

ASX / Media Release

4 June 2012

Implementation of Ingenia Communities Group Internalisation

Ingenia Communities Group (the "Group") confirms that the internalisation of the management of the ING Real Estate Community Living Group ("ILF Group") and the formation of Ingenia Communities Group (consisting of Ingenia Communities Holdings Limited, Ingenia Communities Fund and Ingenia Communities Management Trust) ("Internalisation"), approved by unitholders at ILF Group's meeting on 31 May 2012, has now been implemented. The Internalisation involved:

- a capital distribution by ING Real Estate Community Living Fund which was applied towards the issue of shares in Ingenia Communities Holdings Limited to unitholders of the Group (other than foreign resident unitholders);
- the change of the responsible entity of ILF Group from ING Management Limited to Ingenia Communities RE Limited (a wholly owned subsidiary of Ingenia Communities Holdings Limited); and
- the stapling of each share in Ingenia Communities Holdings Limited to each stapled security in ILF Group to form the new stapled securities of Ingenia Communities Group.

The Group confirms that the conditions precedent to the Internalisation have been satisfied or waived (other than the approval of ASX for quotation of the new stapled securities of Ingenia Communities Group) and the Internalisation has been implemented today.

Ingenia Communities Group acknowledges that the ASX reserves the right (but without limiting its absolute discretion) to remove Ingenia Communities Holdings Limited, Ingenia Communities Fund and/or Ingenia Communities Management Trust from the official list if any of their shares and units cease to be stapled together or any equity securities are issued by Ingenia Communities Holdings Limited, Ingenia Communities Fund or Ingenia Communities Management Trust which are not stapled to equivalent securities in the other entities comprising Ingenia Communities Group.

The full terms and conditions of the Ingenia Communities Long-term Incentive Scheme are attached to this announcement.

A rebranding process was undertaken to launch Ingenia Communities Group to the wider investor community and to existing customers in the seniors living sector. The Fund's new website and investor enquiries email address will change to the following effective today:

Website: www.ingeniacommunities.com.au

Email: investor@ingeniacommunities.com.au

For further information please contact:

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About Ingenia Communities Group

Ingenia Communities Group (ASX Code: INA) previously known as the ING Real Estate Community Living Group, is a stapled property group comprising Ingenia Communities Holdings Limited (ACN 154 444 925), Ingenia Communities Fund (ASRN 107 459 576) and Ingenia Communities Management Trust (ARSN 122 928 410). The Responsible Entity for each scheme is Ingenia Communities RE Limited (ACN 154 464 990) (AFSL415862).

The Group owns, manages and develops a diversified portfolio of seniors housing communities. Together the stapled group has total look-through assets under management of \$562 million with operations located predominately throughout Australia and the United States.

FY 2012/2013 Ingenia Communities Long Term Incentive Scheme Rules

PART 1 GENERAL PROVISIONS

1. Introduction

- 1.1. This long term incentive scheme (**Scheme**) provides for the grant of conditional rights to receive INA Units, in substitution for any bonus or incentive that might otherwise have been paid under any bonus or incentive plan operated by the Employer, other than the Ingenia Communities Short Term Incentive Scheme or any other scheme, plan or arrangement which replaces the Ingenia Communities Short Term Incentive Scheme.
- 1.2. The intentions of the Scheme are to align long-term unitholder returns of INA with the 'at-risk' compensation potentially payable to executive level employees and reward managers who remain in employment and perform at the required levels of performance.

2. Interpretation

- 2.1. Except as required for proper nouns or initial words in a sentence, any capitalised words are defined terms, the meaning of which is set out in the Dictionary in Part 7. Defined terms may also be highlighted in bold and within parentheses the first time they are used in this document.
- 2.2. Other interpretation rules are also set out in the Dictionary.

3. Eligibility

- 3.1. Eligibility to participate in the Scheme is restricted to individual Employees with a contractual entitlement to eligibility, or who (at the sole discretion of the Board, in consultation with the CEO) have otherwise been notified or agreed in writing with the Employer that they will be eligible.
- 3.2. Where specified in any written agreement or notification pursuant to clause 3.1, eligibility may be limited to one or more parts of the Scheme only.
- 3.3. Eligibility remains subject to the terms and conditions in this Scheme.

