takeover Bid becomes unconditional, LLFM may require Copulos Super & Dugreen to accept the Offer in respect of the Optioned Shares. Copulos Super & Dugreen may also choose to accept an unconditional Takeover Bid.

(b) Period before Offer

Neither LLFM nor any associate of LLFM has provided, or agreed to provide, consideration for Sundowner Shares or Sundowner Options under any purchase or agreement during the period starting on the date of this Bidder's Statement and ending on the date immediately before the date of the Offer.

4. Information on Sundowner's securities

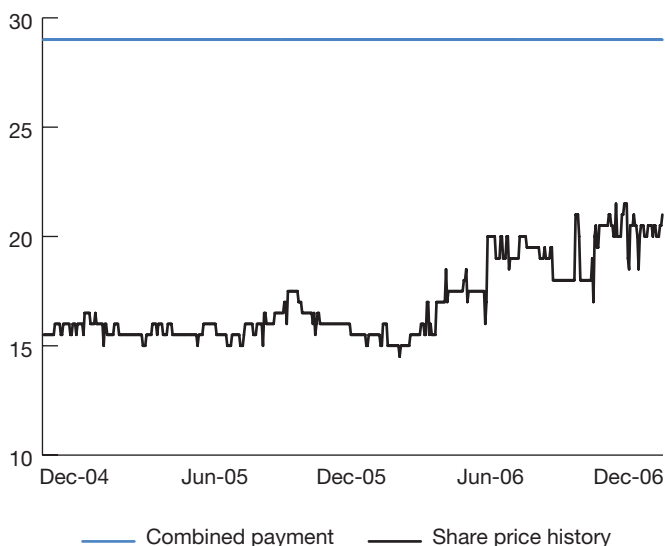
4.5 Recent share price performance of Sundowner

The latest recorded sale price of Sundowner Shares on ASX before the Announcement Date was 22 cents as at close of trading on ASX on 21 December 2006.

The latest recorded sale price of Sundowner Shares on ASX before the date on which this Bidder's Statement was lodged with ASIC was 22 cents.

The following chart shows the last sale price of Sundowner Shares on ASX for the two years prior to the Announcement Date.

Share Price History v 29.0 cent Combined Payment



4.6 Effect of the Offer on Sundowner Options

Sundowner Shares that have been allocated under the Performance Rights Plan are subject to restrictions on transfer. A participant who is allocated Sundowner Shares must not sell or transfer its Sundowner Shares unless certain events occur or a 10 year minimum holding period has expired. This restriction will cease to apply if LLFM acquires a relevant interest in more than 50% in Sundowner. Sundowner is entitled to apply holding locks to prevent transfer. The Performance Rights Plan rules state that Sundowner may release the holding lock in its discretion if LLFM acquires a relevant interest in more than 50%. Sundowner has stated that it will exercise its discretion to release all holding locks in these circumstances.

Performance Rights Plan participants who:

- hold Sundowner Shares which have been allocated to them under the Performance Rights Plan; or
- are allocated Sundowner Shares under the Performance Rights Plan during the Offer Period,

will be able to accept the Offer in respect of those Sundowner Shares.

If LLFM becomes entitled to compulsorily acquire Sundowner Shares under Part 6A.1 of the Corporations Act, LLFM would also be entitled to acquire Sundowner Shares allocated to participants under the Performance Rights Plan (on release of all holding locks).

4.7 No pre-Offer benefits

During the four month period before the date of this Bidder's Statement, neither LLFM nor any associate of LLFM gave, or offered to give, or agreed to give a benefit to another person which was likely to induce the other person, or an associate of the other person, to:

- accept the Offer; or
- dispose of Sundowner Shares,

and which is not offered to all holders of Sundowner Shares under the Offer.

During the period from the date of this Bidder's Statement to the date before the date of the Offer, neither LLFM nor any associate of LLFM gave, or offered to give, or agreed to give a benefit to another person which was likely to induce the other person, or an associate of the other person, to:

- accept the Offer; or
- dispose of Sundowner Shares,

and which is not offered to all holders of Sundowner Shares under the Offer.

4.8 No escalation agreements

Neither LLFM nor any associate of LLFM has entered into any escalation agreement that is prohibited by section 622 of the Corporations Act.

Sources of consideration

5

5. Sources of consideration

5.1 Cash consideration

The maximum amount of cash that LLFM would be required to pay under the Offer if acceptances are received in respect of the total Sundowner Shares on issue as at the date of this Bidder's Statement (including those Sundowner Shares in which LLFM has a relevant interest) would be \$47,487,647.

5.2 Sources of cash consideration

(a) Identity of persons to provide cash consideration

The consideration for the acquisition of the Sundowner Shares to which the Offer relates will be satisfied wholly in cash.

The cash consideration payable under the Offer will be provided under the terms of a bridging facility from HSBC Bank Australia Limited (**HSBC**), details of which are disclosed in section 5.2(c) below.

(b) Particulars of Uncalled Committed Capital in REP2

REP2 is an investment vehicle in which its investors contribute capital. The capital is then called down from time to time in order to meet the needs of the fund, for example investment ventures. At the time of the bid REP2 had \$42,581,279 in committed capital that was uncalled.

(c) Particulars of external facility

A bridging facility is to be provided by HSBC, which may be drawn to meet obligations under the Offer. The amount undrawn under the facility exceeds the maximum amount payable under the Offer.

The loan is to be provided to LLREI in its capacity as trustee of REP2. The funds will then be lent to the LLREP2 Motor Inns Trust by way of an inter-company loan within the REP2 consolidated group.

The external facility will be available during the Offer Period, up to a maximum of 180 days.

The provision of funding under the external facility to pay for the Sundowner Shares is not subject to any material unfulfilled pre-conditions which are outside the control of REP2 and LLFM, as set out in this Bidder's Statement.

LLFM's intentions in relation to Sundowner

6

6. LLFM's intentions in relation to Sundowner

6.1 Introduction

LLFM is trustee of the Trust. Accordingly, the intentions of LLFM in that capacity are the same as the intentions of REP2.

The intentions of LLFM are set out in this section of the Bidder's Statement. Those intentions have been formed on the basis of facts and information concerning Sundowner, and the general business environment, which are known at the time of preparing this Bidder's Statement. Final decisions will only be reached by LLFM in light of material information and circumstances at the relevant time. Accordingly, the statements set out in this section are statements of current intention only and may vary as new information becomes available or circumstances change.

6.2 Overview and rationale for the Offer

LLFM has decided to bid for Sundowner's business on the basis that it is complementary to REP2's investment strategy. In particular, Sundowner's business is management-intensive and has higher than average risks associated with its operation.

LLFM believes that certain synergies and cost savings can be obtained through transferring the Sundowner brand and management of the Sundowner motor inns to an external provider and making use of their existing technology platforms, a central administrative office, staff training, and scale of operation. LLFM also believes there is opportunity to restructure the capital base of Sundowner in order to more efficiently fund increased capital expenditure requirements. As such, Sundowner presents an opportunity for REP2 through its sub-trust to further its investment strategy.

6.3 Intentions for Sundowner as a wholly owned controlled entity

This section 6.3 describes LLFM's intentions if LLFM and its associates acquire a relevant interest in 90% or more of the Sundowner Shares, and so becomes entitled to proceed to compulsory acquisition of outstanding Sundowner Shares in accordance with Part 6A.1 of the Corporations Act.

In that circumstance, LLFM's current intentions are as follows:

(a) Corporate matters

LLFM intends to:

- proceed with compulsory acquisition of the outstanding Sundowner Shares in accordance with the provisions of Part 6A.1 of the Corporations Act, including any Sundowner Shares which are issued after the close of the Offer under the Performance Rights Plan (see section 4.6 of this Bidder's Statement);
- arrange for Sundowner to be removed from the official list of the ASX; and
- replace the members of the Board with the nominees of LLFM. Replacement board members have not yet been identified by LLFM and their identity will depend on the circumstances at the relevant time. However, it is expected that the majority of the replacement board members will be members of the LLREI management team.

(b) General operational review

After the end of the Offer Period, LLFM intends to conduct an immediate, broad based review of Sundowner's assets and operations on both a strategic and financial level to:

- evaluate Sundowner's performance, profitability and prospects; and
- identify future construction and development opportunities.

In the course of this review, LLFM intends to focus on a number of key specific areas including (but not limited to):

- Rebranding of selected motor inn sites;
- Driving revenue expansion;
- Developments;
- Head office costs; and
- General capital requirements.

Some proposals and alternatives on these are discussed below.

(c) Initial restructure of the Sundowner Group assets and operations

Assets

As at the date of this Bidder's Statement the Sundowner Group owned:

- 12 motor inn sites which are owned by the Sundowner Trust and leased to and operated by Sundowner; and
- two motor inn sites which are leased to and operated by external operators under the Sundowner brand.

In addition, Sundowner also owns four sundry parcels of land, one of which is adjacent to the Albury Paddlesteamer, the others in Bendigo, Moree and Yass.

On 5 September 2006 Sundowner announced a proposal to sell a number of motor inn sites owned by it. Expressions of interest closed on 1 November 2006. As a result of that campaign, as at the date of the Bidder's Statement, four motor inn sites owned by the Sundowner Group were subject to contracts for sale and expected to settle in early 2007. Sundowner will be obliged to settle contracts for sale on the terms of the contracts it has entered into. Two of these contracts, however, are subject to shareholder approval as they are sales to a shareholder or its associate.

As at the date of this Bidder's Statement, the properties that were part of this sale campaign which remain on the market are:

- Sundowner Orange, Orange;
- Sundowner Moree, Moree;
- Sundowner Bathurst, Bathurst;
- certain land subject to a residential subdivision in Moree;
- certain land located in Bendigo; and
- certain land located in Yass.

Sundowner and Sundowner Trustee have entered into a Put Option Deed with CF Sundowner Pty Limited (an entity associated with Mr Peter Copulos, Mr Stephen Copulos and Mr Andrew Fairly) in its capacity as trustee of the CFS Unit Trust (**Grantor**), Mr Peter Copulos and Mr Andrew Fairley. Under the Put Option Deed, Sundowner Trustee can, at any time after the date which is 28 days from when the offer becomes unconditional, require the Grantor to acquire any of the above properties that are not sold, or subject to a contract for sale to a third party, by the earlier of LLFM acquiring 100% of the Sundowner Shares or 16 months from the date on which the Put Option Deed was signed. The total purchase price payable by the Grantor for the properties will be \$9,335,900 (less the sale price of any of the properties that have already been sold or are subject to a sale contract with a third party (unless added back to the total sale price in the circumstances described below)) (**Option Price**).

If any properties are subject to contracts for sale to a third party when the put option is exercised, the Grantor will contract with Sundowner Trustee to also buy those properties if settlement does not occur under the relevant third party contract and the failure to settle is not due to the act or omission of Sundowner Trustee at a time when nominees of LLFM constitute a majority of the Sundowner and/or Sundowner Trustee boards.

For any property which is sold to the Grantor in this way, the purchase price which would have been payable by the third party will be added back to the Option Price payable by the Grantor for the properties.

In addition:

- If all properties are sold to third parties prior to exercise of the put option, but the aggregate sale price received by Sundowner Trustee is less than \$9,335,900, the Sundowner Trustee will, provided that the bid becomes unconditional, be entitled to a "top-up" payment from the Grantor equal to the shortfall.
- Prior to the Offer becoming unconditional, the Grantor must pay a deposit to the Sundowner Trustee equal to the greater of \$400,000 and 10% of the Option Price which would have been payable by the Grantor for the properties if the put option was exercised at that time. The amount of the deposit is reduced as properties become subject to contracts for sale with third parties (but any such reduction is added back if the relevant third party contract does not proceed to settlement).

If LLFM and its associates acquire a relevant interest in 90% or more of the Sundowner Shares, LLFM, through its nominees on the Sundowner board, intends for Sundowner to fully exercise its rights under the Put Option Deed.

Following this sale process, the remaining freehold motor inn sites in the Sundowner Group will be:

- Sundowner Adelaide Manor, Gepps Cross;
- Sundowner Albury Hovell Tree, Albury;
- Sundowner Albury Paddlesteamer, Albury;
- Vacant land adjacent to Sundowner Albury Paddlesteamer, Albury;
- Sundowner Motor Inn, The Esplanade, Geelong;
- Sundowner Motor Inn, Ipswich;
- Sundowner Parklake Motor Inn, Shepparton; and
- Sundowner Warrnambool Mid City, Warrnambool (**Retained Motor Inns**).

6. LLFM's intentions in relation to Sundowner

Franchise business

Sundowner has membership agreements (franchise agreements) with 14 external operators who are licensed to trade under the Sundowner brand. The Sundowner Group does not own the motor inn sites on which these businesses are operated.

Operation of motor inn business

It is LLFM's intention to outsource the operation and management of the Retained Motor Inns to Touraust Hotels Pty Limited (**Touraust**). In addition, Touraust will take over the operation and management of the Sundowner membership program (franchise business) and Sunclub.

Touraust operates a number of hotels in Australia. The hotel brands managed by Touraust include "The Chifley", "Country Comfort" and "Australis".

LLFM in its capacity as trustee of the Trust has entered into a binding agreement with Touraust. Under the agreement, LLFM has agreed to use reasonable endeavours (consistent with duties of the Sundowner directors) to procure Sundowner to enter into the arrangements described below upon LLFM's nominees comprising a majority of the Sundowner board. Touraust has agreed to enter into those arrangements on execution by Sundowner.

Under these arrangements:

- Touraust will acquire the "Sundowner Chain Motor Inns" business name and "Sundowner" and "Sunclub" trademarks along with associated domain names;
- all current franchise agreements will be transferred to Touraust, with Touraust assuming the role of franchisor of the Sundowner brand;
- Touraust will take over the operation and management of the Retained Motor Inns under a formal management agreement. Under asset plans developed for each of the Retained Motor Inns, this is likely to include expenditure for capital works on various assets;
- a number of the Retained Motor Inns may be rebranded under either the "Country Comfort" or "Chifley" or "Australis" brand names. A decision on this will be made on completion of a full operational review of the assets;
- most Sundowner Group employees will be offered employment with Touraust (see section 6.3(e) for further information); and
- Touraust will effectively fund \$200,000 worth of rebranding works in respect of the Retained Motor Inns.

Sundowner brand

The names of all Sundowner Group members (including the Sundowner Chains Motor Inns Trust) will be changed to a name not including the Sundowner brand. Sundowner will be able to continue to use the name on a transitional basis until corporate actions to change the name are implemented. In the case of Sundowner Motor Inns Limited this may not occur until after the next annual general meeting.

(d) Realisation

The REP2 trust deed allows unitholders to resolve to terminate the trust seven years after the fund's commencement if the trust assets have not been realised by then. The expected life of REP2 is therefore seven years, with the fund terminating by May 2011 (although unitholders can resolve to continue the fund's operation beyond that time).

The Trust is a sub-trust of REP2.

Accordingly, it is currently LLFM's intention for Sundowner to operate the assets as set out above to drive revenue growth and position the assets for potential sale in the short to medium term. Returns on the assets would be distributed to shareholders. As a result there may be periods in the future where Sundowner holds substantial cash assets or increases the amount of cash assets it holds relative to property assets. However, LLFM will need to assess its optimal strategy at the relevant time.

(e) Impact on Employees

The majority of Sundowner Group employees, being those staff employed on-site for the day-to-day management of each of the Retained Motor Inns, will be offered employment with Touraust on terms no less favourable than their current terms. Touraust will directly employ all on-site staff at the Retained Motor Inns.

A minority of Sundowner Group employees, in particular those employed at the motor inns that are currently subject to a contract of sale or which are still on the market will, at the election of Sundowner, either be offered employment with Touraust or seconded to Touraust until those contracts of sale are settled or motor inns sold (as relevant). On settlement, the employees will either be offered employment with the relevant purchaser or provided with redundancies (and their full entitlements paid at law). A small number of employees employed in the Sundowner corporate head office (and whose role is duplicated at Touraust or REP2) will also be offered redundancies and their full entitlements at law paid in full. Appropriate handover arrangements will be discussed with each employee.

(f) Head office

LLFM intends for Sundowner to close down the Shepparton head office within one to three months of LLFM acquiring 100% of Sundowner.

(g) Box Hill

Sundowner is currently negotiating with the Box Hill RSL Club on an exclusive basis for the development of the Box Hill RSL Club. LLFM intends for Sundowner to conduct further work on the proposed scheme, working with local council and the RSL club. The outcome of these discussions and the terms on which they might be concluded is uncertain.

6.4 Intentions for Sundowner as a part-owned controlled entity

LLFM reserves its right to declare the Offer free from the 90% minimum acceptance condition (or any other condition) to the Offer (noting that the HSBC facility described above is subject to a 75% minimum acceptance condition). However, LLFM has not decided whether it will do so. This section 6.4 describes LLFM's intentions if it were to declare the Offer free of the 90% minimum acceptance condition and if Sundowner becomes a controlled entity of LLFM, but LLFM is not entitled to proceed to compulsory acquisition in accordance with Part 6A.1 of the Corporations Act.

In that circumstance, LLFM's current intentions are as follows:

(a) Corporate matters

After the end of the Offer Period, LLFM intends:

- (subject to the Corporations Act and the constitution of Sundowner) to seek to replace some or all of the members of the Board with nominees of LLFM. LLFM would consider the recommendations in the ASX Corporate Governance Guidelines when determining the composition of the Board. Replacement Board members have not yet been finally decided by LLFM and their identity will depend on the circumstances at the relevant time; however, it is expected that the majority of the replacement Board members will be members of the LLREI management team; and
- (subject to continued compliance by Sundowner with the Listing Rules) to maintain Sundowner's listing on ASX (although Sundowner shareholders should be aware that in this circumstance the liquidity (and hence the price) of Sundowner Shares on ASX may be materially adversely affected).

It is possible that, even if LLFM is not entitled to proceed to compulsory acquisition of minority holdings after the end of the Offer Period under Part 6A.1 of the Corporations Act, it may subsequently become entitled to exercise rights of general compulsory acquisition under Part 6A.2 of the Corporations Act; for example, as a result of acquisitions of Sundowner Shares in reliance on the '3% creep' exception in item 9 of section 611 of the Corporations Act. If so, it intends to exercise those rights.

(b) Dividends and funding

As outlined above, the Sundowner directors have announced an intention to declare and pay a Special Dividend if the Offer becomes unconditional.

However, as noted previously in the section "10 reasons why you should accept the Offer", the current policy of the Board is not to pay dividends in the ordinary course until completion of its current cycle of property development projects. That is not anticipated to occur before 2008. Following acquisition, LLFM, through its nominees on the Board, will review this policy to ensure it remains appropriate having regard to any capital funding and debt servicing requirements. That review may result in dividends being deferred further, beyond the time anticipated under the current dividend policy of the Board.

