

EXPLANATORY NOTES

Introduction

These Explanatory Notes are intended to provide Security holders with information to assess the merits of the Resolutions contained in the accompanying Notice of Annual General Meeting 2009.

Appointment of Directors to the DEXUS Funds Management Limited Board

The Directors have determined, in accordance with the corporate governance framework adopted by the Group, that each Director obtain Security holders' ratification at the Annual General Meeting immediately succeeding their initial appointment, and thereafter within three years, with at least one Director seeking ratification at each Annual General Meeting.

If an individual Director's appointment or continued appointment as a Director fails to be ratified by a majority vote of Security holders at the required Annual General Meeting then that Director will thereafter cease to hold the office of Director of DEXUS Funds Management Limited. Consequently, that Director will also cease to hold the office of Director of DEXUS Holdings Pty Limited.

Resolution 1 – Approval of an Independent Director – Mr Christopher T Beare

Christopher Beare was last ratified as a Director at the 2006 Annual General Meeting and, by rotation, is seeking Security holders' ratification, to continue as a Director of DEXUS Funds Management Limited.

**Christopher T Beare BSc, BE (Hons), MBA, PhD, FAICD
Chair and Independent Director**

Chris Beare is both the Chair and an Independent Director of DEXUS Funds Management Limited (appointed 4 August 2004). He is also a member of the Board Nomination and Remuneration Committee and the Board Finance Committee.

Chris has significant experience in international business, technology, strategy, finance and management. Previously Chris was Executive Director of the Melbourne based Advent Management venture capital firm prior to joining investment bank Hambros Australia in 1991. Chris became Head of Corporate Finance in 1994 and joint Chief Executive in 1995, until Hambros was acquired by Société Générale in 1998. Chris remained a Director of SG Australia until 2002. From 1998 onwards, Chris formed Radiata – a technology start-up in Sydney and Silicon Valley – where, as Chair and Chief Executive Officer, Chris steered it to a successful sale to Cisco Systems in 2001 and continued for four years as Director Business Development for Cisco. Chris has previously been a director of a number of companies in the finance, infrastructure and technology sectors.

The Board unanimously recommends that Security holders ratify the continued appointment of Christopher Beare as a Director of DEXUS Funds Management Limited.

Resolution 2 – Approval of an Independent Director – John C Conde AO

John Conde AO was appointed an Independent Director on 29 April 2009 and is seeking Security holders' ratification of his initial appointment as a Director of DEXUS Funds Management Limited.

**John C Conde AO, BSc, BE (Hons), MBA Independent
Director**

John Conde AO is an Independent Director of DEXUS Funds Management Limited, is the Chair of the Board Nomination and Remuneration Committee and a member of the Board Compliance Committee.

John brings to the Board extensive experience across diverse sectors including commerce, industry and government. John was previously a Director of BHP Billiton and Excel Coal Limited, Managing Director of Broadcast Investment Holdings Pty Limited, Director of Lumley Corporation and President of the National Heart Foundation of Australia.

John is Chairman of Energy Australia, Bupa Australia Group and Whitehaven Coal Limited. John is President of the Commonwealth Remuneration Tribunal and Chairman of the Sydney Symphony, the Australian Olympic Committee (NSW) Fundraising Committee, Homebush Motor Racing Authority Advisory Board and a member of the Bond University Board of Trustees.

The Board unanimously recommends that Security holders ratify the initial appointment of John Conde AO as a Director of DEXUS Funds Management Limited.

Resolution 3 – Approval of an Independent Director – Peter B St George

Peter St George was also appointed Independent Director on 29 April 2009 and is seeking Security holders' ratification of his initial appointment as a Director of DEXUS Funds Management Limited.

**Peter B St George, CA(SA), MBA
Independent Director**

Peter St George is an Independent Director of DEXUS Funds Management Limited, is the Chair of the Board Finance Committee and is a member of the Board Audit and Board Risk Committees.