4. Operation of Scheme

- 4.1. Subject to the Approvals, the Scheme operates in respect of the period commencing on and from 14 April 2012 and ending on and including 30 June 2013 (**Scheme Year**).
- 4.2. The Scheme will not be withdrawn, varied or replaced prior to completion of the Scheme Year or in respect of any Grant made during or in respect of the Scheme Year.
- 4.3. Nothing prevents the Scheme from being withdrawn, varied or replaced by the Employer at any time with the consent of all Eligible Employees.
- 4.4. In respect of any particular individual, nothing prevents the Scheme from being withdrawn, varied or replaced by the Employer, with the individual's consent.
- 4.5. Withdrawal of the Scheme will not affect existing Quantum Rights.
- 4.6. The Board may make, vary or repeal regulations for the administration of the Scheme from time to time, including during a Scheme Year, but so as to be consistent with and not to derogate from the terms and conditions of the Scheme.
- 4.7. The Board will appoint a delegate (**Scheme Custodian**) to be responsible for the administration of the Scheme for and on behalf of the Board. The Scheme Custodian will have discretion to manage the administration of the Scheme (including but not limited to issuing documentation and correspondences, seeking and processing approvals, collating data etc) in the manner he or she reasonably thinks fit, provided:
 - 4.7.1. the Scheme Custodian must administer the Scheme lawfully and efficiently;
 - 4.7.2. the Scheme Custodian must comply with any wishes or directions of the Board from time to time in relation to the administration of the Scheme;
 - 4.7.3. unless approved in advance, the Board may reverse or alter any decision or conduct of the Scheme Custodian at the Board's complete discretion;
 - 4.7.4. the Scheme Custodian must not exercise any discretion or power vested in the Board under this Scheme and nothing in this clause 4.7 limits the discretion of the Board in any way;
 - 4.7.5. any purported exercise by the Scheme Custodian of a discretion or power vested in the Board will not be operative unless and until approved by the Board in writing; and
 - 4.7.6. the Board retains complete discretion at all times to remove, re-appoint, replace or otherwise substitute the Scheme Custodian, or to assume directly the functions that would otherwise be delegated to the Scheme Custodian.
- 4.8. Notwithstanding anything otherwise stated in this Scheme, the maximum number of Quantum Rights that may be granted in the Scheme Year shall be 7,066,667.

5. Year to Year Application

- 5.1. Where the Scheme is not expressly withdrawn or replaced by the Employer in respect of the Financial Year immediately following the end of the Scheme Year, the Scheme will apply in respect of that Financial Year as if it were the Scheme Year (with references to the Scheme Year in this document being taken to be – in respect of that Financial Year – references to that Financial Year).

6. Discretionary Scheme

- 6.1. Subject only to other express terms in this document, the Scheme is completely discretionary, in every respect and without limitation.
- 6.2. Without limiting clause 6.1 but subject to clause 4.2, clause 9.3 and clause 12.3, the Scheme may be withdrawn, varied or replaced by the Board at any time without notice and without any requirement to compensate any Eligible Employee, Quantum Right Holder or any other Person.
- 6.3. The discretion provided for in this clause vests in the Board or its delegate from time to time, on behalf of the Employer.
- 6.4. The exercise of any discretion pursuant to this Scheme is itself discretionary and may be exercised once, more than once or not at all (including but not limited to reversing or amending the effect of any previous exercise of discretion).
- 6.5. Nothing in this Scheme may be implied, inferred or construed to have any contractual effect.

7. Entire Arrangement

- 7.1. This document and the document or documents regarding the Employee's eligibility to participate in the Scheme referred to in clause 3.1 contain the entire terms and conditions of the Scheme and no other terms or conditions may be implied, inferred or construed to form part of the Scheme.

8. Governing Law

- 8.1. This Scheme is governed by the law in force from time to time in New South Wales.