(c) Limitations in giving effect to intentions

The ability of LLFM to implement the intentions set out in this section 6.4, will be subject to the legal obligations of Sundowner directors to have regard to the interests of Sundowner and all Sundowner shareholders, and the requirements of the Corporations Act and the ASX Listing Rules relating to transactions between related parties, which may limit LLFM to some extent in achieving those objectives and realising the value of its investment in Sundowner. This may influence LLFM in deciding whether to waive its minimum acceptance condition. If LLFM does not waive this condition, the Offer will not proceed. LLFM will only make a decision on the above mentioned courses of action following legal and financial advice in relation to those requirements.

(d) Remaining Sundowner shareholders

If LLFM waives its minimum acceptance condition, then Sundowner shareholders who do not accept LLFM's Offer should be aware that they may become a 'locked-in' minority if LLFM holds a majority of Sundowner Shares but is not entitled to compulsorily acquire the remaining Sundowner Shares.

6. LLFM's intentions in relation to Sundowner

There are a number of possible implications of LLFM holding a majority of Sundowner Shares but being unable to compulsorily acquire the remaining Shares, including:

- Sundowner Share price may not sustain the level of takeover premium currently incorporated into the Offer;
- liquidity of the Sundowner Shares is likely to be lower than at present. This may also impact the share price;
- provided that Sundowner remains on the official list of the ASX, Sundowner shareholders will continue to have the right to offer their Sundowner Shares for sale on the ASX although their ability to sell the shares and the price they can obtain for the shares may be reduced by the stock's lower level of liquidity;
- a change to the Sundowner Board with minority shareholders represented by directors appointed by LLFM;
- future Sundowner dividend policy under the management of LLFM may vary from current Sundowner dividend policy as outlined in section 6.4(b) above; and
- a proportion of the intentions and synergies referred to in section 6.2 may not be achieved.

Tax considerations

7

7. Tax considerations

7.1 Australian taxation implications: Introduction

This section contains a general description of the Australian income and capital gains tax consequences for Sundowner shareholders upon the transfer of their Sundowner Shares under the Offer. The following description is based upon the law in effect at the date of this Bidder's Statement, but it is not intended to be an authoritative or complete statement of the law applicable to the particular circumstances of every Sundowner shareholder.

You should seek independent professional advice in relation to your own particular circumstances.

The comments set out below are relevant only to those Sundowner shareholders who hold Sundowner Shares as capital assets for the purpose of investment. Further, the following outline does not cover all possible tax considerations that could apply to Sundowner shareholders. In particular, the outline does not address in detail the tax considerations applicable to Sundowner shareholders that may be subject to special tax rules, such as banks, insurance companies, tax exempt organisations, superannuation funds, dealers in securities or shareholders who change their tax residency while holding Sundowner Shares. As such, all Sundowner shareholders are advised to seek their own tax advice in relation to the Offer.

7.2 Payment of Special Dividend

The Special Dividend should be fully franked for Australian tax purposes.

For Sundowner shareholders that are non-residents of Australia, this means the full amount of the dividend will be received free of Australian dividend withholding tax.

For Sundowner shareholders that are residents of Australia, the amount of the Special Dividend will generally (subject to the satisfaction of certain "at risk" rules) need to be "grossed-up" by the amount of the franking credits that are attached to each of the dividends. That is, the amount of the Special Dividend, plus the amount of franking credits that are stated to attach to each of the dividends in the distribution statement that is received by Sundowner shareholders in respect of those dividends must be included in the Sundowner shareholder's assessable income.

The amount of the franking credits that are stated to attach to the Special Dividend in its distribution statement can generally (subject to the satisfaction of certain "at risk" rules) be used to off-set the amount of tax that the Australian-resident taxpayer is required to pay.

Where certain Australian-resident Sundowner shareholders have an excess of franking credits in comparison to the tax they are required to pay, those Sundowner shareholders may be entitled to a refund from the Australian Taxation Office equal to that excess.

7.3 Acceptance of the Offer and disposal of Sundowner Shares – Capital gains or losses

The transfer of your Sundowner Shares pursuant to the Offer will involve the disposal by you of your Sundowner Shares to LLFM. This change in ownership of Sundowner Shares will constitute a CGT event for Australian CGT purposes.

If you accept the Offer before the Offer becomes unconditional, the effective date of disposal for CGT purposes will be the date the Offer becomes unconditional. If you accept once the Offer has become unconditional the effective date of disposal for CGT purposes is the date of your acceptance.

Accordingly, you may make a capital gain or a capital loss depending on whether the capital proceeds from the disposal of your Sundowner Shares are more than the cost base (as indexed, in some cases (see below)) of those Sundowner Shares (in which case a capital gain would arise), or less than the reduced cost base of those Sundowner Shares (in which case a capital loss would arise).

For these purposes, the 'capital proceeds' of the CGT event will be the cash payment consideration received by each Sundowner shareholder in respect of the disposal of their Sundowner Shares.

The cost base of a Sundowner Share is generally the cost of its acquisition plus incidental costs associated with the acquisition. In certain circumstances, the cost base for CGT purposes may be adjusted as a result of indexation (see below).

Some Sundowner shareholders may have acquired Sundowner Shares as a result of a previous CGT rollover in which case they should obtain their own tax advice as to the cost base of the Sundowner Shares.

Provided their Sundowner Shares were acquired on or before 11.45 am on 21 September 1999, Australian resident Sundowner shareholders who are individuals, complying superannuation entities or trustees of a trust may elect to adjust the cost base of their Sundowner Shares to include indexation (by reference to changes in the Consumer Price Index from the calendar quarter in which their Sundowner Shares were acquired until the quarter ended 30 September 1999). Australian resident Sundowner shareholders which are companies will be entitled to include that indexation adjustment without making an election, if their Sundowner Shares were acquired at or before 11.45 am on 21 September 1999. However, it should be noted that indexation adjustments to the cost base can only be taken into account for the purposes of calculating capital gains; they are ignored when calculating the amount of any capital losses.

Sundowner shareholders who are entitled to the indexation adjustment referred to above (i.e. individuals, complying superannuation entities or trustees), but which do not make the indexation election referred to above, are entitled to discount the amount of their net nominal gain (that is, the gain calculated without indexation) from the disposal of their Sundowner Shares after 11.45 am on 21 September 1999. This discount amounts to 50% in the case of individuals and trustees, and 33¹/₃% in the case of complying superannuation entities. However, trustees should seek specific advice regarding the tax consequences of distributions attributable to discounted capital gains. In some circumstances the beneficiaries of a trust may receive the benefit of the 50% discount.

Sundowner shareholders who are individuals, complying superannuation entities or trustees and who acquired their Sundowner Shares after 21 September 1999 and have held their Sundowner Shares for 12 months or more at the date the Offer becomes unconditional, may also be eligible to elect to apply the CGT discount method outlined above.

A company is not eligible to elect to apply the capital gains tax discounted method.

For those Sundowner shareholders who are non-residents for Australian tax purposes, there will be no Australian CGT consequences for non-resident shareholders that dispose of their Sundowner Shares under the Offer, provided the non-resident and their associates do not hold 10% or more of the shares in Sundowner at the date the Offer becomes unconditional, or for a continuous period of 12 months beginning within 24 months of that date.

7.4 Goods and services tax

Holders of Sundowner Shares or Sundowner Options should not be liable for GST in respect of a disposal or exercise of those Sundowner Shares or Sundowner Options.

Other material information



8. Other material information

8.1 Offers for Sundowner securities other than Sundowner Shares

As at the date of this Bidder's Statement, Sundowner has advised that there are no performance rights on issue to Sundowner Group employees. All performance rights previously granted have been converted to Sundowner Shares and are therefore eligible to participate in the Offer. See section 4.6 for further information.

8.2 Date for determining holders of Sundowner Shares

For the purposes of section 633 of the Corporations Act, the date for determining the people to whom information is to be sent under items 6 and 12 of subsection 633(1) is the Register Date.

8.3 Broker handling fee

LLFM may offer to pay a commission to brokers who solicit acceptances of the Offer from their clients, but has made no final decision in relation to the matter at this stage. If LLFM makes a decision to offer such a commission to brokers, it will make an announcement to the ASX confirming this.

Any commission payments will be paid only in respect of parcels of Sundowner Shares held by retail shareholders who accept the Offer. A retail shareholder for these purposes is one who is not a broker or an associate of a broker and held less than 100,000 Sundowner Shares at the Announcement Date.

If such arrangements are put in place, commission payments will not exceed 0.75% of the value of the consideration payable for parcels of Sundowner Shares held by retail shareholders who accept the Offer, and will be subject to minimum payments (not less than \$50) and maximum payments (not exceeding \$750) for each acceptance.

If a commission is offered, it will be payable to brokers only and subject to the condition that no part of the fee will be able to be passed on or paid to Sundowner shareholders.

It is LLFM's intention that, once an offer of commission has been made to any broker by LLFM, the commission arrangement will remain in place for the balance of the Offer Period and the amount of the commission offered will not be increased during the Offer Period.

8.4 Break fee

LLREI has entered into an agreement with Sundowner whereby Sundowner has agreed to pay LLREI a break fee equal to LLREI's reasonable expenses (including fees of legal and financial advisers and out of pocket expenses of LLREI employees, advisers and agents such as travel costs) up to \$600,000. The break fee is payable if any of the following occur:

- (1) A Sundowner director does not recommend the Takeover Bid, withdraws or revises such a recommendation, indicates they will not recommend the Takeover Bid or recommends a bid made by another person.
- (2) The Takeover Bid is unsuccessful.
- (3) A Third Party Bid is made to acquire Sundowner Shares or assets which is supported by Sundowner.

However, in the case of the Takeover Bid being unsuccessful because of a non-fulfilment of a minimum acceptance condition, the break fee is not payable if acceptances of the Offer reach 75% (noting that there is a minimum acceptance condition of 90%).

8.5 Consents

This Bidder's Statement contains statements made by, or statements said to be based on statements made by, LLFM and LLREI. LLFM and LLREI have consented to the inclusion of:

- each statement they have made; and
- each statement which is said to be based on a statement they have made,

in the form and context in which the statements appear and have not withdrawn that consent as at the date of this Bidder's Statement.

8. Other material information

This Bidder's Statement contains statements made by, or statements said to be based on statements made by, Sundowner. Sundowner has consented to the inclusion of:

- each statement it has made; and
- each statement which is said to be based on a statement it has made,

in the form and context in which the statements appear and has not withdrawn that consent at the date of this Bidder's Statement.

This Bidder's Statement also contains references to Freehills and Link Market Services Limited. Freehills and Link Market Services Limited have each consented to the inclusion of the references to their names in the form and context in which the references appear and neither of them has withdrawn that consent at the date of this Bidder's Statement.

To the maximum extent permitted by law, each party who has given consent in relation to this Bidder's Statement expressly disclaims and takes no responsibility for any statements or omissions from this Bidder's Statement other than the reference to its name and/or statement or letter included in this Bidder's Statement with their consent.

This Bidder's Statement includes statements which are made in, or based on statements made in, documents lodged with ASIC or given to ASX. Under the terms of ASIC Class Order 01/1543, the parties making those statements are not required to consent to, and have not consented to, inclusion of those statements in this Bidder's Statement. If you would like to receive a copy of any of those documents, or the relevant parts of the documents containing the statements, (free of charge), during the bid period, please contact the Offer Information Line on 1800 882 147. For legal reasons, calls to this number will be recorded.

In addition, as permitted by ASIC Class Order 03/635, this Bidder's Statement may include or be accompanied by certain statements:

- fairly representing a statement by an official person; or
- from a public official document or a published book, journal or comparable publication.

8.6 Social security and superannuation implications of the Offer

Acceptance of the Offer may have implications under your superannuation arrangements or on your social security entitlements. If in any doubt, you should seek specialist advice.

8.7 Sundowner shareholder approvals

As noted in section 6.3(c), Sundowner has entered into a Put Option Deed with CF Sundowner Pty Limited, Mr Peter Copulos and Mr Andrew Fairley in relation to a number of Sundowner properties. The Put Option Deed is conditional on, amongst other things, approval by an ordinary resolution of shareholders under Listing Rule 10.1.

As part of the sale process described in section 6.3(c), Sundowner has entered into contracts for sale with:

- an entity associated with Mr Andrew Fairley for the sale of Traralgon; and
- an entity associated with Mr Peter Copulos and Mr Stephen Copulos for the sale of Gladstone.

These contracts are conditional on approval by an ordinary resolution of shareholders under Listing Rule 10.1.

The Offer is conditional on these shareholder approvals being obtained (see section 9.7(a) and 9.7(b)).

8.8 Other material information

Except as disclosed elsewhere in this Bidder's Statement, there is no other information that is:

- (a) material to the making of a decision by a Sundowner shareholder whether or not to accept the Offer; and
- (b) known to LLFM,

which has not previously been disclosed to Sundowner shareholders.

The terms and conditions of the Offer

9

9. The terms and conditions of the Offer

9.1 Offer

- (a) LLFM offers to acquire all of Your Shares on and subject to the terms and conditions set out in this section 9 of this Bidder's Statement.
- (b) The consideration under the Offer is a cash payment of 26.5 cents per Sundowner Share. Separate from and in addition to the consideration under the Offer, Sundowner's directors have announced that if the Offer becomes unconditional, Sundowner will declare and pay to you a Special Dividend of 2.5 cents in respect of each Sundowner Share registered in your name on the record date for the Special Dividend (being 5.00pm (Sydney time) on the day which is seven Business Days after the date (if any) on which the Offer becomes unconditional).

Sundowner's directors have announced that it will pay the Special Dividend on or before the earlier of:

- one month after this Offer is accepted or one month after all of the conditions have been freed or fulfilled (whichever is the later); and
- 21 days after the end of the Offer Period.

LLFM will not seek to become registered as the holder of any Sundowner Shares until after any record date in respect of the Special Dividend contemplated above. Sundowner has also announced that the Special Dividend will be franked to the extent there are franking credits available.

- (c) By accepting this Offer, you undertake to transfer to LLFM not only the Sundowner Shares to which the Offer relates, but also all Rights attached to those Sundowner Shares (see section 9.5(c)(6) and section 9.6(c)).
- (d) This Offer is being made to each person registered as the holder of Sundowner Shares in the register of Sundowner shareholders at open of business (Sydney time) on the Register Date. It also extends to:
- (1) holders of securities that come to be Sundowner Shares during the period from the Register Date to the end of the Offer Period due to the conversion of, or exercise of rights conferred by, such securities and which are on issue as at the Register Date; and
 - (2) any person who becomes registered, or entitled to be registered, as the holder of Your Shares during the Offer Period.

- (e) If, at the time the Offer is made to you, or at any time during the Offer Period, another person is, or is entitled to be, registered as the holder of some or all of the Sundowner Shares to which this Offer relates:
- (1) a corresponding offer on the same terms and conditions as this Offer will be deemed to have been made to that other person in respect of those Sundowner Shares; and
 - (2) a corresponding offer on the same terms and conditions as this Offer will be deemed to have been made to you in respect of any other Sundowner Shares you hold to which the Offer relates; and
 - (3) this Offer will be deemed to have been withdrawn immediately at that time.
- (f) If at any time during the Offer Period you are registered or entitled to be registered as the holder of one or more parcels of Sundowner Shares as trustee or nominee for, or otherwise on account of, another person, you may accept as if a separate Offer on the same terms and conditions as this Offer had been made in relation to each of those parcels and any parcel you hold in your own right. To validly accept the Offer for each parcel, you must comply with the procedure in section 653B(3) of the Corporations Act. If, for the purposes of complying with that procedure, you require additional copies of this Bidder's Statement and/or the Acceptance Form, please call the Offer Information Line* on 1800 882 147 to request those additional copies.
- (g) If Your Shares are registered in the name of a broker, investment dealer, bank, trust company or other nominee you should contact that nominee for assistance in accepting the Offer.
- (h) The Offer is dated 15 January 2007.

9.2 Offer Period

- (a) Unless withdrawn, the Offer will remain open for acceptance during the period commencing on the date of this Offer and ending at 7pm (Sydney time) on the later of:
- (1) 21 February 2007; or
 - (2) any date to which the Offer Period is extended subject to the Corporations Act, including section 624(1)(b) (which provides that offers not remain open for a period of more than 12 months). Shareholders will be notified of any extension to the Offer Period in accordance with the Corporations Act.
- (b) LLFM reserves the right, exercisable in its sole discretion, to extend the Offer Period in accordance with the Corporations Act.
- (c) If, within the last seven days of the Offer Period, either of the following events occur:
- (1) the Offer is varied to improve the consideration offered; or
 - (2) LLFM's voting power in Sundowner increases to more than 50%,

then the Offer Period will be automatically extended so that it ends 14 days after the relevant event in accordance with section 624(2) of the Corporations Act.

9.3 How to accept this Offer

(a) General

- (1) Subject to section 9.1(e) and section 9.1(f), you may accept this Offer only for all of Your Shares.
- (2) You may accept this Offer at any time during the Offer Period.

(b) Sundowner Shares held in your name on Sundowner's issuer sponsored subregister

To accept this Offer for Sundowner Shares held in your name on Sundowner's issuer sponsored subregister (in which case your Securityholder Reference Number will commence with 'I'), you must:

- (1) complete and sign the Acceptance Form in accordance with the terms of this Offer and the instructions on the Acceptance Form; and
- (2) ensure that the Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is received before the end of the Offer Period, at one of the addresses shown on the Acceptance Form.

(c) Sundowner Shares held in your name in a CHESS Holding

- (1) If Your Shares are held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with 'X') and you are not a Participant, you should instruct your broker or Controlling Participant (this is normally the stockbroker through whom you bought Your Shares or ordinarily acquire shares on the ASX) to initiate acceptance of this Offer on your behalf in accordance with Rule 14.14 of the ASTC Settlement Rules before the end of the Offer Period.
- (2) If Your Shares are held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with 'X') and you are a Participant, you should initiate acceptance of this Offer in accordance with rule 14.14 of the ASTC Settlement Rules before the end of the Offer Period.
- (3) Alternatively, to accept this Offer for Sundowner Shares held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with 'X'), you may sign and complete the Acceptance Form in accordance with the terms of this Offer and the instructions on the Acceptance Form and ensure that it (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is received before the end of the Offer Period, at one of the addresses shown on the Acceptance Form.
- (4) If Your Shares are held in your name in a CHESS Holding (in which case your Holder Identification Number will commence with 'X'), you must comply with any other applicable ASTC Settlement Rules.

9. The terms and conditions of the Offer

(d) Sundowner Shares of which you are entitled to be registered as holder

To accept this Offer for Sundowner Shares which are not held in your name, but of which you are entitled to be registered as holder, you must:

- (1) complete and sign the Acceptance Form in accordance with the terms of this Offer and the instructions on the Acceptance Form; and
- (2) ensure that the Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is received before the end of the Offer Period, at one of the addresses shown on the Acceptance Form.