Peter has more than 20 years' experience in senior corporate advisory and finance roles within NatWest Markets and Hill Samuel & Co in London. Peter acted as Chief Executive/Co-Chief Executive Officer of Salomon Smith Barney Australia/NatWest Markets Australia from 1995 to 2001. Peter was previously a Director of Spark Infrastructure Group and Chedha Holdings (Powercor and Citipower, Victoria). Peter was also Chairman of Walter Turnbull Chartered Accountants and a Director of SFE Corporation Limited.



Peter is currently a Director of First Quantum Minerals Limited (listed on the London and Toronto Stock Exchanges) and Board Longyear Limited.

The Board unanimously recommends that Security holders ratify the initial appointment of Peter St George as a Director of DEXUS Funds Management Limited.

Resolution 4 – Ratification of placement

On 21 April 2009, DEXUS Property Group announced an equity raising that comprised an Institutional Placement and a 2 for 7 Non-renounceable Entitlement Offer raising approximately \$749 million. The funds raised from this equity raising were used to repay debt and further strengthen DEXUS Property Group's balance sheet.

Under the institutional placement, completed on 21 April 2009, 138,500,000 Securities were issued to certain sophisticated and institutional investors at \$0.65 per Security raising approximately \$90 million. These investors included new and existing wholesale institutional investors in DEXUS Property Group. The new Securities were issued upon the same terms as the existing Securities on issue.

Under ASX Listing Rule 7.1, DEXUS Property Group is not permitted to issue more than 15% of the issued capital of DEXUS Property Group in any 12 month period unless the issue is approved by Security holders or an exemption applies to the issue. DEXUS advises that an exemption applies for the 2 for 7 Non-renounceable Entitlement Offer, however, the institutional placement is excluded under that exemption.

Under ASX Listing Rule 7.4 issues of units made without Security holder approval may be treated as having been made with Security holder approval if the issue did not breach the listing rules and is subsequently approved by Security holders. An issue so approved is then not counted towards the calculation of the use of the 15% limit under ASX Listing Rule 7.1.

The Institutional Placement undertaken on 21 April 2009 reduced DEXUS Property Group's capacity to issue Securities without Security holder approval or an exemption from ASX Listing Rule 7.1 applying. Accordingly, Security holders are being requested to ratify the issue of Securities as described above under ASX Listing Rules 7.1 and 7.4. This will ensure that the DEXUS Property Group has the maximum flexibility to raise capital going forward. DEXUS Property Group has no current plans to raise capital other than by way of the existing Distribution Reinvestment Plan.

The approval of Security holders is not being sought for the purposes of ASIC class order 05/26 in relation to the issue of Securities described above as that issue was offered at a fixed price and was not conducted in reliance on the relief provided by that class order.

Resolution 4 will be decided by a poll. As an ordinary resolution, the resolution will be passed if at least 50% of the votes cast in person or by proxy at the Meeting by members who are entitled to vote on the resolution are voted in favour of the resolution.

Resolution 5 – Adoption of Remuneration Report

The purpose of Resolution 5 is to adopt the Remuneration Report, for the financial year ended 30 June 2009. The Remuneration Report is contained in section three of the Directors' Report for the year ended 30 June 2009 commencing on page 12 of DEXUS Property Group's 2009 Annual Report.

Under section 250R of the *Corporations Act 2001 (Cth)* a listed company is required at its Annual General Meeting to put a vote to its members to approve the Remuneration Report. Consistent with its corporate government framework, the Board of DEXUS Funds Management Limited has determined that DEXUS Property Group will be subject to this obligation even though it is a listed real estate investment trust.

During the meeting there will be an opportunity for Security holders to comment upon and ask questions about the Remuneration Report. The Board unanimously recommends that Security holders adopt the 2009 Remuneration Report. The vote on Resolution 5 is advisory only and does not bind the Directors or DEXUS Funds Management Limited.

By Order of the Board



John Easy
Company Secretary
DEXUS Funds Management Limited

30 September 2009