PART 2 RETENTION QUANTUM RIGHTS

9. Retention Quantum Rights

- 9.1. The Board may, by notice in writing (Retention Grant Notice), grant an Eligible Employee any number of Retention Quantum Rights, or no Retention Quantum Rights, in respect of the Scheme Year (Retention Grant).
- 9.2. An Employee shall not be required to pay for a Retention Grant.
- 9.3. Subject to clause 23, once granted, the number of Retention Quantum Rights held by an Eligible Employee will not be reduced prior to vesting or lapsing, as the case may be.

10. Vesting Period for Retention Quantum Rights

- 10.1. The Vesting Period for Retention Quantum Rights shall be 2 years after commencement of the Scheme Year.
- 10.2. Subject to the terms and conditions of this Scheme, an Employee's Retention Quantum Rights will vest on the Vesting Date, subject to the other terms of the Scheme.

11. Vesting Conditions

- 11.1. Vesting of Retention Quantum Rights is conditional upon the Eligible Employee remaining in the Employment on the Vesting Date.

PART 3 ANNUAL PERFORMANCE QUANTUM RIGHTS

12. Performance Quantum Rights

- 12.1. The Board may, by notice in writing (**Performance Grant Notice**), grant an Eligible Employee any number of Performance Quantum Rights, or no Performance Quantum Rights, in respect of the Scheme Year (**Performance Grant**).
- 12.2. An Employee shall not be required to pay for a Performance Grant.
- 12.3. Subject to clause 23, once granted, the number of Performance Quantum Rights held by an Eligible Employee will not be reduced prior to vesting or lapsing, as the case may be.

13. Vesting Period for Performance Quantum Rights

- 13.1. The Vesting Period for Performance Quantum Rights shall be 3 years from commencement of the Scheme Year.
- 13.2. Subject to the terms and conditions of the Scheme, the percentage of an Employee's Performance Quantum Rights that may vest (in accordance with clause 14 below) will vest on the Vesting Date.

14. Vesting Conditions

- 14.1. Vesting of Performance Quantum Rights is subject to INA's performance in respect of the Vesting Period, where such performance is determined by reference to INA's TSR in accordance with this clause 14.
- 14.2. The percentage of Performance Quantum Rights held by an Eligible Employee on the Vesting Date in respect of a Scheme Year that may vest shall be determined in accordance with the table below:

Where INA's actual TSR over the Vesting Period is:	Percentage of Employee's Performance Quantum Rights that may vest in respect of the Scheme Year:
Below 26% - below Threshold performance	0%
26% (approximately 8% pa compound) - on Threshold performance	25%
At or above 26% but below 40% - performance between Threshold and Target	25% - 50%, in the same proportion as INA's actual TSR bears to On Threshold TSR and On Target TSR respectively
40% (approximately 12% pa compound) - On Target performance	50%
Above 40% but below 56% - performance between Target and Stretch	50% - 100%, in the same proportion as INA's actual TSR bears to On Target TSR and Stretch TSR respectively
56% or above (approximately 16% pa compound) - Stretch performance	100%

- 14.3. Nothing in this Scheme prevents the Board, at its absolute discretion, from varying the Vesting Conditions that are specified in clause 14.2 above. For the avoidance of doubt, the exercise of such discretion does not constitute a withdrawal, variation or replacement of this Scheme for the purposes of clause 4.2 but any variation will not affect existing Rights if such variation is adverse to the holders of existing Rights.

PART 4 VESTING OF QUANTUM RIGHTS

15. Payment upon vesting

- 15.1. Upon vesting of a number of Quantum Rights in accordance with this Scheme, the Quantum Right Holder is to be paid a cash bonus of \$1,000 gross, regardless of the value of the Quantum Rights that are vesting.
- 15.2. The Cash Bonus is payable to the Quantum Right Holder within 15 business days of the Vesting Date.

16. Issue of Units on Vesting

- 16.1. Upon vesting of a number of Quantum Rights in accordance with this Scheme, the Quantum Right Holder is to be issued with INA Units equivalent to the value of the Quantum Rights on the Vesting Date, provided and to the extent that the value of the Quantum Rights on the Vesting Date exceeds \$1,000.