(e) Acceptance Form and other documents

- (1) The Acceptance Form forms part of the Offer.
- (2) If your Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is returned by post, for your acceptance to be valid you must ensure that they are posted or delivered in sufficient time for them to be received by LLFM at one of the addresses shown on the Acceptance Form before the end of the Offer Period.
- (3) If your Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is returned by facsimile, it will be deemed to be received in time if the facsimile transmission is received (evidenced by a confirmation of successful transmission) before the end of the Offer Period, but you will not be entitled to receive the consideration to which you are entitled, until your original Acceptance Form (including any documents required by the terms of this Offer and the instructions on the Acceptance Form) is received at one of the addresses shown on the Acceptance Form.
- (4) When using the Acceptance Form to accept this Offer in respect of Sundowner Shares in a CHESS Holding, you must ensure that the Acceptance Form (and any documents required by the terms of this Offer and the instruction on the Acceptance Form) are received by LLFM in time for LLFM to instruct your Controlling Participant to initiate acceptance of this Offer on your behalf in accordance with Rule 14.14 of the ASTC Settlement Rules before the end of the Offer Period.

- (5) The postage and transmission of the Acceptance Form and other documents is at your own risk.

9.4 Validity of acceptances

- (a) Subject to this section 9.4, your acceptance of the Offer will not be valid unless it is made in accordance with the procedures set out in section 9.3.
- (b) LLFM will determine, in its sole discretion, all questions as to the form of documents, eligibility to accept the Offer and time of receipt of an acceptance of the Offer. LLFM is not required to communicate with you prior to making this determination. The determination of LLFM will be final and binding on all parties.
- (c) Notwithstanding section 9.3(b), section 9.3(c), section 9.3(d) and section 9.3(e), LLFM may, in its sole discretion, at any time and without further communication to you, deem any Acceptance Form it receives to be a valid acceptance in respect of Your Shares, even if a requirement for acceptance has not been complied with but the payment of the consideration in accordance with the Offer may be delayed until any irregularity has been resolved or waived and any other documents required to procure registration have been received by LLFM.
- (d) Where you have satisfied the requirements for acceptance in respect of only some of Your Shares, LLFM may, in its sole discretion, regard the Offer to be accepted in respect of those of Your Shares but not the remainder.
- (e) LLFM will provide the consideration to you in accordance with section 9.6, in respect of any part of an acceptance determined by LLFM to be valid.

9.5 The effect of acceptance

- (a) Once you have accepted this Offer, you will be able to revoke your acceptance at any time while the condition in section 9.7(e) remains unfulfilled. When the condition in section 9.7(e) has been fulfilled, you will be unable to revoke your acceptance, the contract resulting from your acceptance will be binding on you and you will be unable to withdraw Your Shares from the Offer or otherwise dispose of Your Shares, except as follows:

- (1) if, by the relevant times specified in section 9.5(b), the conditions in section 9.7 have not all been fulfilled or freed, this Offer will automatically terminate and Your Shares will be returned to you; or
 - (2) if the Offer Period is extended for more than one month and, at the time, this Offer is subject to one or more of the conditions in section 9.7, you may be able to withdraw your acceptance and Your Shares in accordance with section 650E of the Corporations Act. A notice will be sent to you at the time explaining your rights in this regard.
- (b) The relevant times for the purposes of section 9.5(a)(1) are:
- (1) in relation to the condition in section 9.7(n), the end of the third Business Day after the end of the Offer Period; and
 - (2) in relation to all other conditions in section 9.7, the end of the Offer Period.
- (c) By signing and returning the Acceptance Form, or otherwise accepting this Offer pursuant to section 9.3, you will be deemed to have:
- (1) accepted this Offer (and any variation of it) in respect of, and, subject to all of the conditions to this Offer in section 9.7 being fulfilled or freed, agreed to transfer to LLFM, Your Shares (even if the number of Sundowner Shares specified on the Acceptance Form differs from the number of Your Shares), subject to section 9.1(e) and section 9.1(f);
 - (2) represented and warranted to LLFM, as a fundamental condition going to the root of the contract resulting from your acceptance, that at the time of acceptance, and the time the transfer of Your Shares (including any rights) to LLFM is registered, that all Your Shares are and will be free from all mortgages, charges, liens, encumbrances and adverse interests of any nature (whether legal or otherwise) and free from restrictions on transfer of any nature (whether legal or otherwise), that you have full power and capacity to accept this Offer and to sell and transfer the legal and beneficial ownership in Your Shares (including any Rights) to LLFM, and that you have paid to Sundowner all amounts which at the time of acceptance have fallen due for payment to Sundowner in respect of Your Shares;
 - (3) irrevocably authorised LLFM (and any director, secretary or nominee of LLFM) to alter the Acceptance Form on your behalf by inserting correct details of Your Shares, filling in any blanks remaining on the form and rectifying any errors or omissions as may be considered necessary by LLFM to make it an effective acceptance of this Offer or to enable registration of Your Shares in the name of LLFM;
 - (4) if you signed the Acceptance Form in respect of Sundowner Shares which are held in a CHESS Holding, irrevocably authorised LLFM (or any director, secretary or agent of LLFM) to instruct your Controlling Participant to initiate acceptance of this Offer in respect of Your Shares in accordance with Rule 14.14 of the ASTC Settlement Rules;
 - (5) if you signed the Acceptance Form in respect of Sundowner Shares which are held in a CHESS Holding, irrevocably authorised LLFM (or any director, secretary or agent of LLFM) to give any other instructions in relation to Your Shares to your Controlling Participant, as determined by LLFM acting in its own interests as a beneficial owner and intended registered holder of those Sundowner Shares;
 - (6) irrevocably authorised and directed Sundowner to pay to LLFM, or to account to LLFM for, all Rights in respect of Your Shares, subject, if this Offer is withdrawn, to LLFM accounting to you for any such Rights received by LLFM;
 - (7) irrevocably authorised LLFM to notify Sundowner on your behalf that your place of address for the purpose of serving notices upon you in respect of Your Shares is the address specified by LLFM in the notification;
 - (8) with effect from the date on which all the conditions to this Offer in section 9.7 have been fulfilled or freed, to have irrevocably appointed LLFM (and any director, secretary or nominee of LLFM) severally from time to time as your true and lawful attorney to exercise all your powers and rights in relation to Your Shares, including (without limitation) powers and rights to requisition, convene, attend and vote in person, by proxy or by body corporate representative, at all general meetings of Sundowner and to request Sundowner to register, in the name of LLFM or its nominee, Your Shares, as appropriate, with full power of substitution (such power of attorney, being coupled with an interest, being irrevocable);

9. The terms and conditions of the Offer

- (9) with effect from the date on which all the conditions to this Offer in section 9.7 have been fulfilled or freed, to have agreed not to attend or vote in person, by proxy or by body corporate representative at any general meeting of Sundowner or to exercise or purport to exercise any of the powers and rights conferred on LLFM (and its directors, secretaries and nominees) in section 9.5(c)(8);
- (10) agreed that in exercising the powers and rights conferred by the powers of attorney granted under section 9.5(c)(8), the attorney will be entitled to act in the interests of LLFM as the beneficial owner and intended registered holder of Your Shares;
- (11) agreed to do all such acts, matters and things that LLFM may require to give effect to the matters the subject of this section 9.5(c) (including the execution of a written form of proxy to the same effect as this section 9.5(c) which complies in all respects with the requirements of the constitution of Sundowner) if requested by LLFM;
- (12) agreed to indemnify LLFM in respect of any claim or action against it or any loss, damage or liability whatsoever incurred by it as a result of you not producing your Holder Identification Number or Securityholder Reference Number or in consequence of the transfer of Your Shares to LLFM being registered by Sundowner without production of your Holder Identification Number or your Securityholder Reference Number for Your Shares;
- (13) represented and warranted to LLFM that, unless you have notified it in accordance with section 9.1(f), Your Shares do not consist of separate parcels of Sundowner Shares;
- (14) irrevocably authorised LLFM (and any nominee) to transmit a message in accordance with Rule 14.17 of the ASTC Settlement Rules to transfer Your Shares to LLFM's Takeover Transferee Holding, regardless of whether it has paid the consideration due to you under this Offer; and
- (15) agreed, subject to the conditions of this Offer in section 9.7 being fulfilled or freed, to execute all such documents, transfers and assurances, and do all such acts, matters and things that LLFM may consider necessary or desirable to convey Your Shares registered in your name and Rights to LLFM.

- (d) The undertakings and authorities referred to in section 9.5(c) will remain in force after you receive the consideration for Your Shares and after LLFM becomes registered as the holder of Your Shares.

9.6 Payment of consideration

- (a) Subject to this section 9.6 and the Corporations Act, LLFM will provide the consideration due to you for Your Shares (i.e. a cash payment of 26.5 cents for each Sundowner Share) on or before the earlier of:
 - (1) one month after the date of your acceptance or, if this Offer is subject to a condition when you accept this Offer, within one month after this Offer becomes unconditional; and
 - (2) 21 days after the end of the Offer Period and offer becoming unconditional.
- (b) Where the Acceptance Form requires an additional document to be delivered with your Acceptance Form (such as a power of attorney):
 - (1) if that document is given with your Acceptance Form, LLFM will provide the consideration in accordance with section 9.6(a);
 - (2) if that document is given after your Acceptance Form and before the end of the Offer Period while this Offer is subject to a defeating condition, LLFM will provide the consideration due to you on or before the earlier of one month after this Offer becomes unconditional and 21 days after the end of the Offer Period;
 - (3) if that document is given after your Acceptance Form and before the end of the Offer Period while this Offer is not subject to a defeating condition, LLFM will provide the consideration due to you on or before the earlier of one month after that document is given and 21 days after the end of this Offer period; and
 - (4) if that document is given after the end of the Offer Period, and the Offer is not subject to a defeating condition, LLFM will provide the consideration within 21 days after that document is delivered. However, if at the time the document is given, the Offer is still subject to a defeating condition that relates only to the happening of an event or circumstance referred to in section 652C(1) or (2) of the Corporations Act, LLFM will provide the consideration due to you within 21 days after the Offer becomes unconditional.

- (c) If you accept this Offer, LLFM is entitled to all Rights in respect of Your Shares. LLFM may require you to provide all documents necessary to vest title to those Rights in LLFM, or otherwise to give it the benefit or value of those Rights. If you do not give those documents to LLFM, or if you have received the benefit of those Rights, LLFM will deduct from the consideration otherwise due to you the amount (or value, as reasonably assessed by LLFM) of those Rights, together with the value (as reasonably assessed by LLFM) of the franking credits, if any, attached to the Rights.
- (d) The consideration payable by LLFM to you under the Offer will be paid to you by cheque in Australian currency. Cheques will be posted to you at your risk by ordinary mail (or in the case of overseas shareholders, by airmail) at the address as shown on your Acceptance Form.
- (e) If at the time you accept the Offer any of the following:
- (1) *Banking (Foreign) Exchange Regulations 1959 (Cth)*;
 - (2) *Charter of the United Nations (Terrorism and Dealing with Assets) Regulations 2002 (Cth)*;
 - (3) *Iraq (Reconstruction and Repeal of Sanctions) Regulations 2003 (Cth)*; or
 - (4) any other law of Australia,

require that an authority, clearance or approval of the Reserve Bank of Australia, the Australian Taxation Office or any other government authority be obtained before you receive any consideration for Your Shares, or would make it unlawful for LLFM to provide any consideration to you for Your Shares, you will not be entitled to receive any consideration for Your Shares until all requisite authorities, clearances or approvals have been received by LLFM. As far as LLFM is aware, as at the date of this Bidder's Statement, the persons to whom this section 9.6(e) will apply are: prescribed supporters of the former Government of Yugoslavia; ministers and senior officials of the Government of Zimbabwe; persons associated with the former Government of Iraq (including senior officials, immediate family members of senior officials, or any entities controlled by any of those persons); Osama bin Laden; the Taliban; members of the Al-Qaida organisation; and a person named in the list maintained pursuant to paragraph 2 of Resolution 1390 of the Security Council of the United Nations.

9.7 Conditions of this Offer

Subject to section 9.8, the completion of this Offer and any contract that results from an acceptance of this Offer, are subject to the fulfilment of the conditions set out below.

(a) Shareholder approval – Put Option Deed

Approval by the holders of ordinary securities in Sundowner of the issue to and exercise by Sundowner Trustee of the Put Option Deed dated 22 December 2006 between Sundowner, Sundowner Trustee and CF Sundowner Pty Limited (an entity associated with Peter and Stephen Copulos and Andrew Fairley) in its capacity as trustee of the CFS Unit Trust.

(b) Shareholder approval – asset sales

Approval by the holders of ordinary securities in Sundowner of:

- the sale of the investment freehold at Gladstone to an entity associated with Peter and Stephen Copulos; and
- the sale of the investment freehold at Traralgon by Sundowner to an entity associated with Andrew Fairley.

(c) Put Option Deed – Deposit

The deposit required under the Put Option Deed as described in section 6.3(c) is paid to Sundowner Trustee in accordance with the terms of the Put Option Deed.

(d) Settlement of sale of properties

Before the end of the Offer Period, sale contracts for the Motor Inn sites at Swan Hill and Maitland which have previously been exchanged, are settled.

(e) Regulatory approvals

Before the end of the Offer Period, all approvals or consents that are required by law, or by any public authority, as are necessary to permit:

- (1) the Offer to be lawfully made to and accepted by Sundowner shareholders; and
- (2) the transaction contemplated by this Bidder's Statement to be completed (including, without limitation, full, lawful and effectual implementation of the intentions set out in section 6 of this Bidder's Statement), are granted, given, made or obtained on an unconditional basis, remain in full force and effect in all respects, and do not become subject to any notice, intimation or indication of intention to revoke, suspend, restrict, modify or not renew the same.

9. The terms and conditions of the Offer

(f) No regulatory action

Between the Announcement Date and the end of the Offer Period (each inclusive):

- (1) there is not in effect any preliminary or final decision, order or decree issued by any Public Authority;
- (2) no action or investigation is announced, commenced or threatened by any Public Authority; and
- (3) no application is made to any Public Authority (other than by LLFM or any associate of LLFM),

in consequence of or in connection with the Offer (other than an application to, or a decision or order of, ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act) which restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, or materially impact upon, the making of the Offers and the completion of any transaction contemplated by this Bidder's Statement (including, without limitation, full, lawful, timely and effectual implementation of the intentions set out in section 6 of this Bidder's Statement) or which requires the divestiture by LLFM of any Sundowner Shares or any material assets of Sundowner or any subsidiary of Sundowner.

(g) Minimum acceptance

At the end of the Offer Period, LLFM has relevant interests in at least 90% of the Sundowner Shares (on a fully diluted basis).

(h) No material adverse change

Between the Announcement Date and the end of the Offer Period (each inclusive), no material adverse change occurs to, is announced, or is made known to LLFM (whether or not becoming public), in the business, financial or trading position, assets or liabilities, profitability or prospects of Sundowner and its subsidiaries taken as a whole, from that as at the Announcement Date.

(i) Capital expenditures

Between the Announcement Date and the end of the Offer Period (each inclusive), Sundowner does not incur or commit to incur an amount of capital expenditure in excess of \$100,000 other than:

- (1) capital expenditure that has been announced by Sundowner before the Announcement Date as intended to be incurred or committed;
- (2) capital expenditure in the day-to-day operating activities of the business of Sundowner and its subsidiaries conducted in the same manner as before the Announcement Date;
- (3) capital expenditure required to complete the redevelopment of Motor Inn, The Esplanade, Geelong to the maximum total development cost of \$9.27 million (inclusive of all professional fees, furniture, fixtures & equipment and sundry costs); and
- (4) capital expenditure required to complete the acquisition of the land adjacent to the Sundowner Albury Paddlesteamer.

(j) No persons entitled to exercise or exercising rights under certain agreements or instruments

Between the Announcement Date and the end of the Offer Period (each inclusive), there is no person entitled to exercise, exercising or purporting to exercise, stating an intention to exercise (whether or not that intention is stated to be a final or determined decision of that person), or asserting a right to exercise, any rights under any provision of any agreement or other instrument to which Sundowner or any Sundowner subsidiary is a party, or by or to which Sundowner or any Sundowner subsidiary or any of its assets or businesses may be bound or be subject, which results, or could result, to an extent to which is material in the context of Sundowner Group taken as a whole, in:

- (1) any moneys borrowed by Sundowner or any Sundowner subsidiary being or becoming repayable or being capable of being declared repayable immediately or earlier than the repayment date stated in such agreement or other instrument;
- (2) any such agreement or other such instrument being terminated or modified or any action being taken or arising thereunder;
- (3) the interest of Sundowner or any Sundowner subsidiary in any firm, joint venture, trust corporation or other entity (or any arrangements relating to such interest) being terminated or modified;

- (4) the assets of Sundowner or any Sundowner subsidiary being sold transferred or offered for sale or transfer, including under any pre-emptive rights or similar provisions, with the exception of the asset sales described in section 6.3(c); or
- (5) the business of Sundowner or any Sundowner subsidiary with any other person being adversely affected.

(k) Acquisitions and disposals

Between the Announcement Date and the end of the Offer Period (each inclusive), neither Sundowner nor any of its subsidiaries, acquires or disposes of, or enters into or announces any agreement for the acquisition or disposal of, any asset or business, or enters into any corporate transaction, which would or would be likely to involve a material change in:

- (1) the manner in which Sundowner conducts its business;
- (2) the nature (including balance sheet classification), extent or value of the assets of Sundowner; or
- (3) the nature (including balance sheet classification), extent or value of the liabilities of Sundowner,

with the exception of the asset sales described in section 6.3(c).

(l) No litigation on foot or pending

Between the Announcement Date and the end of the Offer Period (each inclusive), no litigation against Sundowner, by a third party other than LLFM or its associates, which may reasonably be expected to result in a judgement of \$100,000 or more is commenced, is threatened in writing to be commenced, is announced, or is made known to LLFM (whether or not becoming public) or Sundowner, other than that which is in the public domain as at the Announcement Date.

(m) Equal access

Between the Announcement Date and the end of the Offer Period, Sundowner promptly, and in any event within two Business Days, provides to LLFM a copy of all information that is not generally available (within the meaning of the Corporations Act) relating to Sundowner or any of its subsidiaries, or their respective assets, liabilities or operations, that has been provided by Sundowner or any of its directors, officers, agents or representatives to any person other than LLFM, other than in the ordinary course of ordinary business, including (without limitation) for the

purposes of soliciting, encouraging or facilitating any proposal with respect to:

- (1) a takeover bid for, or scheme of arrangement proposed by, Sundowner, under the Corporations Act;
- (2) the acquisition by that person or an associate of substantially all the assets and operations of Sundowner; or
- (3) any transaction having a similar economic effect.