17. Quantum Rights Value on Vesting

- 17.1. The value of each Quantum Right on the Vesting Date shall be equivalent to the INA Unit Price on the Vesting Date.

PART 5 SPECIAL CIRCUMSTANCES

18. Major Capital Event

- 18.1. Where a Major Capital Return occurs prior to the Vesting Date in respect of a number of Quantum Rights:

18.1.1. Performance Quantum Rights held by a Quantum Right Holder at the time of the Major Capital Return will vest on the Vesting Date in the same proportion as the return to Unitholders per INA Unit bears to the INA Unit Price calculated immediately prior to the Major Capital Return (that is, at the time the value of the capital return is determined for the purposes of the Major Capital Return); and

18.1.2. Any Quantum Rights that do not vest as a consequence of clause 18.1.1, but that would otherwise vest in accordance with this Scheme on the Vesting Date, will not be affected and will vest on the Vesting Date subject to this Scheme unless the Board (at its complete discretion) determines that:

18.1.2.1. some or all of the remaining Quantum Rights will vest earlier than their respective Vesting Date; or

18.1.2.2. the TSR targets for the purposes of clause 14.1 will be adjusted downwards,

as an adjustment for any fall in the market price arising from the Major Capital Return.

- 18.2. Where a Major Capital Return or other major event occurs, or is expected to occur, which is expected to or does significantly dilute the INA Unit Value:

18.2.1. nothing in this Scheme limits the Board's discretion pursuant to clause 14.3 to alter the vesting conditions in clause 14.2;

18.2.2. without limitation, the Board may (at its complete discretion) grant additional Quantum Rights, adjust the vesting rules in relation to any Quantum Rights or otherwise amend this Scheme for the benefit of a Quantum Right Holder.

19. Termination of Employment

- 19.1. If a particular Quantum Right Holder is dismissed from Employment for Cause, all their unvested Quantum Rights are forfeited with immediate effect from the time dismissal is notified.

- 19.2. If a particular Quantum Right Holder resigns from Employment other than due to the Right Holder's own Illness or Incapacity or a Good Reason Event, unless otherwise determined by the Board (at its complete discretion), all their unvested Quantum Rights are forfeited with immediate effect from the time the resignation is communicated to the Employer.
- 19.3. If the Employment of a particular Quantum Right Holder ends other than in accordance with clause 19.1 or clause 19.2 (including where it ends due to redundancy, due to resignation for Illness or Incapacity or due to resignation because of a Good Reason Event or the Employee's death), then:
- 19.3.1. Quantum Rights granted in respect of the Financial Year during which termination takes effect are forfeited in the same proportion as the remainder of the Financial Year bears to the full Financial Year;
- 19.3.2. Quantum Rights that do not lapse pursuant to clause 19.3.1 will continue to be held by the Quantum Right Holder but any vesting of those Quantum Rights will be subject to clause 19.3.3 and clause 19.3.4;
- 19.3.3. Retention Quantum Rights that do not lapse pursuant to clause 19.3.1 will only vest if the INA Unit Price on the Vesting Date is equal to or higher than the INA Unit Price on the date the Employment ends;
- 19.3.4. Performance Quantum Rights that do not lapse pursuant to clause 19.3.1 will vest:
- 19.3.4.1. only if the INA Unit Price on the Vesting Date is equal to or higher than the INA Unit Price on the date the Employment ends; and
- 19.3.4.2. subject to and otherwise in accordance with clause 14.
- 19.4. Where Quantum Rights will not vest because of the operation of 19.3.3 or 19.3.4.1, the Board retains the discretion to pay the Employee a cash payment, up to the equivalent value of the Quantum Rights that would otherwise have vested.

PART 6 OTHER CONSIDERATIONS

20. Substitution

- 20.1. The Board may elect to substitute the Quantum Rights for other securities of an equivalent value, provided:
- 20.1.1. any vesting of the substituted securities will occur at the time the Quantum Rights would have vested; and
- 20.1.2. the substituted securities will be subject to the terms and conditions of this Scheme, subject only to such amendments as are required to reflect the substitution.