(n) No Prescribed Occurrences

Between the Announcement Date and the date three Business Days after the end of the Offer Period (each inclusive), none of the following Prescribed Occurrences (being the occurrences listed in section 652C of the Corporations Act) happen:

- (1) Sundowner converting all or any of the Sundowner Shares into a larger or smaller number of shares under section 254H of the Corporations Act;
- (2) Sundowner or a subsidiary of Sundowner resolving to reduce its share capital in any way;
- (3) Sundowner or a subsidiary of Sundowner entering into a buyback agreement or resolving to approve the terms of a buyback agreement under subsections 257C(1) or 257D(1) of the Corporations Act;
- (4) Sundowner or a subsidiary of Sundowner making an issue of Sundowner Shares (other than Sundowner Shares issued as a result of the allocation of Sundowner Shares under the Performance Rights Plan in respect of Sundowner Options) or granting an option over the Sundowner Shares or agreeing to make such an issue or grant such an option (including granting rights under the Performance Rights Plan) or units being issued in the Sundowner Chain Motor Inns Trust;
- (5) Sundowner or a subsidiary of Sundowner issuing, or agreeing to issue, convertible notes;
- (6) Sundowner or a subsidiary of Sundowner disposing or agreeing to dispose, of the whole, or a substantial part, of its business or property, including units in the Sundowner Chain Motor Inns Trust, with the exception of the asset sales described in section 6.3(c);

9. The terms and conditions of the Offer

- (7) Sundowner or a subsidiary of Sundowner charging, or agreeing to charge, the whole, or a substantial part, of its business or property including units in the Sundowner Chain Motor Inns Trust;
- (8) Sundowner or a subsidiary of Sundowner resolving that it or the Sundowner Chain Motor Inns Trust be wound up;
- (9) the appointment of a liquidator or provisional liquidator of Sundowner or of a subsidiary of Sundowner;
- (10) the making of an order by a court for the winding up of Sundowner or of a subsidiary of Sundowner;
- (11) an administrator of Sundowner or of a subsidiary of Sundowner being appointed under section 436A, 436B or 436C of the Corporations Act;
- (12) Sundowner or a subsidiary of Sundowner executing a deed of company arrangement; and
- (13) the appointment of a receiver, receiver and manager, other controller (as defined in the Corporations Act) or similar official in relation to the whole, or a substantial part, of the property of Sundowner or of a subsidiary of Sundowner.

(o) Change of control

Between the Announcement Date and the end of the Offer Period (each inclusive), there are no changes in control in any member of the Sundowner Group.

(p) No distributions

Between the Announcement Date and the end of the Offer Period (each inclusive), Sundowner does not announce, make, declare or pay any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie) excluding declaration and/or payment of the Special Dividend of 2.5 cents per Sundowner Share which Sundowner announced on 22 December 2006 that it will declare and pay if the Offer becomes unconditional.

(q) No break fees

Between the Announcement Date and the end of the Offer Period, Sundowner does not agree (whether conditionally or unconditionally) to make any payment by way of break fee, inducement fee, cost reimbursement or otherwise, to any person other than LLFM or an associate of LLFM, or forgo any amount to which it would otherwise be entitled, in connection with a proposal by that person for:

- (1) a takeover bid for, or scheme of arrangement proposed by, Sundowner, under the Corporations Act;
- (2) the acquisition by that person or an associate of substantially all the assets and operations of Sundowner; or
- (3) any transaction having a similar economic effect.

This section does not apply to a payment by way of remuneration for professional services or to directors of Sundowner for the discharge of their duties in connection with the Offer.

9.8 Nature and benefit of conditions

- (a) The conditions in section 9.7 are conditions subsequent. The non-fulfilment of any condition subsequent does not, until the end of the Offer Period (or in the case of the conditions in section 9.7(n), until the end of the third Business Day after the end of the Offer Period), prevent a contract to sell Your Shares from arising, but entitles LLFM by written notice to you, to rescind the contract resulting from your acceptance of this Offer.
- (b) Subject to the Corporations Act, LLFM alone is entitled to the benefit of the conditions in clause 9.7, or to rely on any non-fulfilment of any of them.
- (c) Each condition in section 9.7 is a separate, several and distinct condition. No condition will be taken to limit the meaning or effect of any other condition.

9.9 Freeing the Offer of conditions

LLFM may free this Offer, and any contract resulting from its acceptance, from all or any of the conditions subsequent in section 9.7, either generally or by reference to a particular fact, matter, event, occurrence or circumstance (or class thereof), by giving a notice to Sundowner and to ASX declaring this Offer to be free from the relevant condition or conditions specified, in accordance with section 650F of the Corporations Act. This notice may be given:

- (a) in the case of the condition in section 9.7(n), not later than three Business Days after the end of the Offer Period; and

- (b) in the case of all the other conditions in section 9.7, not less than seven days before the end of the Offer Period.

If, at the end of the Offer Period (or in the case of the conditions in section 9.7(n), at the end of the third Business Day after the end of the Offer Period), the conditions in section 9.7 have not been fulfilled and LLFM has not declared the Offer (or it has not become) free from those conditions, all contracts resulting from the acceptance of the Offer will be automatically void.

9.10 Notice on status of conditions

The date for giving the notice on the status of the conditions required by section 630(1) of the Corporations Act is 13 February 2007 (subject to extension in accordance with section 630(2) of the Corporations Act if the Offer Period is extended).

9.11 Withdrawal of this Offer

- (a) This Offer may be withdrawn with the consent in writing of ASIC, which consent may be subject to conditions. If ASIC gives such consent, LLFM will give notice of the withdrawal to ASX and to Sundowner and will comply with any other conditions imposed by ASIC.
- (b) If, at the time this Offer is withdrawn, all the conditions in section 9.7 have been freed, all contracts arising from acceptance of the Offer before it was withdrawn will remain enforceable.
- (c) If, at the time this Offer is withdrawn, the Offer remains subject to one or more of the conditions in section 9.7, all contracts arising from its acceptance will become void (whether or not the events referred to in the relevant conditions have occurred).
- (d) A withdrawal pursuant to this section 9.11 will be deemed to take effect:
 - (1) if the withdrawal is not subject to conditions imposed by ASIC, **on and after** the date that consent in writing is given by ASIC; or
 - (2) if the withdrawal is subject to conditions imposed by ASIC, **on and after** the date those conditions are satisfied.

9.12 Variation of this Offer

LLFM may vary this Offer in accordance with the Corporations Act. Section 650A of the Corporations Act provides that all offers that have been accepted will be entitled to receive the benefit of the varied offer. Section 650B provides that if an offer is varied, all accepted offers are deemed to be varied in the same way.

9.13 No stamp duty or brokerage

- (a) LLFM will pay any stamp duty on the transfer of Your Shares to it.
- (b) As long as Your Shares are registered in your name and you deliver them directly to LLFM, you will not incur any brokerage in connection with your acceptance of this Offer.

9.14 Governing laws

This Offer and any contract that results from your acceptance of it are to be governed by the laws in force in New South Wales, Australia.

Definitions and interpretation

10

10. Definitions and interpretation

10.1 Definitions

In this Bidder's Statement and in the Acceptance Form unless the context otherwise appears, the following terms have the meanings shown below:

Term	Meaning
\$ or A\$	Australian dollars, the lawful currency of the Commonwealth of Australia.
Acceptance Form	the acceptance form enclosed with this Bidder's Statement.
Announcement Date	the date of the announcement of the Offer by LLFM, being 22 December 2006.
ASIC	the Australian Securities and Investments Commission.
ASTC	ASX Settlement and Transfer Corporation Pty Ltd ABN 49 008 504 532.
ASTC Settlement Rules	the operating rules of the ASTC which govern the administration of the Clearing House Electronic Sub-register System.
ASX	ASX Limited ABN 98 008 624 691.
Bidder's Statement	this document, being the statement of LLFM under Part 6.5 Division 2 of the Corporations Act relating to the Offer.
Business Day	means a day on which banks are open for business in Sydney, excluding a Saturday, Sunday or public holiday.
Board	the board of directors of Sundowner.
CGT	capital gains tax.
CHESS Holding	a number of Sundowner Shares which are registered on the Sundowner Share register being a register administered by the ASTC and which records uncertificated holdings of Sundowner Shares.
Controlling Participant	in relation to Your Shares, has the same meaning as in the ASTC Settlement Rules.
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
Holder Identification Number	has the same meaning as in the ASTC Settlement Rules.
Issuer Sponsored Holdings	a holding of Sundowner Shares on the Sundowner issuer sponsored subregister.
Listing Rules	the Official Listing Rules of ASX, as amended and waived by ASX from time to time.
LLFM	Lend Lease Funds Management Limited (ABN 94 000 335 473).
LLREP2 Motor Inns Trust	LLREP2 Motor Inns Trust.
Offer	the offer for Sundowner Shares under the terms and conditions contained in section 9 of this Bidder's Statement.
Offer Period	the period during which the Offer will remain open for acceptance in accordance with section 9.2 of this Bidder's Statement.

10. Definitions and interpretation

Term	Meaning
Participant	an entity admitted to participate in the Clearing House Electronic Sub-register system under Rule 4.3.1 and 4.4.1 of the ASTC Settlement Rules.
Prescribed Occurrence	has the meaning set out in section 9.7(n).
Public Authority	any government or any governmental, semi-governmental, statutory or judicial entity, agency or authority, whether in Australia or elsewhere, including (without limitation) any self-regulatory organisation established under statute or otherwise discharging substantially public or regulatory functions, and ASX or any other stock exchange.
Put Option Deed	the Put Option Deed dated 22 December 2006 between Sundowner, Sundowner Trustee and CF Sundowner Pty Limited (an entity associated with Peter and Stephen Copulos and Mr Andrew Fairley) in its capacity as trustee of the CFS Unit Trust.
Register Date	the date set by LLFM under section 633(2) of the Corporations Act.
REP2	LLREI as trustee of Lend Lease Real Estate Partners 2 and, where the context requires or permits, includes LLFM and, where the context is appropriate, means the trust known as Lend Lease Real Estate Partners 2.
Rights	all accretions, rights or benefits of whatever kind attaching to or arising from Sundowner Shares directly or indirectly at or after the Announcement Date (including, but not limited to, all dividends and all rights to receive them or rights to receive or subscribe for shares, notes, bonds, options or other securities declared, paid or issued by Sundowner or any of its subsidiaries) but excluding declaration and/or payment of the Special Dividend of 2.5 cents per Sundowner Share which Sundowner announced on 22 December 2006 that it will declare and pay if the Offer becomes unconditional.
Securityholder Reference Number	has the same meaning as in the ASTC Settlement Rules.
Special Dividend	<p>The 2.5 cent per Sundowner Share dividend that Sundowner announced on 22 December 2006 would be payable to Sundowner shareholders in respect of each Sundowner Share registered in your name on the record date for the Special Dividend (being 5.00pm (Sydney time) on the day which is seven Business Days after the date (if any) on which the Offer becomes unconditional).</p> <p>Sundowner's directors have announced that it will pay the Special Dividend of 2.5 cents per share on or before the earlier of:</p> <ul style="list-style-type: none">■ one month after this Offer is accepted or one month after all of the conditions have been freed or fulfilled (whichever is the later); and■ 21 days after the end of the Offer Period. <p>LLFM will not seek to become registered as the holder of any Sundowner Shares until after any record date in respect of the Special Dividend contemplated above. Sundowner has also announced that the Special Dividend will be franked to the extent there are franking credits available.</p>
Sundowner	Sundowner Motor Inns Limited (ABN 18 078 847 784).

Term	Meaning
Sundowner Group	Sundowner Motor Inns Limited (Sundowner), Sundowner Chain Motor Inns Pty Ltd (SCMIPL) (the trustee of the Sundowner Chain Motor Inns Trust), and Sundowner Chain Motor Inns Trust.
Sundowner Options	A right under the Sundowner Group Performance Rights Plan to acquire a Sundowner Share for no consideration.
Sundowner Shares	fully paid ordinary shares in the capital of Sundowner.
Sundowner Trustee	Sundowner Chain Motor Inns Pty Limited as trustee of the Sundowner Chain Motor Inns Trust.
Takeover Bid	the off-market takeover bid constituted by the dispatch of the Offers in accordance with the Corporations Act.
Takeover Transferee Holding	has the same meaning as in the ASTC Settlement Rules.
Trust	LLFM as trustee of LLREP2 Motor Inns Trust and, where the context requires or permits or is appropriate, LLREP2 Motor Inns Trust.
Your Shares	subject to section 9.1(e) and section 9.1(f), the Sundowner Shares (a) in respect of which you are registered, or entitled to be registered, as holder in the register of shareholders of Sundowner at the open of business (Sydney time) on the Register Date, or (b) to which you are able to give good title at the time you accept this Offer during the Offer Period.

10.2 Interpretation

In this Bidder's Statement and in the Acceptance Form, unless the context otherwise appears:

- (a) words and phrases have the same meaning (if any) given to them in the Corporations Act;
- (b) words importing a gender include any gender;
- (c) words importing the singular include the plural and vice versa;
- (d) an expression importing a natural person includes any company, partnership, joint venture, association, corporation or other body corporate and vice versa;
- (e) a reference to a section, attachment and schedule is a reference to a section of and an attachment and schedule to this Bidder's Statement as relevant;
- (f) a reference to any statute, regulation, proclamation, ordinance or by-law includes all statutes, regulations, proclamations, ordinances, or by-laws amending, varying, consolidating or replacing it and a reference to a statute includes all regulations, proclamations, ordinances and by-laws issued under that statute;
- (g) headings and bold type are for convenience only and do not affect the interpretation of this Bidder's Statement;
- (h) a reference to time is a reference to time in Sydney, Australia;
- (i) a reference to writing includes facsimile transmissions; and
- (j) a reference to dollars, \$, A\$, cents, ¢ and currency is a reference to the lawful currency of the Commonwealth of Australia.

Approval of Bidder's Statement

11

11. Approval of Bidder's Statement

This Bidder's Statement has been approved by a resolution passed by the directors of LLFM.

22 December 2006.

Signed for and on behalf of Lend Lease Funds Management Limited by

A handwritten signature in black ink, appearing to be 'Paul Gilbert Say', written in a cursive style.

Paul Gilbert Say
Director

Attachment 1

LLFM Announcement in relation to the Offer

22 December 2006

MEDIA RELEASE

LEND LEASE FUNDS MANAGEMENT LIMITED ANNOUNCES RECOMMENDED CASH TAKEOVER FOR SUNDOWNER

Lend Lease Funds Management Limited (**LLFM**), in its capacity as trustee of the LLREP2 Motor Inns Trust, today announced a cash Offer for all the shares in Sundowner Motor Inns Limited (**Sundowner**) for an offer price of 26.5 cents for each Sundowner Share.

In addition, the Sundowner board has announced that if the Offer becomes unconditional, Sundowner will declare a 2.5 cent dividend, payable by Sundowner for each Sundowner Share held on the dividend record date (which will be seven Business Days after the LLFM Offer becomes unconditional).

The combined payment of 29 cents values the total Sundowner Shares on issue at \$51,967,614. The combined value of the Offer per Sundowner Share represents:

- **A premium of 41.5%** to the volume weighted average price (VWAP) of Sundowner Shares on ASX of 20.5 cents for the one month prior to 21 December 2006;
- **A premium of 42.2%** to the volume weighted average price (VWAP) of Sundowner Shares on ASX of 20.4 cents for the three months prior to 21 December 2006;
- **A premium of 45.7%** to the volume weighted average price (VWAP) of Sundowner Shares on ASX of 19.9 cents for the six months prior to 21 December 2006;
- **A premium of 60.2%** to the volume weighted average price (VWAP) of Sundowner Shares on ASX of 18.1 cents for the 12 months prior to 21 December 2006; and
- **A premium of 31.8%** to the closing price of Sundowner Shares on ASX of 22 cents on 21 December 2006.

The Sundowner board has unanimously recommended that Sundowner shareholders accept the LLFM Offer in the absence of any superior offer.

Intention to accept Offer

The major shareholders in Sundowner (being entities controlled by the Copulos Group and Mr Andrew Fairley) have agreed to accept the Offer for up to 19.9% of Sundowner Shares pursuant to a pre-bid acceptance agreement.

They have indicated they intend to accept the Offer for their remaining shares, in the absence of a superior offer. These shareholders control a total of 64.7% of the shares in Sundowner.

Conditions

The Offer is subject to a number of conditions (set out in Attachment 1), including LLFM having received valid acceptances for at least 90% of Sundowner Shares.

Attachment 1. Announcements in relation to the Offer

Transaction funding

LLFM has financing facilities in place to fund the 26.5 cent per Sundowner Share cash payment of the offer consideration.

Offer timetable

Further information concerning the Offer will be contained in LLFM's Bidder's Statement which will be lodged with ASX Limited and the Australian Securities and Investments Commission as soon as practicable.

It is expected that offer documentation from both LLFM and Sundowner will be mailed to shareholders in early January 2007.

Lend Lease Funds Management Limited



Eric Wells

Company Secretary – Lend Lease Funds Management Limited

Media enquiries

Simon Leckie, Lend Lease Real Estate Partners Fund Manager
(02) 9236 6536

Simon King, Lend Lease Real Estate Partners Investment Manager
(02) 9277 2127

Legal adviser to LLFM

Freehills

Attachment 1. Offer conditions

Conditions of the Offer

(a) Shareholder approval – Put Option Deed

Approval by the holders of ordinary securities in Sundowner of the issue to and exercise by, Sundowner Trustee of the Put Option Deed dated 22 December 2006 between Sundowner, Sundowner Trustee and CF Sundowner Pty Limited (an entity associated with Peter and Stephen Copulos and Mr Andrew Fairley) in its capacity as trustee of the CFS Unit Trust.

(b) Shareholder approval – asset sales

Approval by the holders of ordinary securities in Sundowner of:

- the sale of the investment freehold at Gladstone to an entity associated with Peter and Stephen Copulos; and
- the sale of the investment freehold at Traralgon by Sundowner to an entity associated with Andrew Fairley.

(c) Put Option Deed – deposit

The deposit required under the Put Option Deed equal to the greater of \$400,000 and 10% of the Sale price which would be payable by the Grantor if the put option was exercised at that time is paid to Sundowner Trustee in accordance with the terms of the Put Option Deed.

(d) Settlement of sale of properties

Before the end of the Offer Period, sale contracts for the Motor Inn sites at Moama, Swan Hill and Maitland which have previously been exchanged, are settled.

(e) Regulatory approvals

Before the end of the Offer Period, all approvals or consents that are required by law, or by any Public Authority, as are necessary to permit:

- (1) the Offer to be lawfully made to and accepted by Sundowner shareholders; and
- (2) the transaction contemplated by this Bidder's Statement to be completed (including, without limitation, full, lawful and effectual implementation of the intentions set out in the Bidder's Statement),

are granted, given, made or obtained on an unconditional basis, remain in full force and effect in all respects, and do not become subject to any notice, intimation or indication of intention to revoke, suspend, restrict, modify or not renew the same.