21. Non-Transferability

- 21.1. Eligibility to participate in the Scheme and Quantum Rights granted pursuant to the Scheme are not transferrable by an Employee or Quantum Rights Holder.

22. Regulatory Restrictions

- 22.1. No Quantum Rights will be granted or vest where to do so would breach the Listing Rules, the *Corporations Act 2001* (Cth) as amended or replaced, or any other applicable regulatory restriction.
- 22.2. Any Grant of Quantum Rights or issue of INA Units will be subject to any necessary approvals or consents as may be required by legislation, the Trust Deed or the Corporate Rules of the Trustee from time to time.

23. Review for Cause

- 23.1. The Board may review any Grants where:
- 23.1.1. the results announced for the Financial Year immediately prior to the Scheme Year have subsequently appeared materially inaccurate or misleading; and/or
 - 23.1.2. the Quantum Right Holder engages in Misconduct.
- 23.2. Where the Board forms the view that Quantum Rights, or a number of Quantum Rights, would not have been granted to an Employee in respect of the Scheme Year had the information referred to in clause 23.1.1 been known or had the conduct referred to in clause 23.1.2 occurred and been known prior to the commencement of the Scheme Year, the Board may, in its complete discretion:
- 23.2.1. reduce the number of Quantum Rights held by a Quantum Right Holder in respect of the Scheme Year;
 - 23.2.2. determine that the Quantum Rights will not vest or will only vest in part or subject to additional conditions;
 - 23.2.3. determine that no amount, or a reduced amount, will be paid in respect of any vesting.

24. No double dipping

- 24.1. The Quantum Rights and benefits conferred upon an Employee pursuant to this Scheme are in complete satisfaction of and substitution for any entitlement to receive a bonus during or in respect of the Scheme Year, other than in accordance with the Ingenia Communities Short Term Incentive Scheme or any other scheme, plan or arrangement which replaces the Ingenia Communities Short Term Incentive Scheme.
- 24.2. Where a court or tribunal of competent jurisdiction determines, despite clause 24.1 that an Eligible Employee is entitled to an additional bonus or incentive of any kind, then to the extent permitted by law, the monetary value of any Quantum Rights or benefits conferred upon an Eligible Employee pursuant to this Scheme may be offset against any monetary liability of the Employer relating to the additional entitlement.

25. Taxation before Vesting

- 25.1. Where any Quantum Right or benefit under this Scheme incurs a taxation liability prior to vesting, the Employer may elect to satisfy that liability and reduce the value of the Quantum Right or benefit by a commensurate monetary amount.

26. Withholding

- 26.1. Any amounts payable to an Employee pursuant to this Scheme are subject to withholding of any applicable taxation that the Employer is required to withhold.

PART 7 DICTIONARY

27. Defined Terms

- 27.1. **Approvals** means approval of this Scheme by the unitholders of INA prior to 30 June 2012, and all other approvals, waivers and exemptions as may be required by law or by the Listing Rules to implement this Scheme
- 27.2. **Board** means the corporate directors of Ingenia Communities Holdings Limited (ACN 154 444 925) acting in accordance with the *Corporations Act 2001* (Cth).
- 27.3. **Cause**, in respect of dismissal from employment means serious misconduct (as defined in the *Fair Work Act 2009* (Cth)), persistent or gross underperformance and/or breach of any material term of the Employee's contract of employment.
- 27.4. **Corporate Rules of the Trustee** means the constitution (as defined in the *Corporations Act 2001* (Cth)) of the trustee from time to time of INA or any of its constituent trusts.
- 27.5. **Eligible Employee** means an Employee of the Employer.
- 27.6. **Employee** means a person employed by the Employer.
- 27.7. **Employer** means Settlers Co Pty Limited in its capacity as trustee of as Settlers Operations Trust [ABN 80 406 289 434], or such other entity as is nominated by the Board in writing from time to time.
- 27.8. **Employment** means the employment relationship between an Employee and the Employer.
- 27.9. **Illness or Incapacity** means a situation where, at the time in question, the Employee:
- 27.9.1. has been certified by a medical practitioner as medically unfit to perform the inherent requirements of the Employee's employment with the Employer for at least the preceding 6 months (or for an aggregate of 6 months over the preceding 12 month period); and
- 27.9.2. has, within the preceding 28 days been certified by a medical practitioner as unable or unlikely to be fit to return to the inherent requirements of the position.
- 27.10. **INA** means Ingenia Communities (ASX code 'INA').