(f) No regulatory action

Between the Announcement Date and the end of the Offer Period (each inclusive):

- (1) there is not in effect any preliminary or final decision, order or decree issued by any Public Authority;
- (2) no action or investigation is announced, commenced or threatened by any Public Authority; and
- (3) no application is made to any Public Authority (other than by LLFM or any associate of LLFM),

in consequence of or in connection with the Offer (other than an application to, or a decision or order of, ASIC or the Takeovers Panel in exercise of the powers and discretions conferred by the Corporations Act) which restrains, prohibits or impedes, or threatens to restrain, prohibit or impede, or materially impact upon, the making of the Offers and the completion of any transaction contemplated by this Bidder's Statement (including, without limitation, full, lawful, timely and effectual implementation of the intentions set out in the Bidder's Statement) or which requires the divestiture by LLFM of any Sundowner Shares or any material assets of Sundowner or any subsidiary of Sundowner.

(g) Minimum acceptance

At the end of the Offer Period, LLFM has relevant interests in at least 90% of the Sundowner Shares (on a fully diluted basis).

(h) No material adverse change

Between the Announcement Date and the end of the Offer Period (each inclusive), no material adverse change occurs to, is announced, or is made known to LLFM (whether or not becoming public), in the business, financial or trading position, assets or liabilities, profitability or prospects of Sundowner and its subsidiaries taken as a whole, from that as at the Announcement Date.

(i) Capital expenditures

Between the Announcement Date and the end of the Offer Period (each inclusive), Sundowner does not incur or commit to incur an amount of capital expenditure in excess of \$100,000 other than:

- (1) capital expenditure that has been announced by Sundowner before the Announcement Date as intended to be incurred or committed;
- (2) capital expenditure in the day to day operating activities of the business of Sundowner and its subsidiaries conducted in the same manner as before the Announcement Date;

Attachment 1. Offer conditions

- (3) capital expenditure required to complete the redevelopment of Motor Inn, The Esplanade, Geelong to the maximum total development cost of \$9.27 million (inclusive of all professional fees, FF & E and sundry costs); and
- (4) capital expenditure required to complete the acquisition of the land adjacent to the Sundowner Albury Paddlesteamer.

(j) No persons entitled to exercise or exercising rights under certain agreements or instruments

Between the Announcement Date and the end of the Offer Period (each inclusive), there is no person entitled to exercise, exercising or purporting to exercise, stating an intention to exercise (whether or not that intention is stated to be a final or determined decision of that person), or asserting a right to exercise, any rights under any provision of any agreement or other instrument to which Sundowner or any Sundowner subsidiary is a party, or by or to which Sundowner or any Sundowner subsidiary or any of its assets or businesses may be bound or be subject, which results, or could result, to an extent to which is material in the context of Sundowner Group taken as a whole, in:

- (1) any moneys borrowed by Sundowner or any Sundowner subsidiary being or becoming repayable or being capable of being declared repayable immediately or earlier than the repayment date stated in such agreement or other instrument; or
- (2) any such agreement or other such instrument being terminated or modified or any action being taken or arising thereunder;
- (3) the interest of Sundowner or any Sundowner subsidiary in any firm, joint venture, trust corporation or other entity (or any arrangements relating to such interest) being terminated or modified;
- (4) the assets of Sundowner or any Sundowner subsidiary being sold transferred or offered for sale or transfer, including under any pre-emptive rights or similar provisions, with the exception of the sale of five motor inn properties which Sundowner is currently undertaking and are currently the subject of contracts for sale and the surplus land parcels at Moree and Yass; or
- (5) the business of Sundowner or any Sundowner subsidiary with any other person being adversely affected.

(k) Acquisitions and disposals

Between the Announcement Date and the end of the Offer Period (each inclusive), neither Sundowner nor any of its subsidiaries, acquires or disposes of, or enters into or announces any agreement for the acquisition or disposal of, any asset or business, or enters into any corporate transaction, which would or would be likely to involve a material change in:

- (1) the manner in which Sundowner conducts its business;
- (2) the nature (including balance sheet classification), extent or value of the assets of Sundowner; or
- (3) the nature (including balance sheet classification), extent or value of the liabilities of Sundowner,

with the exception of the sale of five motor inn properties which Sundowner is currently undertaking and are currently the subject of contracts for sale and the surplus land parcels at Moree and Yass.

(l) No litigation on foot or pending

Between the Announcement Date and the end of the Offer Period (each inclusive), no litigation against Sundowner which may reasonably be expected to result in a judgement of \$100,000 or more is commenced, is threatened to be commenced, is announced, or is made known to LLFM (whether or not becoming public) or Sundowner, other than that which is in the public domain as at the Announcement Date.

(m) Equal access

Between the Announcement Date and the end of the Offer Period, Sundowner promptly, and in any event within two Business Days, provides to LLFM a copy of all information that is not generally available (within the meaning of the Corporations Act) relating to Sundowner or any of its subsidiaries, or their respective assets, liabilities or operations, that has been provided by Sundowner or any of its directors, officers, agents or representatives to any person other than LLFM, other than in the ordinary course of ordinary business, including (without limitation) for the purposes of soliciting, encouraging or facilitating any proposal with respect to:

- (1) a takeover bid for, or scheme of arrangement proposed by, Sundowner, under the Corporations Act;
- (2) the acquisition by that person or an associate of substantially all the assets and operations of Sundowner; or
- (3) any transaction having a similar economic effect.

(n) No Prescribed Occurrences

Between the Announcement Date and the date three Business Days after the end of the Offer Period (each inclusive), none of the following Prescribed Occurrences (being the occurrences listed in section 652C of the Corporations Act) happen:

- (1) Sundowner converting all or any of the Sundowner Shares into a larger or smaller number of shares under section 254H of the Corporations Act;
- (2) Sundowner or a subsidiary of Sundowner resolving to reduce its share capital in any way;
- (3) Sundowner or a subsidiary of Sundowner entering into a buyback agreement or resolving to approve the terms of a buyback agreement under subsections 257C(1) or 257D(1) of the Corporations Act;
- (4) Sundowner or a subsidiary of Sundowner making an issue of Sundowner Shares (other than Sundowner Shares issued as a result of the allocation of Sundowner Shares under the Performance Rights Plan in respect of Sundowner Options) or granting an option over the Sundowner Shares or agreeing to make such an issue or grant such an option (including granting rights under the Performance Rights Plan) or units being issued in the Sundowner Chain Motor Inns Trust;
- (5) Sundowner or a subsidiary of Sundowner issuing, or agreeing to issue, convertible notes;
- (6) Sundowner or a subsidiary of Sundowner disposing or agreeing to dispose, of the whole, or a substantial part, of its business or property, including units in the Sundowner Chain Motor Inns Trust, with the exception of the sale of five motor inn properties which Sundowner is currently undertaking and are currently the subject of contracts for sale and the surplus land parcels at Moree and Yass;
- (7) Sundowner or a subsidiary of Sundowner charging, or agreeing to charge, the whole, or a substantial part, of its business or property including units in the Sundowner Chain Motor Inns Trust;
- (8) Sundowner or a subsidiary of Sundowner resolving that it or the Sundowner Chain Motor Inns Trust be wound up;
- (9) the appointment of a liquidator or provisional liquidator of Sundowner or of a subsidiary of Sundowner;

- (10) the making of an order by a court for the winding up of Sundowner or of a subsidiary of Sundowner;
- (11) an administrator of Sundowner or of a subsidiary of Sundowner being appointed under section 436A, 436B or 436C of the Corporations Act;
- (12) Sundowner or a subsidiary of Sundowner executing a deed of company arrangement; and
- (13) the appointment of a receiver, receiver and manager, other controller (as defined in the Corporations Act) or similar official in relation to the whole, or a substantial part, of the property of Sundowner or of a subsidiary of Sundowner.

(o) Change of control

Between the Announcement Date and the end of the Offer Period (each inclusive), there are no changes in control in any member of the Sundowner Group.

(p) No distributions

Between the Announcement Date and the end of the Offer Period (each inclusive), Sundowner does not announce, make, declare or pay any distribution (whether by way of dividend, capital reduction or otherwise and whether in cash or in specie) excluding declaration and/or payment of the Special Dividend of 2.5 cents per Sundowner Share which Sundowner has announced that it will declare and pay if the Offer becomes unconditional.

(q) No break fees

Between the Announcement Date and the end of the Offer Period, Sundowner does not agree (whether conditionally or unconditionally) to make any payment by way of break fee, inducement fee, cost reimbursement or otherwise, to any person other than LLFM or an associate of LLFM, or forgo any amount to which it would otherwise be entitled, in connection with that a proposal by that person for:

- (1) a takeover bid for, or scheme of arrangement proposed by, Sundowner, under the Corporations Act;
- (2) the acquisition by that person or an associate of substantially all the assets and operations of Sundowner; or
- (3) any transaction having a similar economic effect.

This section does not apply to a payment by way of remuneration for professional services or to directors of Sundowner for the discharge of their duties in connection with the Offer.

Attachment 1. Information on LLFM and Sundowner

Lend Lease Funds Management (LLFM)

The bidder under the Offer is LLFM. LLFM is the trustee of the LLREP2 Motor Inns Trust (the Trust), a wholly owned subsidiary trust of Lend Lease Real Estate Partners 2 (REP2). LLFM is making the Offer in its capacity as trustee of the Trust.

LLFM is also a wholly owned subsidiary of Lend Lease Corporation Limited. LLFM acts as trustee of a number of sub-trusts which hold property assets.

LLREI is the manager of REP2 which holds 100% of the Trust. The Trust is a special purpose vehicle which has been established in order to purchase Sundowner Shares.

Sundowner Motor Inns Limited (Sundowner)

Sundowner Group comprises:

- Sundowner Motor Inns Limited (**Sundowner**), a company limited by shares;
- Sundowner Chain Motor Inns Pty Ltd (**SCMIPL**) is a wholly owned subsidiary of Sundowner and the trustee of the Sundowner Chain Motor Inns Trust; and
- Sundowner Chain Motor Inns Trust, a unit trust.

The principal activities of the Sundowner Group are:

- the ownership and operation of motor inn properties throughout Australia;
- the operation of the Sundowner Membership Program, under which Sundowner acts as franchisor to various independent motor inn operators that have adopted the Sundowner brand;
- the ownership of freehold motor inn sites that are leased to third parties for the operation of motor inn businesses;
- the operation of a Sunclub reward network in which frequent customers are able to collect points for use at Sundowner motor inns; and
- the ownership of development sites, including a subdivision and vacant land.

Defined Terms

Term	Meaning
\$	Australian dollars, the lawful currency of the Commonwealth of Australia.
Announcement Date	the date of the announcement of the Offer by LLFM, being 22 December 2006.
ASIC	the Australian Securities and Investments Commission.
ASX	ASX Limited ABN 98 008 624 691.
Bidder's Statement	a statement of LLFM under Part 6.5 Division 2 of the Corporations Act relating to the Offer.
Business Day	means a day on which banks are open for business in Sydney, excluding a Saturday, Sunday or public holiday.
Corporations Act	the <i>Corporations Act 2001</i> (Cth).
LLFM	Lend Lease Funds Management Limited (ABN 94 000 335 473).
Offer	the offer for Sundowner Shares under the terms and conditions contained in a Bidder's Statement.
Offer Period	the period during which the Offer will remain open for acceptance.
Prescribed Occurrences	has the meaning set out in section (n) of Attachment 1.
Public Authority	any government or any governmental, semi-governmental, statutory or judicial entity, agency or authority, whether in Australia or elsewhere, including (without limitation) any self-regulatory organisation established under statute or otherwise discharging substantially public or regulatory functions, and ASX or any other stock exchange.
Put Option Deed	the Put Option Deed dated 22 December 2006 between Sundowner, Sundowner Trustee and CF Sundowner Pty Limited (an entity associated with Peter and Stephen Copulos and Mr Andrew Fairley) in its capacity as trustee of the CFS Unit Trust.
Sundowner	Sundowner Motor Inns Limited (ABN 18 078 847 784).
Sundowner Group	Sundowner Motor Inns Limited (Sundowner), Sundowner Chain Motor Inns Pty Ltd (SCMIPL) (the trustee of the Sundowner Chain Motor Inns Trust), and Sundowner Chain Motor Inns Trust.
Sundowner Options	A right under the Sundowner Group Performance Rights Plan to acquire a Sundowner Share for no consideration.
Sundowner Shares	fully paid ordinary shares in the capital of Sundowner.

This document is important and requires your immediate attention
If you are in any doubt as to how to deal with it, please consult your legal,
financial or other professional advisor immediately



Target's Statement

The directors of Sundowner
unanimously recommend that you
accept the offer by Lend Lease
Funds Management

(In the absence of a superior offer)

Legal adviser: Mills Oakley Lawyers

Target's Statement by **Sundowner Motor Inns Limited**

(ABN 18 078 847 784)

In response to a cash offer by **Lend Lease Funds Management Limited** (in its capacity as Trustee of the LLREP2 Motor Inns Trust) to acquire all your shares in **Sundowner Motor Inns Limited** for which you will receive 26.5 cents per Share plus a fully-franked special dividend of 2.5 cents per share, payable by Sundowner

Important notices

1. Corporate Directory

Legal Adviser
Mills Oakley Lawyers
Level 4, 121 William Street
Melbourne VIC 3000

2. Key Dates

Date of LLFM's Offer	15 January 2007
Date of this Target's Statement	22 December 2006
Close of the Offer (unless extended or withdrawn)	7pm 21 February 2007
Anticipated Dividend Record Date	Seven business days after the conditions of the Offer have been freed or fulfilled
Anticipated Dividend Payment Date	The earlier of: <ul style="list-style-type: none">– one month after all of the conditions of the Offer have been freed or fulfilled; and– 21 days after the end of the Offer Period.

3. Shareholder Information

If you have any questions in relation to the offer or accepting it, please contact the Offer Information Line on 1800 882 147 (toll free) from within Australia or +61 2 8280 7924 (not toll free) from outside Australia. Please note that in order to comply with legal requirements, any calls to this number will be recorded.

4. Important Notices

a) The nature of this document

This document is a Target's Statement issued by Sundowner under Part 6.5 Division 3 of the Corporations Act in response to the Bidder's Statement and Offer.

b) Defined Terms

A number of defined terms are used in this Target's Statement. These terms are explained in section 5 of this Target's Statement.

c) No account of personal circumstances

This Target's Statement does not take into account your individual objectives, financial situation or particular needs. It does not contain personal advice. The directors encourage you to seek independent financial and taxation advice before making a decision as to whether or not to accept the Offer.

d) Disclaimer as to forward-looking statements

In addition to the historical information that is contained in this Target's Statement, some of the statements appearing in this Target's Statement may be in the nature of forward-looking statements. You should be aware that such statements are only predictions and are subject to inherent risks and uncertainty. Those risks and uncertainties include factors and risks specific to the industry in which Sundowner and LLFM operate as well as general economic conditions. Actual events or results may differ materially. None of Sundowner, Sundowner's officers, any persons named in this Target's Statement with their consent or any person involved in the preparation of this Target's Statement, makes any representation or warranty (express or implied) as to the accuracy or likelihood of fulfilment of any forward-looking statement, except to the extent required by law.

e) ASX and ASIC disclaimer

A copy of this Target's Statement has been lodged with ASIC and sent to ASX. Neither ASIC nor ASX nor any of their officers take any responsibility for the content of this Target's Statement.

Contents

1. Why you should accept the Offer	3
2. Questions	5
3. Statement by Sundowner Motor Inns Ltd	8
4. Interpretation	23
Attachment 1 Announcements in relation to the Offer	25

Why you should accept the Offer

1

1. Why you should accept the Offer

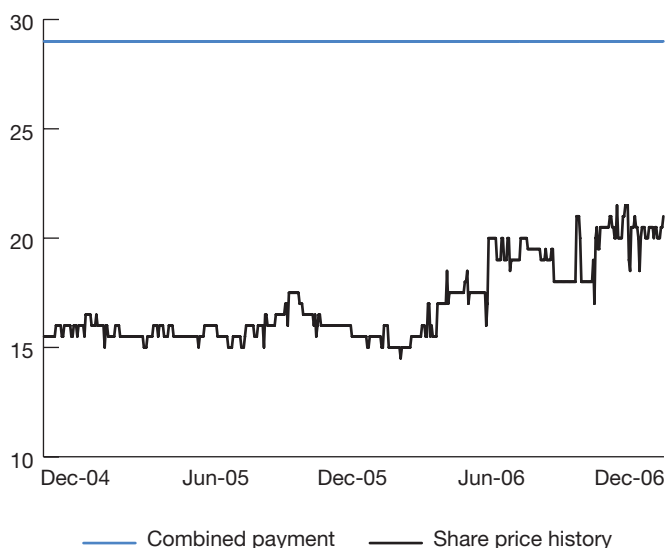
A summary of key reasons why you should accept the Offer, and of other relevant information in connection with the Offer, is set out in this section 1.

This summary should be considered in conjunction with the information contained in the remainder of this Target's Statement (which should be read in full).

Key reasons

1.1 The amount payable to you in connection with the Offer is well in excess of the listed share price for Sundowner Shares, which has during the past six months been generally in the range of \$0.18 to \$0.21 per Share. The Sundowner share price history over the past three years is shown in the following graph:

Share Price History v 29.0 cent Combined Payment



1.2 The amount payable to you in connection with the Offer is also in excess of the net tangible asset value of Sundowner, which at 30 June 2006 was 26.2 cents per share, and at the date of the Offer is approximately 27.1 cents per share. The Offer is also in excess of the Net Asset Value of Sundowner, which at 30 June 2006 was 26.8 cents per share and at the date of the Offer is approximately 27.7 cents per share.

1.3 The LLFM Offer, together with the fully franked Special Dividend, represents:

- **A premium of 41.5%** to the volume weighted average price (VWAP) of Sundowner Shares on ASX of 20.5 cents for the one month prior to 21 December 2006;

- **A premium of 42.2%** to the volume weighted average price (VWAP) of Sundowner Shares on ASX of 20.4 cents for the three months prior to 21 December 2006;
- **A premium of 45.7%** to the volume weighted average price (VWAP) of Sundowner Shares on ASX of 19.9 cents for the six months prior to 21 December 2006;
- **A premium of 60.2%** to the volume weighted average price (VWAP) of Sundowner Shares on ASX of 18.1 cents for the twelve months prior to 21 December 2006; and
- **A premium of 31.8%** to the closing price of Sundowner Shares on ASX of 22 cents on 21 December 2006.

1.4 The LLFM Offer is a cash offer of 26.5 cents per Share. Sundowner will also pay a fully franked Special Dividend of 2.5 cents per Share in the event that the Offer becomes unconditional.

1.5 No superior proposals have been received by Sundowner.

1.6 You will not pay any brokerage in respect of your sale of Sundowner Shares by accepting the Offer (you may incur brokerage costs and GST on those costs if you choose to sell your Sundowner Shares on the market).

1.7 The major shareholders of Sundowner (being entities controlled by Peter and Stephen Copulos and Andrew Fairley respectively), have agreed to accept the offer for up to 19.9% of Sundowner Shares pursuant to a pre-bid acceptance agreement.

They have indicated they intend to accept for their remaining shares, in the absence of a superior offer. These shareholders hold a total of 64.7% of the shares in Sundowner.

1.8 The directors of Sundowner believe that the Offer represents the best available opportunity for the company and its shareholders. Further details are provided in section 3. However, in summary the directors consider that:

- unless other large, profitable motor inn properties can be acquired or constructed at prices that enable an adequate return to be made relative to the associated risks, the net return to Sundowner shareholders is likely to remain below a level considered acceptable by the directors;
- the short to medium-term market availability of similar existing properties, at competitive prices, is limited; and

1. Why you should accept the Offer

- prevailing market and economic conditions associated with construction of new accommodation facilities, provide significant impediments to Sundowner's ability to earn adequate returns.

1.9 If the conditions of LLFM's Offer (including a 90% minimum acceptance condition) are not freed or fulfilled, the Special Dividend will not be declared or paid to Sundowner Shareholders.

Shareholders should note that acceptance of the Offer, except in limited circumstances (such as if the Offer is withdrawn), will prevent Shareholders from accepting any higher offer which may emerge. Section 3.5 of this Target's Statement sets out additional risks that may be associated with accepting the Offer.

Related party transactions

In connection with the Offer, Shareholders should note the following transactions, between Sundowner and entities associated with certain of its directors. The non-related directors consider that these transactions are on arm's length terms (or terms which are more favourable to Sundowner than arm's length). In brief summary:

(a) Put Option Deed

LLFM has indicated that it does not wish to acquire certain of the least profitable assets of Sundowner as part of the Offer. Despite a robust national marketing campaign, Sundowner has been unable to sell all of these assets to third parties at a price acceptable to the directors up to the date of this Target's Statement.

Consequently, the non-related directors (being Graham Couch and Mal Lucas-Smith) have negotiated for CF Sundowner Pty Ltd (an entity associated with Peter Copulos, Stephen Copulos, and Andrew Fairley) to grant a put option to Sundowner to require it to purchase these assets from Sundowner, in the event that they are not sold by Sundowner to third parties prior to the Offer proceeding to completion. The exercise price of the put option is higher than the aggregate amount of the independent valuations of each of the assets, as outlined in section 3.10(c) of this Target's Statement. Exercise of the put option will be conditional upon shareholder approval, in accordance with the ASX Listing Rules.

An independent expert's opinion is being sought on the put option, as required under the ASX Listing Rules. The independent expert's report will be attached to the Notice of Extraordinary General Meeting to approve the put option.

(b) Contracts of Sale in relation to Gladstone and Traralgon properties

The investment freeholds at Gladstone and Traralgon have recently been contracted for sale. The property at Gladstone is to be sold to an entity associated with Peter and Stephen Copulos. The property at Traralgon is to be sold to an entity associated with Andrew Fairley. In each case, those entities made the highest offers for the respective properties received by Sundowner, and the sale price for each respective property is above the most recent market valuations. Pursuant to the ASX Listing Rules, each contract is conditional upon shareholder approval.

In further consideration of CF Sundowner Pty Ltd entering into the Put Option Deed referred to above, the non-related directors of Sundowner (being Graham Couch and Mal Lucas-Smith) have also agreed to amend both the Gladstone sale contract and the Traralgon sale contract, to the effect that each of these sale contracts will now be subject to the Offer becoming unconditional, with settlement to take place on the date that the consideration under the Offer is paid.

An independent expert's opinion is being sought on the Gladstone sale contract and the Traralgon sale contract, as required under the ASX Listing Rules. The independent expert's report will be attached to the Notice of Extraordinary General Meeting to approve these contracts.

For further information, please see sections 3.9 and 3.10 of this Target's Statement.

Break Fee

Sundowner and LLFM have entered into an agreement whereby a break fee of up to a maximum sum of \$600,000 may be payable by Sundowner to LLFM in certain circumstances. For further information, please see section 3.11(c) of this Target's Statement.

Section 3 of this Target's Statement includes the directors' recommendation and other information that will assist you and your professional adviser in making an informed assessment whether to accept the offer under the bid.

Please read this Target's Statement and the Bidder's Statement carefully and in full.

Questions

2

2. Questions

2.1 What is the Bidder's Statement?

The Bidder's Statement contains information on the Offer and the law requires that LLFM, the bidder, send it to you. The Bidder's Statement has been sent contemporaneously with the Target's Statement to shareholders of Sundowner.

2.2 What is a Target's Statement?

The law requires a company that has received a takeover offer to produce a Target's Statement in response to the Offer. This Target's Statement is made in response to the Bidder's Statement from LLFM and relates to the offer constituting a takeover bid for the acquisition of the Shares in Sundowner. This Target's Statement contains information to help you decide whether or not to accept the Offer for your shares under the bid.

2.3 What do the directors recommend?

The directors unanimously recommend that you accept the Offer (see section 1 and section 3 of this Target's Statement for further details as to why).

If there is a change in this recommendation or any material developments in relation to the Offer, Sundowner will issue a supplementary Target's Statement.

2.4 How do I accept the Offer?

To follow the directors' recommendation to accept the Offer:

For a CHESS sponsored holding of Sundowner Shares

This is where you have a Holder Identification Number or 'HIN' starting with an 'X' related to your holding.

You must either:

- Complete, sign and return the acceptance form included with the Bidder's Statement in accordance with the instructions on that form.

This will authorise LLFM to instruct your controlling participant (usually your broker) to accept the Offer on your behalf; or

- Instruct your controlling participant directly to initiate acceptance of the Offer on your behalf.

If you are a controlling participant, you must accept the Offer in accordance with the ASTC Settlement Rules.

For an issuer sponsored holding of Sundowner Shares

This is where you have a Securityholder Reference Number or 'SRN' starting with an 'I' related to your holding

You must complete and sign the acceptance form included with the Bidder's Statement in accordance with the instructions on that form.

Once completed and signed, you need to return the acceptance form to one of the addresses specified on that form.

However, you may wish to seek independent financial and taxation advice from your professional adviser as to the action that you should take in relation to the Offer.

2.5 What will I receive if I accept the Offer?

If you accept the Offer, you will receive cash of 26.5 cents per Share from LLFM.

In addition, you will receive a fully franked Special Dividend of 2.5 cents per Share from Sundowner in the event that the conditions of the Offer have been freed or fulfilled.

2.6 Can I subsequently withdraw my acceptance of the Offer?

You only have limited rights to withdraw your acceptance of the Offer. Please refer to section 9.5 (a) of the Bidder's Statement for full details of your rights to withdraw your acceptance of the Offer.

2.7 What happens if I accept the Offer and the Offer conditions are not satisfied or waived?

If the conditions attached to the Offer are not satisfied or waived by the end of the Offer Period, your acceptance of the Offer will not result in a binding contract, and cannot be enforced against you. You will be free to deal with your Sundowner Shares at your discretion.

2.8 When do I have to make a decision?

If you wish to accept the Offer, you must do so before its scheduled closing time of 7pm on 21 February 2007. It is possible that LLFM may choose to further extend the Offer Period in accordance with the Corporations Act.

2.9 Will I be forced to sell my Sundowner Shares?

You cannot be forced to sell your Sundowner Shares unless LLFM acquires a relevant interest in at least 90% of all Sundowner Shares. Then (and subject to certain legal requirements), LLFM will be entitled to proceed to compulsory acquisition of the Shares held by Shareholders who did not accept the takeover bid. Please see section 3.4 (c) for further details.

2.10 Are there any capital gains tax or income tax issues?

If you accept the Offer you may be liable to pay capital gains tax or income tax. Whether or not this is the case depends on your individual circumstances and the directors recommend that you obtain professional taxation advice in relation to your specific circumstances.

2.11 Will Sundowner remain listed on the ASX?

If LLFM holds 90% or more of the Sundowner Shares before or at the end of the offer period and proceeds to compulsory acquisition of the remaining Sundowner Shares under the Corporations Act, Sundowner Shares will be removed from quotation on the ASX and Sundowner will cease to be listed on the ASX.

2.12 Who should I contact if I have any questions?

If you have any questions in relation to the Offer or accepting it, please contact the Offer Information Line on 1800 882 147 (toll free) from within Australia or +61 2 8280 7924 (not toll free) from outside Australia.

Statement by Sundowner Motor Inns Ltd

ABN 18 078 847 784

3

This statement is made in response to the Bidder's Statement dated 22 December 2006 from Lend Lease Funds Management Limited (in its capacity as trustee of the LLREP2 Motor Inns Trust) and relates to the Offer for the acquisition of Shares referred to in the Bidder's Statement.

3.1 Expert's Report

This Target's Statement is not required by the Corporations Act to include a report by an independent expert.

3.2 Directors' Recommendations

(a) Directors of Sundowner

As at the date of this Target's Statement, the directors of Sundowner are:

Name	Position
Peter Copulos	non-executive director
Andrew Fairley	Chairman non-executive director
Graham Couch	independent non-executive director
Stephen Copulos	executive director
Mal Lucas-Smith	non-executive director

(b) Directors' recommendations

In considering the Offer, Shareholders should:

- read the whole of this Target's Statement and the Bidder's Statement;
- have regard to his or her investment strategy, tax position and financial circumstances; and
- if necessary, obtain financial advice from a broker or financial advisor upon the tax consequences of accepting the Offer.

Each of the directors considers that the cash payment of 26.5 cents per Share under the Offer, together with the Special Dividend of 2.5 cents per Share and associated franking credit, represents a fair and reasonable value for Sundowner Shares and recommends that Shareholders accept the Offer in the absence of a higher offer.

(c) Significant Shareholders

Entities associated with Peter and Stephen Copulos have a relevant interest in 49.4% of Sundowner Shares. An entity associated with Peter and Stephen Copulos has also entered into the Pre-Bid Agreement with LLFM

for LLFM to acquire 15.0% of the Sundowner Shares. The Copulos-associated entities have indicated they intend to accept the bid for their remaining shares, in the absence of a superior offer.

Entities associated with Andrew Fairley have a relevant interest in 15.3% of Sundowner Shares. An entity associated with Andrew Fairley has also entered into the Pre-Bid Agreement with LLFM for LLFM to acquire 4.9% of the Sundowner Shares. The Fairley-associated entities have indicated they intend to accept the bid for their remaining shares, in the absence of a superior offer.

(d) Directors' reasons for the recommendation

The directors recommend that you accept the Offer for the reasons outlined in this Target's Statement, namely:

- The amount payable to you in connection with the Offer, is well in excess of the listed share price for Sundowner Shares, which during the past six months has been generally in the range of \$0.18 to \$0.21 per Share.
- The amount payable to you in connection with the Offer, is also in excess of the net tangible asset value of Sundowner, which at 30 June 2006 was 26.2 cents per Share, and at the date of the Offer is approximately 27.1 cents per Share. The amount payable to you in connection with the Offer, together with the Special Dividend, is also in excess of the Net Asset Value of Sundowner, which at 30 June 2006 was 26.8 cents per Share and at the date of the Offer is approximately 27.7 cents per Share.
- The Offer in the Bidder's Statement is a cash offer of 26.5 cents per Share. Sundowner will also pay a fully franked Special Dividend of 2.5 cents per Share in the event that the conditions of the Offer have been freed or fulfilled.
- The amount payable to you in connection with the Offer represents a substantial premium to the market price of Sundowner Shares prior to the Offer.
- No superior proposals have been received by Sundowner.
- The directors of Sundowner believe that, in the absence of a higher offer, the Offer represents the best available opportunity for the company and its shareholders, as explained in more detail below.
- If the conditions of the Offer are not satisfied or waived, LLFM does not have to acquire Sundowner Shares from any Sundowner shareholder who has accepted the Offer.
- You may not pay any brokerage in respect of the sale of your Sundowner Shares if you accept the Offer. Please refer to section 8.3 of the Bidder's Statement for further details.

3. Statement by Sundowner Motor Inns Ltd

3.3 Background information

(a) Sundowner's history and businesses

Sundowner was formed by way of a public float, and was listed on the Australian Stock Exchange in November 1997 at \$1.00 per share (this later became \$0.50 per share following a corporate restructure that doubled the number of issued shares). It owned and operated up to 25 mostly small regional motor inns. The corporate head office of the company was located in suburban Sydney. By about the year 2000, Sundowner's net profit was in decline, and the share price also declined quite significantly.

(b) Change of strategy

In 2001, when the current significant shareholders of the Group began to take responsibility for the Group's operations by virtue of their appointment as directors, it had become clear that the original business strategy of the Group was not generating the results that had been anticipated when Sundowner was first established. Not only was net profit decreasing, but also the physical standard of the motor inn properties was suffering.

Financially, there were two significant factors weighing on net returns to shareholders:

- the fact that many of the Group's motor inn properties were too small to earn a sufficiently high return to generate an adequate contribution to Group overheads; and
- that, independent of the composition of the motel portfolio, the level of overheads within the Group was too high.

In light of these factors, and an increasingly competitive domestic tourism market, it was clear that a major shift in the Group's strategy was required.

During the past five years, the directors have instigated a considerable transformation of the Sundowner Group.

In the period since 2001, the Group has gradually disposed of 14 of its smaller properties. Many of these properties were first refurbished, to address the decline in quality they had suffered in the preceding five years. On most occasions, the properties were disposed of for values at or in excess of their book values.

Significant refurbishment works were also undertaken on the larger properties that formed part of the core portfolio of assets considered by the directors to be an essential element of the Group's longer term strategic direction.

A great deal of attention was devoted to reducing the Group's overhead costs, including both administration and corporate overheads. This was achieved by the relocation of the Group's head office to regional Victoria, simplification of the legal structure of the Group, and the review of all administrative support functions to identify potential efficiencies.

These actions together brought about a permanent, sustainable increase in the Group's net distributable profit, from a level of approximately \$0.5m annually, up to a level between \$1.5m and \$2.0m.

(c) Current trading performance

Shareholders are aware that, recently, the directors elected to continue, indeed, largely complete, the process of rationalising the Group's motor inn portfolio. The five remaining smaller or remote motor inn properties at Bathurst, Orange, Maitland, Moree, and Swan Hill, were offered for sale under a public Expression of Interest campaign. Two of the three investment freeholds held by the Group, at Gladstone and Traralgon, were also subjected to this campaign. The third investment freehold, at Moama, was contracted for private sale shortly prior to the sale campaign.

A combination of factors led to the decision to offer these properties for sale:

1. the Group had committed to a significant capital expenditure project at Box Hill in suburban Melbourne, to construct a 100 room hotel at the Box Hill RSL Club;
2. the recent projects at Geelong and Albury Hovell Tree had been largely debt-funded, bringing the Group's gearing levels up to a level close to the Board's desirable limit; and
3. market conditions were perceived as very positive.

After completion of these property sales, the Group will consist of seven owner-operated trading motor inns, plus the franchise membership properties. While some reductions in administrative overheads could correspondingly be made, such reductions would not, in the short term at least, be sufficient to replace the net contribution made by the sold properties (i.e. there would be some loss of economies of scale).

Following the completion of construction of the Box Hill property, the overall net profit of the Group would be increased; however, the Board's view is that Group overheads may still be under-utilised, perhaps materially.

In the short term, therefore, the Board considers it would be highly unlikely that net distributable profit (relative to invested capital) could be grown significantly. In fact, during the Box Hill construction phase and the development of the land adjacent to Sundowner Albury Paddlesteamer, and while searching for other suitable assets for the portfolio, net distributable profit would likely be lower than its current level of approximately \$2m.

(d) Future direction

The Board has undertaken a significant amount of strategic discussion and financial modelling, in investigating alternative operating structures for the future of the Group. This analysis demonstrates that, to achieve a greatly improved return to shareholders will be very challenging unless significant further large properties can be acquired, and acquired at prices that enable a reasonable return to be made by operating them.

Over the past two to three years, the Board has been closely monitoring market opportunities for the construction or purchase of large properties. A number of potential opportunities have been examined, and the potential net returns estimated, relative to the return required to achieve an improved overall shareholder return for the Group.

The Board's assessment is that, based on current market conditions, opportunities that will enable a sufficiently high net return to be generated by the Group will be very difficult to source. A lengthy period may ensue prior to sufficient opportunities becoming available, leading to shareholder returns in the interim period being below a level the Board considers to be acceptable for the nature of the Group's business.

As such, the Board has also investigated the opportunity for shareholder value to be realised by joining the remaining Sundowner assets with assets of another existing owner or operator, to achieve more quickly the economies of scale required. That process has led the Board to give consideration to the Offer made by LLFM.

3.4 Nature of the Offer

The information in this section 3.4 is only a summary of the Offer. Sections 1 and 9 of the Bidder's Statement contains the full terms and conditions of the Offer. You should read the entire Bidder's Statement and this Target's Statement before deciding whether to accept the Offer.

(a) The Offer

The Offer and any contracts resulting from acceptance of the Offer are subject to the fulfilment (or waiver) of a number of conditions (see below, and sections 1 and 9.7 of the Bidder's Statement).

The LLFM Offer is a cash payment of 26.5 cents per Share. You will also receive a fully franked Special Dividend of 2.5 cents per Share.

The Offer is subject to the conditions of the overall Offer as set out in LLFM's Bidder's Statement (at section 9.7), including:

- a minimum acceptance condition of 90%;
- approval by Sundowner's shareholders of the Put Option Deed summarised in section 3.10.
- approval by Sundowner's shareholders of:
 - the sale of the Gladstone property to an entity associated with Peter and Stephen Copulos; and
 - the sale of the Traralgon property to an entity associated with Andrew Fairley, as each summarised in section 3.9;
- no regulatory action adversely affecting the Offer between the Announcement Date and the end of the Offer Period;
- no material adverse changes to Sundowner between the Announcement Date and the end of the Offer Period;
- no material transactions or other changes between the Announcement Date and the end of the Offer Period;
- no Prescribed Occurrences (broadly, this means corporate reorganisations, insolvency events, or major changes to the Group's assets) between the Announcement Date and the end of the Offer Period;
- no changes in control in any member of the Sundowner Group between the Announcement Date and the end of the Offer Period; and
- sale contracts for the Motor Inn sites at Moama, Swan Hill and Maitland which have previously been exchanged, are settled.

You will be entitled to receive the 2.5 cents fully franked Special Dividend from Sundowner in the event that the conditions of the Offer are freed or fulfilled, as part of the Offer consideration.

It is anticipated that the dividend will have a record date that is seven business days after the conditions of the Offer are freed or fulfilled. It is then anticipated that the dividend will be paid contemporaneously with the payment of capital proceeds pursuant to the Offer.

3. Statement by Sundowner Motor Inns Ltd

In the absence of the conditions of the Offer being freed or fulfilled, the dividend will not be declared or paid to Sundowner Shareholders. The directors have indicated in an ASX announcement on 5 September 2006 that the Sundowner Board has resolved that no dividends will be paid in the short to medium term, until it has completed its current cycle of property development projects.