- 27.11. **INA Unit** means one fully paid stapled security in respect of INA, where each such security represents a single fully paid ordinary share in Ingenia Communities Holdings Limited [ACN 154 444 925] which is in turn stapled to a unit in the ING Real Estate Community Living Fund and also to a unit in the ING Real Estate Community Living Management Trust.
- 27.12. **INA Unit Price** means the price per INA Unit, rounded to the first decimal point in cents, calculated as the volume weighted average price of INA Units traded on the ASX in the period 5 trading days ending on the day 2 days prior to the date of the relevant date at which the INA Unit Price is to be referenced.
- 27.13. **Financial Year** means a period commencing on 1 July in one calendar year and ceasing on 30 June in the following calendar year.
- 27.14. **Good Reason Event** has the meaning in the relevant Employee's contract of employment.
- 27.15. **Grant** means an allocation of Quantum Rights in accordance with either clause 9.1 or 12.1.
- 27.16. **Major Capital Return** means a return to INA unitholders arising from a sale of INA assets where the value of the total value of the return to INA unitholders is at least equal to 5% of the total share capital of Ingenia Communities Holdings Limited [ACN 154 444 925] immediately preceding the Major Capital Return.
- 27.17. **Misconduct** means serious misconduct (as defined in the *Fair Work Act 2009* (Cth)), persistent or gross underperformance and/or breach of any material term of the Employee's contract of employment (including but not limited to post employment breaches of the contract).
- 27.18. **Performance Grant** means a Grant of Performance Quantum Rights.
- 27.19. **Performance Grant Notice** means a written notice confirming a Performance Grant.
- 27.20. **Performance Quantum Right** means a Quantum Right issued in accordance with clause 12.1.
- 27.21. **Person** means either a natural person or a corporate entity.
- 27.22. **Quantum Rights** means the securities issued in accordance with either clause 9.1 or 12.1.
- 27.23. **Quantum Right Holder** means a Person holding unvested Quantum Rights.
- 27.24. **Retention Grant** means a Grant of Retention Quantum Rights.
- 27.25. **Retention Grant Notice** means a written notice confirming a Retention Grant.
- 27.26. **Retention Quantum Right** means Quantum Right issued in accordance with clause 9.1.
- 27.27. **Scheme** means the terms and conditions in this document.
- 27.28. **Scheme Year** means the period in clause 4.1.
- 27.29. **Trust Deed** means the instrument constituting any trust forming part of INA.
- 27.30. **Trustee** means the legal entity that is the trustee of any trust forming part of INA.

- 27.31. **TSR** means total shareholder return, calculated as being the percentage gain from an investment in shares in Ingenia Communities Holdings Limited [ACN 154 444 925] over a period of time, assuming that dividends are reinvested into the company's shares.
- 27.32. **Vesting Conditions** means the conditions specified in clause 11 (in the case of Retention Quantum Rights) or clause 14 (in the case of Performance Quantum Rights), as the case may be.
- 27.33. **Vesting Date** in respect of a number of Quantum Rights is the last day of the Vesting Period in respect of those Quantum Rights.
- 27.34. **Vesting Period** in respect of a number of Quantum Rights is the period specified in either clause 10.1 or clause 13.1 as the case may be.

28. Interpretation Rules

- 28.1. Where an event occurs on a Saturday, Sunday or Public Holiday in NSW, it shall be taken to occur on the first weekday that is not a Public Holiday thereafter.
- 28.2. Plurals and cognates of defined terms have an equivalent meaning.
- 28.3. Any reference to a named company, fund or trust in this document is a reference to that company, fund or trust as renamed from time to time (including any change in name occurring between publication of this Scheme and commencement of the Scheme Year).