An underlying aspect to the Offer is that LLFM does not wish to maintain ownership of a number of the smaller motor inn properties, investment freeholds, and miscellaneous parcels of development land owned by Sundowner. As such, a further requirement for the Offer to proceed was for a degree of certainty to be obtained about the sale values of these surplus assets.

To the extent that contracts for sale of these surplus assets have been exchanged prior to the date of the Offer, that certainty was provided. Sections 3.8 and 3.9 of this document describe the outcomes achieved from the sale process, which Sundowner had decided to undertake in any event, as previously announced.

However, to the extent that any of these assets remained unsold, the level of certainty necessary for the Offer to proceed was not provided. As such, Sundowner has entered into a Put Option Deed with CF Sundowner Pty Ltd (an entity associated with certain of its directors), to ensure the realisation of the assessed market value of these remaining assets. The terms of the Put Option Deed are outlined in section 3.10 of this document.

(b) Outcomes from the Offer

Section 6.3 of the LLFM Bidder's Statement contains full details of LLFM's intentions for the Sundowner business if this Offer is successful. In summary, the business operations of the remaining large properties are to be merged with the business of an existing hotel operator, Touraust Hotels Pty Limited. Please refer to the Bidder's Statement for further details.

(c) Compulsory acquisition

LLFM has indicated in section 6.3 of the Bidder's Statement that if it becomes entitled to proceed to compulsory acquisition of the Sundowner Shares in accordance with the Corporations Act and the other conditions of the Offer are satisfied or waived, then LLFM intends to do so.

There are two types of compulsory acquisition:

(i) Follow on compulsory acquisition

Under Part 6A.1 of the Corporations Act, LLFM will be entitled to compulsorily acquire any Sundowner Shares on the same terms as the Offer if, during or at the end of the offer period, LLFM (together with its associates) has a relevant interest in at least 90% (by number) of the Sundowner Shares and has acquired at least 75% (by number) of the Sundowner Shares that LLFM offered to acquire under the Offer (whether the acquisitions happened under the Offer or otherwise). If these thresholds are met, LLFM will have up to one month after the end of the Offer Period within which to give compulsory acquisition notices to Sundowner shareholders who have not accepted the Offer. Sundowner shareholders have statutory rights to challenge the compulsory acquisition, but a successful challenge will require the relevant Sundowner shareholders to establish to the satisfaction of the court that the terms of the Offer do not represent 'fair value' for the Sundowner Shares.

(ii) General compulsory acquisition

Under Part 6A.2 of the Corporations Act, LLFM will be entitled to compulsorily acquire any Sundowner Shares if LLFM holds a beneficial interest in at least 90% of the Sundowner Shares (i.e. if LLFM becomes a 90% holder in Sundowner). If this threshold is met, LLFM will have six months after LLFM becomes a 90% holder within which to give compulsory acquisition notices to Sundowner Shareholders. The compulsory acquisition notices sent to Sundowner shareholders must be accompanied by an independent expert's report and an objection form. The independent expert's report must set out whether the terms of the compulsory acquisition give 'fair value' for the Sundowner Shares and the independent expert's reasons for forming that opinion. If Sundowner shareholders with at least 10% of Sundowner Shares covered by the compulsory acquisition notice object to the acquisition before the end of the objection period (which must be at least one month), LLFM may apply to the court for approval of the acquisition of the Sundowner Shares covered by that notice.

Sundowner shareholders should be aware that if they do not accept the Offer and their Sundowner Shares are compulsorily acquired, those Sundowner shareholders will face delay in receiving consideration for their Sundowner Shares compared with Sundowner shareholders who accept the Offer.

The Offer is conditional upon LLFM in effect being able to compulsorily acquire all outstanding Sundowner Shares. However, it is open to LLFM to waive that condition, at its discretion, in accordance with the Corporations Act.

(d) Outcome if the Offer is unsuccessful

The directors' intention if the Offer is unsuccessful is to continue trading Sundowner with its remaining seven core motor inn properties, following disposal of the remaining smaller properties. Sundowner intends to continue to pursue the opportunity at Box Hill RSL, for the construction of the proposed 100-room hotel, and intends to continue to investigate other acquisition or development opportunities in the market.

As previously reported to Sundowner shareholders, it is likely that dividends would not be payable in the short to medium term, due to the need to retain funds for capital projects such as the Box Hill RSL development, the development of the land at Bendigo, and the development of the land adjacent to the Sundowner Albury Paddlesteamer.

3.5 Risks

(a) Overview

There are risks associated with accepting the Offer.

Sundowner Shareholders should carefully read this section 3.5 and the Bidder's Statement before deciding whether to accept the Offer. The risk factors identified in this section ought not to be taken as exhaustive of the risks faced by Sundowner shareholders in selling their Sundowner Shares were they to accept the Offer.

Notwithstanding these risks, the Sundowner directors unanimously recommend that you accept the Offer and intend to do so themselves, in the absence of a superior offer.

(b) Conditional Offer

You should carefully review section 3.4 of this Target's Statement and sections 1 and 9.7 of the Bidder's Statement which contain a discussion of the conditions.

You only have limited rights to withdraw your acceptance of the Offer, please refer to section 9.5 (a) of the Bidder's Statement for further details. If you accept the Offer and you are no longer entitled to withdraw the Offer, you will give up the ability to deal with your Sundowner Shares, including the ability to sell them on ASX. However, if a general meeting of Sundowner Shareholders is held before the conditions of the Offer are freed or fulfilled, you will still be entitled to attend and vote at that general meeting.

(c) Assessment of value

The assessment of value upon which Sundowner directors have based their recommendation (see section 3.1 of this Target's Statement) is based upon certain assumptions which may or may not be or become true.

If any of these are not or do not become true, this may impact upon the Sundowner directors' assessment of the merits of the Offer, and might, had the information been known to them at the date of this Target's Statement, have resulted in a different recommendation.

(d) No further participation

If you accept the Offer and your Sundowner Shares are sold to LLFM, you forgo any potential increase in Sundowner's share price that may occur in the future. Sundowner's share price may increase due to trading performance exceeding current market expectations as a result of improved trading conditions or successful execution of Sundowner business strategies or as a result of another party making a superior offer (although there has been no indication suggesting this).

(e) Declaration of unconditional Offer

The Offer is currently conditional upon acceptances taking LLFM's interest in Sundowner to 90%. LLFM has not given any indication that it would consider waiving this condition.

If LLFM did waive this condition, this could result in control of Sundowner passing to LLFM but it not getting to 90%. Section 6.4 of the Bidder's Statement contains a discussion of how such a change of control could affect the ongoing business of Sundowner.

In addition, if you were to be a minority shareholder in Sundowner under the control of LLFM, there are a number of possible implications including:

- the directors consider it is unlikely that the Sundowner Share share price will sustain any takeover premium; and
- liquidity of Sundowner Shares may be lower than at present.

(f) Capital gains tax

If you accept the Offer, you may be liable to pay capital gains tax. You should consult your own tax adviser for detailed advice applicable to your individual needs and circumstances.

3. Statement by Sundowner Motor Inns Ltd

3.6 Information relating to the directors

(a) Interest in Sundowner Shares

As at the date of this Target's Statement, the directors have relevant interests in the following Sundowner Shares:

Directors	Percentage of Sundowner Shares
Peter Copulos & Stephen Copulos	49.4%
Andrew Fairley	15.3%
Graham Couch	0.3%
Mal Lucas-Smith	Nil

(b) Dealings in Sundowner Shares

None of the directors has acquired or disposed of a relevant interest in any Sundowner Shares in the four month period ending on the date immediately before the date of this Target's Statement.

(c) Interest in LLFM shares

As at the date immediately before the date of this Target's Statement, the directors have the following relevant interests in LLFM's shares.

Directors	Percentage of LLFM Shares
Peter Copulos	Nil
Andrew Fairley	Nil
Graham Couch	Nil
Stephen Copulos	Nil
Mal Lucas-Smith	Nil

(d) Interest in units in the LLREP2 Motor Inns Trust

As at the date immediately before the date of this Target's Statement, the directors have the following relevant interests in the units in the Lend Lease Real Estate Partners 2 Trust:

Percentage of LLREP2 Motor Inns Units

Directors	Percentage of LLREP2 Motor Inns Units
Peter Copulos	Nil
Andrew Fairley	Nil
Graham Couch	Nil
Stephen Copulos	Nil
Mal Lucas-Smith	Nil

(e) Benefits and agreements

- The directors will not receive any benefits in connection with retiring from office if the Offer is successful.
- There are no agreements between the directors and any other person in connection with the Offer or the outcome of the Offer except for the Pre-Bid Agreement, the Put Option Deed and the property sale contracts in relation to the Gladstone and Traralgon properties, as outlined in sections 3.9, 3.10 and 3.11 of this Target's Statement.
- There are no benefits that a director will receive which are conditional or related to the Offer.
- None of the directors have any contracts or interests in or with LLFM.

3.7 Sales of Sundowner Shares in past four months

The Sundowner Shares are listed for quotation on the Australian Stock Exchange. In the four month period ending immediately before the date of the bid, as far as Sundowner is aware, neither LLFM nor any of its associates provided or agreed to provide consideration for the Sundowner Shares under a purchase or agreement other than under the Pre-bid Agreements.

3.8 Changes in Sundowner's financial position

(a) Balance Sheet

Sundowner's audited Balance Sheet at 30 June 2006, as reported in the Annual Report to Shareholders, is compared on the following page to the unaudited Balance Sheet at 31 October 2006.

Consolidated Balance Sheets

	30 Jun 2006 Audited \$'000	31 Oct 2006 Unaudited \$'000
Current Assets		
Cash and Cash Equivalents	3,318	741
Trade and Other Receivables	720	801
Inventories	412	436
Other Assets	526	422
	4,976	2,400
Non-Current Assets classified as held for sale	586	493
Total Current Assets	5,562	2,893
Non-current Assets		
Investment Properties	6,726	6,726
Property, Plant and Equipment	63,932	65,211
Intangible Assets	1,114	1,073
Other Financial Assets	114	114
Deferred Tax Assets	233	233
Total Non-current Assets	72,119	73,357
Total Assets	77,681	76,250
Current Liabilities		
Trade and Other Payables	913	1,260
Provisions	499	517
Current Tax Liabilities	230	103
Total Current Liabilities	1,642	1,880
Non-current Liabilities		
Interest Bearing Liabilities	25,300	23,050
Provisions	155	155
Other Financial Liabilities	7	7
Deferred Tax Liabilities	2,688	2,688
Total Non-current Liabilities	28,150	25,900
Total Liabilities	29,792	27,780
Net Assets	47,889	48,470
Contributed Equity	40,889	40,889
Reserves	4,783	4,854
Retained Profits	2,217	2,727
Total Equity	47,889	48,470

Sundowner's audited Income Statement for the year to 30 June 2006, as reported in the Annual Report to Shareholders, is compared on the following page to the unaudited Income Statement for the four month period to 31 October 2006.

3. Statement by Sundowner Motor Inns Ltd

Consolidated Income Statements	30 Jun 2006 Audited \$'000	31 Oct 2006 Unaudited \$'000
Revenue		
Motor inn operating and membership revenue	23,365	7,195
Interest revenue	77	42
Other revenue	4	179
Lease rental income	575	199
	24,021	7,615
Other Income		
Fair value gain on investment property	696	–
Fair value gain on land and buildings	433	–
Fair value gain/(loss) on financial instruments	92	–
	1,221	–
Proceeds from sale of non-current assets	5,323	–
Less: Book value of non-current assets sold	(5,346)	(2)
Net (loss)/profit on sale of non-current assets	(23)	(2)
	1,198	(2)
	25,219	7,613
Expenses		
Motor inn operating expenses	14,972	4,706
Depreciation of non-current assets	1,488	485
Amortisation of intangible assets	37	14
Audit fees	80	36
Accounting fees	16	5
Finance expense	1,476	415
Bad and doubtful debt expense	11	6
Motor inn lease rental	–	–
Operating lease rent	119	46
Repairs and maintenance expenses	234	79
Refurbishment expenses	218	92
Rates and taxes	580	205
Fair value loss on land and buildings	3,624	–
Fair value loss on investment property	–	–
Sales and marketing expenses	322	96
Other operating expenses	2,063	679
	25,240	6,864
(Loss)/profit before related income tax expense	(21)	749
Income tax expense	(50)	(239)
(Loss)/Profit	(71)	510

(b) Additional information

Additional information in relation to the above comparative financial statements is as follows:

1. The number of shares on issue increased from 178,680,336 at 30 June 2006 to 179,198,669 at 31 October 2006, due to the issue of shares pursuant to Sundowner's Performance Rights Plan, as reported in the Annual Report to Shareholders.
2. Net tangible assets per share at 30 June 2006 were 26.2 cents per share, and at 31 October 2006 were 26.4 cents per share.
3. Net assets per share at 30 June 2006 were 26.8 cents per share, and at 31 October 2006 were 27.0 cents per share.
4. The Income Statement for the four month period to 31 October 2006 included profits realised on the sale of two blocks of land from the residential subdivision at Moree.
5. The Income Statement for the four month period to 31 October 2006 does not include any amounts in relation to movement in value of assets. As reported in the 2006 Annual Report to Shareholders, the Income Statement for the year to 30 June 2006 was impacted upon by such movements, the total amount being a net decrease to reported net profit of \$1.752m after income tax.

Subsequent to 31 October 2006 and prior to the date of this document, the following changes to Sundowner's financial position have occurred (and the changes referred to in section 3.9 below).

Sale of properties to unrelated third parties

The freehold and business of the motor inn properties at Maitland and Swan Hill have been contracted for sale, with settlement expected to occur prior to the end of January 2007. The contracts have been entered into with independent third parties, pursuant to the Expression of Interest campaign reported to shareholders in the Chairman's Address to the Annual General Meeting in November 2006.

The investment freehold at Moama has been contracted for sale with an independent third party, with settlement due to occur in early January 2007.

(c) Increase in Sundowner NTA

As a result of the property sales referred to in sections 3.8(b) and 3.9 below, the increase in Sundowner's Net Tangible Assets (NTA) per share will be approximately 0.7 cents (from 26.4 cents to 27.1 cents). The increase in Net Assets per share will also be approximately 0.7 cents per share, from 27.0 cents to 27.7 cents.

If the Offer proceeds, and the property sales referred to in section 3.10 are sold at a price equal to the exercise price under the Put Option Deed, the increase in Sundowner's NTA per share will be approximately 0.3 cents, from 27.1 cents to 27.4 cents.

3.9 Sale of properties to related entities

(a) Background

The investment freeholds at Gladstone and Traralgon have recently been contracted for sale. Subject to shareholder approval (see below) the property at Gladstone is to be sold to an entity associated with Peter and Stephen Copulos and the property at Traralgon is to be sold to an entity associated with Andrew Fairley.

In further consideration of CF Sundowner Pty Ltd, an entity associated with Peter Copulos, Stephen Copulos and Andrew Fairley, entering into the Put Option Deed (see section 3.10 below), the non-related directors of Sundowner (being Graham Couch and Mal Lucas-Smith) have agreed to amend both the Gladstone sale contract and the Traralgon sale contract, to the effect that each of these sale contracts will now also be subject to the Offer becoming unconditional, and settlement taking place on the date that the Offer consideration is paid.

Sundowner has taken legal advice regarding the regulatory requirements concerning the sale of these properties, as the purchasers are related parties to Sundowner.

(b) Corporations Act

Pursuant to the Corporations Act, Chapter 2E, a public company is prohibited from providing a financial benefit to a related party, unless shareholder approval is obtained or an exception applies. By virtue of their positions within Sundowner, each of Peter and Stephen Copulos, and Andrew Fairley are related parties, as defined by the Corporations Act. An exception will apply if each of the proposed sales are on arm's length terms (or on terms which are more favourable to Sundowner than arm's length).

As reported in the Chairman's Address to the 2006 Sundowner Annual General Meeting, these assets were offered for sale under a public Expression of Interest campaign, a rigorous process conducted by a Sydney-based commercial real estate agent. The successful tenderers under that process – having offered the highest price – were the entities associated with Peter and Stephen Copulos (in respect of Gladstone) and associated with Andrew Fairley (in respect of Traralgon). This outcome resulted only following extensive negotiations by the real estate agent with all third party tenderers.

3. Statement by Sundowner Motor Inns Ltd

Contract terms are as follows:

	Gladstone	Traralgon
Independent Valuation as at 30 June 2006	\$2,530,000	\$1,450,000
Contract Price	\$2,905,000	\$1,680,000
Deposit	5%, payable upon execution	5%, payable upon execution
Settlement	The day that LLFM provides payment of the consideration under the Offer (subject to shareholder approval under the ASX Listing Rules)	The day that LLFM provides payment of the consideration under the Offer (subject to shareholder approval under the ASX Listing Rules)
Security	Personal guarantees by Peter and Stephen Copulos	Personal guarantees by Andrew and Jane Fairley

The directors, excluding the director(s) who are related to the purchasers, conducted a detailed review of the process undertaken pursuant to the Expression of Interest campaign. Having done so, they were satisfied that the process was transparent and appropriate, and formed the view that the sales were indeed on arm's length terms (or terms which are more favourable to Sundowner than arm's length).

In forming this view, the non-related directors also noted the independent valuations of each property that were undertaken at 30 June 2006. In each case, the sale price was well in excess of the amount specified in those independent valuations.

(c) ASX Listing Rules

Listing Rule 10.1 prohibits an entity from disposing of a substantial asset to a related party without shareholder approval. Listing Rule 10.2 states:

"an asset is substantial if its value, or the value of the consideration for it is, or in ASX's opinion is, 5% or more of the equity interests of the entity as set out in the latest accounts given to ASX under the listing rules."

Listing Rule 10.2 indicates that the consideration paid is only one factor in determining whether the asset is substantial. The value of the asset is also important. This was another reason why the Board needed to satisfy itself that a fair market value was being paid.

In accordance with Listing Rule 10.1, the contracts of sale for the Gladstone and Traralgon properties include a special condition that the sales cannot proceed in the absence of Sundowner shareholder approval.

(d) Conclusion

The non-related directors, Graham Couch and Mal Lucas-Smith, consider that the contract for the sale of the Gladstone property to an entity associated with Peter and Stephen Copulos, and the contract for the sale of the Traralgon property to an entity associated with Andrew Fairley, and the variations made to each of those sale contracts as referred to above, are on arm's length terms (or terms which are more favourable to Sundowner than arm's length terms). They therefore consider that these contracts are in compliance with Sundowner's obligations under Chapter 2E of the Corporations Act.

In addition, the non-related directors have commissioned an independent expert's report in relation to each of these sale contracts and variations, as required under Listing Rule 10.10.2. The independent expert's report will be provided to Sundowner shareholders with the Notice of Extraordinary General Meeting to approve these sale contracts.

3.10 Put Option Deed with related entities

(a) Background

As described in section 3.4 of this document, Sundowner has entered into a Put Option Deed under which it may dispose of several assets to CF Sundowner Pty Ltd (an entity associated with Peter Copulos, Stephen Copulos, and Andrew Fairley), for a minimum aggregate amount. These assets are:

- Sundowner Motor Inn Bathurst
- Sundowner Motor Inn Orange
- Sundowner Motor Inn Moree
- Vacant land at Bendigo
- Residential subdivision at Moree (remaining 11 blocks)
- Vacant land at Yass

LLFM has made it clear during negotiations that the Offer would not have been made at the Offer Price in the absence of an agreement of, or similar to, this. In the view of the directors, the likely reduction in Offer Price in the absence of such an agreement was too great, and would not have been in the best interests of Sundowner shareholders.

Sundowner has undertaken a marketing campaign in an endeavour to sell these assets to third parties at prices acceptable to the directors. However, no acceptable offers have been received. Consequently, the non-related directors of Sundowner have been able to negotiate a Put Option Deed, which has the effect of:

- locking in the realisation of the assessed market value of the above assets to Sundowner, ensuring that shareholders who accept the Offer will receive that value as part of the Offer Price (conditional on the Offer proceeding to completion); and
- mitigating the risk to LLFM in relation to these assets, to enable the Offer to be made.

Sundowner has taken legal advice regarding the regulatory requirements concerning the Put Option Deed, as the grantor of the put option is an entity associated with related parties to Sundowner.

(b) Key terms of Put Option Deed

The Put Option Deed has been entered into between Sundowner, Sundowner Chains Motor Inn Pty Limited (ACN 076 866 405) (the *Sundowner Trustee*), an entity which is the trustee of the Sundowner Chains Motor Inn Trust, the legal owner of the assets, and CF Sundowner Pty Ltd (ACN 123 144 267), an entity which is the trustee of the CFS Unit Trust which is associated with Peter Copulos, Stephen Copulos, and Andrew Fairley. The key conditions of the Put Option Deed are as follows:

- The option is conditional upon the Offer being accepted in accordance with the conditions outlined in LLFM's Bidder's Statement and summarised in section 3.4 of this document.
- Exercise of the option is conditional upon Sundowner shareholder approval if required pursuant to ASX Listing Rule 10.2 and 10.5, or the grant of an appropriate waiver by ASX. Please note that, if the put option is exercised in respect of some (but not all) of the relevant assets then shareholder approval may not be required under the Listing Rules if the value of those assets is less than 5% of the equity interest of Sundowner as set out in the latest accounts given to ASX under the Listing Rules.

- The option is exercisable by Sundowner Trustee on the 28th day after the Offer Period ends or the Offer becomes unconditional up to the day in which LLFM gains 100% of the shareholding in Sundowner (if that occurs).
- The exercise price of the option is \$9,335,900 plus any applicable GST, being the value negotiated between Sundowner and CF Sundowner Pty Ltd as being attributable to these assets.
- If some assets are sold externally prior to the exercise date of the option, and others are sold pursuant to exercise of the option, then the exercise price for the remaining assets under the Put Option Deed will be \$9,335,900 plus any applicable GST, less the proceeds received for the externally sold assets. This may result in the exercise price on the remaining assets being either above or below a theoretical "market value" of the remaining assets.
- In further consideration of CF Sundowner granting the put option, Sundowner agreed to vary the sale contracts in respect of the Gladstone and Traralgon properties on the basis disclosed in section 3.9.
- If all properties are sold to third parties prior to exercise of the put option, but the aggregate sale price received by Sundowner Trustee is less than \$9,335,900, the Sundowner Trustee will be entitled to a "top-up" payment from CF Sundowner equal to the shortfall.
- Prior to the Offer becoming unconditional, CF Sundowner must pay a deposit to the Sundowner Trustee equal to the greater of \$400,000 and 10% of the sale price which would be payable by CF Sundowner if the put option was exercised at that time. The amount of the deposit is adjusted as properties become subject to contract for sale with third parties to the floor amount of \$400,000.
- Peter Copulos and Andrew Fairley have personally guaranteed the obligation of CF Sundowner to purchase the Out of Scope Assets if the put option is exercised.

(c) Valuations of relevant assets

All assets other than the remaining blocks in the Moree land subdivision have been recorded in Sundowner's accounts each year at "fair value" pursuant to the relevant accounting standard. The Moree subdivision, while recorded at cost in Sundowner's accounts, was valued by directors at 30 June 2006 at \$1,400,000, as disclosed in Note 10 to the 2005/06 Financial Statements.

3. Statement by Sundowner Motor Inns Ltd

The total value adopted in the Put Option Deed in respect of the relevant assets is as follows:

- in relation to the Moree subdivision, the directors' valuation (based on recent sale prices achieved within the subdivision) was adopted, less the proceeds realised on sale of three blocks prior to the date of the Offer;
- in relation to the Yass land, the directors' valuation was adopted, which was in accordance with the recommendation of the selling real estate agent;
- in relation to Sundowner Motor Inn Bathurst, Sundowner Motor Inn Orange, Sundowner Motor Inn Moree, and the vacant land at Bendigo (the **Remaining Assets**), a value was adopted which is in aggregate:
 - 5.0% above the most recent independent valuations of the Remaining Assets;
 - 3.6% above the 30 June 2006 directors' valuations of the Remaining Assets (these valuations are performed using exactly the same assumptions adopted by the independent valuers, but based on the most up-to-date net profit figures for the trading properties); and
 - 13.8% higher than the highest offers received under the public Expression of Interest process undertaken to sell the Remaining Assets.

The directors were not satisfied with the offers received under the Expression of Interest campaign, and considered that they did not provide adequate value to Sundowner shareholders. To enable the LLFM Offer to proceed, in recognition that it was considered to be in the best interests of all Sundowner shareholders, the Put Option Deed was negotiated by the non-related directors with CF Sundowner Pty Ltd (as trustee for the CFS Unit Trust) an entity associated with Peter and Stephen Copulos, and Andrew Fairley.

(d) Conclusion

The non-related directors, Graham Couch and Mal Lucas-Smith, consider that the Put Option Deed, on the terms and conditions outlined above, is on arm's length terms, or terms more favourable to Sundowner than arm's length terms, and is therefore in compliance with Sundowner's obligations under Chapter 2E of the Corporations Act.

In addition, the non-related directors have commissioned an independent expert's report in relation to the Put Option Deed, as required under Listing Rule 10.10.2. The independent expert's report will be provided to Sundowner shareholders with the Notice of Extraordinary General Meeting to approve the Put Option Deed.

3.11 Other material information

Except as set out in this Target's Statement and the Bidder's Statement and the Offer, there is no other information that the holders of Sundowner Shares and their professional advisers would reasonably require to make an informed assessment whether or not to accept the Offer and would reasonably expect to find in this Target's Statement, that is known to any of the directors of Sundowner and that has not previously been disclosed to the holders of Sundowner Shares.

(a) Pre-Bid Agreements

LLFM has entered into two Pre-Bid Agreements. The Agreements provide for LLFM to acquire an aggregate of 19.9% of Sundowner's Shares, held by Copulos Superannuation Pty Ltd (associated with Peter and Stephen Copulos) (15%) and Dugreen Pty Ltd (associated with Andrew Fairley) (4.9%) during the bid period set out in this Target's Statement.

Copulos Superannuation Pty Ltd and Dugreen Pty Ltd are not associated entities.

(b) General duties of Sundowner directors

The Corporations Act sets out a number of overriding duties owed by the directors of Sundowner, including:

- the directors must exercise their powers and discharge their duties with care and diligence;
- the directors must exercise their powers and discharge their duties in good faith and in the best interests of Sundowner and for a proper purpose;
- the directors must not improperly use their position to gain advantage for themselves or someone else or cause detriment to Sundowner; and
- directors who obtain information from Sundowner must not improperly use the information to gain an advantage for themselves or someone else or cause detriment to Sundowner.

Furthermore, any director of Sundowner who has a material personal interest in a matter that relates to the affairs of Sundowner must give the other directors notice of that interest unless an exception applies.

A director of Sundowner who has a material personal interest in a matter that is being considered at a directors' meeting must not be present while the matter is being considered at the meeting or vote on the matter, unless approved by the other directors or ASIC. In particular, in respect of the Sundowner Board resolutions to approve the Put Option Deed and the sale of each of the Gladstone and Traralgon Motor Inns, for each resolution the conflicted directors were not present whilst those matters were being considered by the Board, and did not vote on those matters.

(c) Break Fee

Sundowner and LLFM have entered into an agreement under which a Break Fee will be payable in certain circumstances. Under this agreement, Sundowner must pay to LLFM on demand the amount of LLFM's reasonable expenses incurred in connection with the negotiations and due diligence investigations up to a maximum of \$600,000 if:

- a. any Sundowner director recommends that Sundowner shareholders do not accept the LLFM offer in its current form, withdraws or revises such a recommendation, or recommends a bid made by another person;
- b. a bid by LLFM is unsuccessful once made, including if a condition of a bid by LLFM is not waived by LLFM or fulfilled by the relevant time during the offer period. However, in the case of non-fulfilment of the minimum acceptance condition (under which LLFM can withdraw their offer if acceptances do not exceed 90% of the total issued share capital of Sundowner), no Break Fee will be payable if LLFM receives acceptances under a bid equalling or exceeding 75% of the total issued share capital; or
- c. LLFM decides not to proceed with a bid because a bona fide alternative offer is made by a third party for the acquisition of Sundowner Shares, which is supported by Sundowner.

(d) Referral Fee

Sundowner has contracted to pay a referral fee to a commercial real estate agent in connection with the introduction of the Offer and the disposal of various non-core assets that LLFM does not wish to acquire as part of the Offer. The fee payable to the agent may be up to \$700,000 (exclusive of GST) and is calculated as follows:

1. 1% commission on the value of the assets that LLFM will acquire in the event that the Offer goes unconditional; and
2. 1% commission on the value of the assets that LLFM do not wish to acquire (including those that are already contracted for sale with third parties and those that, with shareholder approval, will be sold to related parties as set out in section 3.9 of this Target's Statement) but not including the assets the subject of the Put Option Deed (as set out in section 3.10 of this Target's Statement).

The proportion of the fee referred to in 1 above is payable only when the consideration under the Offer is paid to accepting shareholders. The proportion of the fee referred to in paragraph 2 above will be paid upon the settlement of each asset sale.

(e) Material litigation

To the knowledge of the directors, there is no material litigation by or against Sundowner.

(f) Acceptance means vesting control of your shares in Sundowner

If you accept the Offer, LLFM will have voting control over your shares, for which acceptances are submitted (i.e. the power to vote your shares) where the conditions of the Offer are freed or fulfilled. Please refer to section 9.5 (a) of the Bidder's Statement for further details of the effect of acceptance of the Offer.

(g) Sundowner Performance Rights Plan

There is a Sundowner Group Performance Rights Plan (the **Performance Rights Plan**).

Under the Performance Rights Plan, participating employees are granted performance rights or Sundowner options, which are a right to acquire a Sundowner Share for no consideration. At the time an offer is made to participating employees under the Performance Rights Plan, a performance period is set, during which the employee must satisfy certain performance criteria in order to be allocated a Sundowner Share for each performance right.

As at the date of this Target's Statement, there are no performance rights on issue to Sundowner Group employees. All performance rights previously granted have been converted to Sundowner Shares and are therefore eligible to participate in the Offer.

Pursuant to the Performance Rights Plan, Shares issued to Sundowner Group employees are placed in a holding lock, preventing sale or transfer of the Shares, and release occurs upon certain events happening or for a minimum 10-year period. The directors of Sundowner have resolved to release the holding lock in the event that LLFM acquires a relevant interest in more than 50% in Sundowner. Sundowner Group employees will be able to accept the Offer. Please see section 3.6 of the Bidder's Statement for further details.

(h) Copies of documents

This Target's Statement contains statements which are made, or based on statements made, in documents lodged with ASIC or given to the ASX by LLFM including the Bidder's Statement. Pursuant to section 638 (5) of the Corporations Act (as modified by ASIC class order CO 01/1543), any Sundowner shareholder may obtain a copy of any of those documents during the offer period free of charge by contacting the Offer Information Line on 1800 882 147 (toll free) from within Australia or +61 2 8280 7924 (not toll free) from outside Australia. Please note that in order to comply with legal requirements, any calls to this number will be recorded.

3. Statement by Sundowner Motor Inns Ltd

3.12 Miscellaneous

(a) Consents

The following persons, who have given consent to be named in this Target's Statement, have not, before the date of this Target's Statement, withdrawn their consent to the inclusion of the following information in the form and context in which it is included, and to all references in this Target's Statement to that information in the form and context in which they appear.

- Each director – to being named as a director and to the inclusion of statements made by him.
- Mills Oakley Lawyers – to being named in this Target's Statement as legal adviser to Sundowner.
- This Target's Statement also includes and refers to statements made by LLFM in the Bidder's Statement. LLFM has consented to statements being included in, referred to or accompanying this Target's Statement in the form and context in which they are included.

(b) Disclaimers

Each person named above as having given his or its consent to the inclusion of a statement or to being named in this Target's Statement:

- does not make, or purport to make, any statement in this Target's Statement or any statement on which a statement in this Target's Statement is based other than, in the case of a person referred to above as having given their consent to the inclusion of a statement, a statement included in this Target's Statement with the consent of that person; and
- to the maximum extent permitted by law, expressly disclaims and takes no responsibility for any part of this Target's Statement, other than a reference to its name and, in the case of a person referred to above as having given their consent to the inclusion of a statement, any statement or report which has been included in this Target's Statement with the consent of that party.

Interpretation

4

In this Target's Statement, the following words and phrases have the following meanings (unless the context otherwise requires):

"ASIC" means the Australian Securities and Investments Commission.

"Bidder's Statement" means the bidder's statement by LLFM accompanying this Target's Statement.

"Corporations Act" means the Corporations Act 2001 (Cth).

"LLFM" means Lend Lease Funds Management Limited (ABN 94 000 335 473) as trustee for the LLREP2 Motor Inns Trust.

"LLREP2 Motor Inns Trust" means the Lend Lease Real Estate Partners 2 Motor Inns Trust.

"Offer" (or "LLFM Offer") means the offer of LLFM to acquire Shares on the terms and conditions set out in the Bidder's Statement.

"Offer Price" means the price payable to Sundowner shareholders pursuant to the Offer.

"Pre-Bid Agreement" means each of the Option and Pre-bid Agreement with Copulos Superannuation Pty Ltd, an entity related to Peter and Stephen Copulos, and with Dugreen Pty Ltd, an entity related to Andrew Fairley, each person named being a director of Sundowner, on 22 December 2006.

"Put Option Deed" means the deed entered into between Sundowner and an entity associated with Peter and Stephen Copulos, and Andrew Fairley, as detailed in section 4.10 of this document.

"Rights" means all accretions to and rights attaching to each relevant share (including, but not limited to, all dividends and all rights to receive dividends and to receive or subscribe for shares, stock units, notes or options declared, paid or issued by Sundowner) other than the Special Dividend.

"Shares" means fully paid ordinary shares in Sundowner and all Rights attaching to those shares.

"Shareholders" means the holders of Shares.

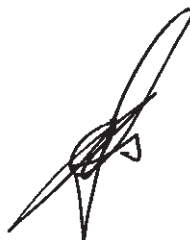
"Special Dividend" means a fully franked special dividend of 2.5 cents per Share, to be declared and paid by Sundowner in the event that the conditions of the Offer are freed and/or fulfilled.

"Sundowner" means Sundowner Motor Inns Limited ABN 18 078 847 784.

"Target's Statement" means this document.

Dated 22nd day of December 2006

SIGNED for and on behalf of Sundowner by Peter Copulos, being a director of Sundowner who is authorised to sign pursuant to a resolution passed at a meeting of the directors of Sundowner Motor Inns Ltd on 21 December 2006.



Mr Peter Copulos
Director

Attachment 1

Announcements in relation to the Offer



Sundowner Motor Inns Limited
ABN: 18 078 847 784

First Floor, Suite 2, 285 Wyndham St, Shepparton
PO BOX 1010, Shepparton, VIC, 3632
E-mail: reception@sundownermotorinns.com.au
www.sundownermotorinns.com.au

Ph: (03) 5831 5655
Fax: (03) 5831 8542

SUNDOWNER MOTOR INNS LIMITED

ASX ANNOUNCEMENT

TAKEOVER OFFER

The Directors of Sundowner Motor Inns Limited (“the Company”) announce that the Company has received an offer to acquire all of its shares via an off-market takeover (“the Offer”). The Offer has been made by Lend Lease Funds Management Limited as trustee of LLREP2 Motor Inns Trust (“LLFM”).

The Company’s Directors unanimously support the Offer.

Offer documentation, consisting of the LLFM Bidder’s Statement and the Company’s Target’s Statement, is expected to be despatched to shareholders within the next two weeks. That documentation will contain full details of the Offer. The material terms of the Offer are:

- Cash consisting of a capital payment made by LLFM of 26.5 cents per share;
- A fully franked special dividend paid by the Company of 2.5 cents per share in the event that the Offer becomes unconditional;
- The Offer (including the special dividend payment) is subject to various conditions including:
 - LLFM reaching a minimum acceptance level of 90% of issued shares; and
 - there being no material change to the assets, corporate structure, or affairs generally of the Company.

The Directors of the Company, who between them control 65% of the issued shares of the Company, intend to accept the Offer, in the absence of a superior offer.

LLFM has also entered into two Option and Pre-Bid Acceptance Agreements for the same consideration per share as the Offer summarised above. The Agreements provide for LLFM to acquire 19.9% of the Company’s shares, held by Copulos Superannuation Pty Ltd (associated with Peter and Stephen Copulos) (15%) and Dugreen Pty Ltd (associated with Andrew Fairley) (4.9%) during the bid period.

The Company and LLFM have entered into an agreement under which a break fee of up to \$600,000 may be payable by the Company to LLFM, in respect of reasonable expenses incurred by LLFM in connection with the negotiations and due diligence investigations in relation to the Offer, in certain circumstances if the Offer is unsuccessful.

The amount payable to shareholders in connection with the Offer is in excess of the Net Asset Value of the Company and well above the listed share price, which will result in substantial value being realised by Company shareholders who accept the Offer.

The Offer documents contain full details of LLFM’s intentions with regard to the operation of the Company if the Offer is successful.

The Offer documents also contain a unanimous recommendation by the Directors of the Company that shareholders accept the Offer, in the absence of a superior offer.

An Offer Information Line will be available for shareholders to direct any queries that related to the Offer during the offer period. For legal reasons, calls made to this line will be recorded. Further information will be provided in the Offer documentation.

Yours sincerely

A handwritten signature in black ink, appearing to be 'P C Copulos', written in a cursive style.

P C Copulos
Non-executive Director

22 December 2006

This page has been left blank intentionally

