



Notice of Meeting and Explanatory Memorandum

360 CAPITAL INDUSTRIAL FUND

ARSN 099 680 252

Issued by 360 Capital RE Limited ACN 090 939 192
as responsible entity of 360 Capital Industrial Fund
(ARSN 099 680 252)

This is an important document

Please read the information in this document carefully. If you are in any doubt about the Resolution or the action to be taken, you should seek your own professional financial advice without delay.

The Responsible Entity strongly believes the Resolution is in Members' best interests and recommends Members vote in FAVOUR of the Resolution.

Important Notices

What is this document?

This Notice of Meeting and Explanatory Memorandum is dated 16 August 2012 and is issued by 360 Capital RE Limited ACN 090 939 192 in its capacity as responsible entity of 360 Capital Industrial Fund ARSN 099 680 252 (Fund) in respect of the proposed listing of the Fund on the ASX. The purpose of this Notice of Meeting and Explanatory Memorandum is to provide information about the proposed listing and to provide such other information considered material to the decision of Members in determining how to vote on the Resolution. All information in this document forms part of the Notice of Meeting.

The Responsible Entity may update this document electronically by posting updates on its website www.360capital.com.au. Members may request hard copies of any updates by contacting the Responsible Entity.

No investment advice

The information contained in this Notice of Meeting and Explanatory Memorandum does not constitute financial product advice and has been prepared without reference to your particular investment objectives, financial situation, taxation position and needs. It is important that you read the Notice of Meeting and Explanatory Memorandum in its entirety before making any investment decision and any decision on how to vote on the Resolution.

Defined terms

Capitalised terms used in the Notice of Meeting and Explanatory Memorandum are defined in the Glossary in section 10. All times expressed in this Notice of Meeting and Explanatory Memorandum refer to Australian Eastern Standard Time (AEST) and references to money are to Australian dollars.

Any questions?

If you have any questions about your holding of Units or the Resolution, please contact the 360 Capital investor enquiry line on 1800 182 257. If you are in any doubt on how to vote on the Resolution or the action to be taken, you should seek your own professional financial advice without delay.

Meeting details and important dates

Date for receipt of Proxy Forms	10.00am 12 September 2012
Date for entitlement to vote	10.00am 12 September 2012
Date of Meeting	10.00am on 14 September 2012
Place	Clayton Utz Level 15 1 Bligh Street Sydney NSW 2000

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Notice of Meeting

360 Capital Industrial Fund

NOTICE IS GIVEN pursuant to section 252A of the Corporations Act that a meeting of Members in the Fund will be held at the time, date and place detailed below, or such later time and date as notified to Members, to consider and vote on the Resolution in this Notice of Meeting.

Time: 10.00am

Date: 14 September 2012

Place: Clayton Utz
Level 15
1 Bligh Street
Sydney NSW 2000

Business of the Meeting

1. Special Resolution to list the Fund on the ASX and amend the Constitution

"That the Constitution be amended as summarised in Section 6 of this Notice of Meeting and as set out on the 360 Capital website at www.360capital.com.au and the Responsible Entity take all action necessary to list the Fund on the ASX."

Important Explanatory Note

The effect of the above resolution is to approve the listing of the Fund and to formally adopt an amended Constitution (New Constitution) for the Fund. Prior to 360 Capital taking over the Responsible Entity of the Fund, the Constitution was amended in 2009. Those amendments enabled the Fund to be listed without Member approval. However, the Responsible Entity has nevertheless decided to put the above Resolution to Members for the following reasons:

- (a) to give Members a say in relation to whether or not the Fund is listed; and*
- (b) to give Members an opportunity to formally adopt a Constitution and avoid the risk of the Fund incurring additional cost as a result of challenges being made to the Constitution in relation to matters which occurred prior to 360 Capital's involvement in the Fund. This will provide Members and the market with certainty through the listing process.*

To enable Members to consider the changes to the Constitution, we have summarised the material differences between the New Constitution and that which was adopted in 2009. In the event someone were to challenge the validity of the 2009 Constitution (which was adopted prior to 360 Capital taking over as Responsible Entity), also provided is a comparison between the New Constitution and the Constitution that applied prior to the 2009 amendments. Please note that the New Constitution will only incorporate the May 2012 amendments in relation to the 360 Note issue if and to the extent those amendments are determined by a Court to be effective.

By order of the Board



Tony Pitt
Managing Director
360 Capital RE Limited
as responsible entity of the 360 Capital Industrial Fund

Dated: 16 August 2012

The Responsible Entity strongly believes the Resolution is in Members' best interests and recommends Members vote in FAVOUR of the Resolution.

If Members APPROVE the Resolution

Key benefits for Members are:

- Listing offers immediate and ongoing liquidity to those Members who wish to exit
- Members who wish to remain in the Fund will continue to enjoy the benefits that the Fund produces
- Ongoing distributions of 4.5 cents per Unit per annum paid quarterly
- Opportunity to participate in the only "rent collecting" Australian industrial fund on the Australian Securities Exchange (ASX)
- \$7.1 million in cost savings (3.9 cents per Unit) resulting from fees waived by your Responsible Entity
- Ongoing Responsible Entity fees are expected to reduce

If Members DO NOT APPROVE the Resolution:

There will be substantial risks to the Fund:

- No immediate liquidity available for Members
- Uncertainty over when liquidity may be available
- NAB taking enforcement action and causing distributions to cease immediately
- The Fund may need to be wound up with Members having to wait up to two years before receiving any money from the Fund
- Fees of approximately \$7.1 million are payable to your Responsible Entity

Voting in Favour will allow Members to gain access to their money within approximately six weeks from the date of the meeting.

Explanatory Memorandum

1 Background

1.1 Fund strategy

The Fund has gross assets of \$356 million, comprising 24 industrial properties located throughout Australia.

The Responsible Entity is implementing an asset repositioning strategy for the Fund in order to improve portfolio asset quality and income security, as evidenced in the recent acquisition of the Walker portfolio. This strategy will reduce debt and further increase the appeal of the Fund to potential investors.

The Responsible Entity has concluded that listing the Fund on the Australian Securities Exchange (**ASX**) is in the best interests of Members as it provides each and every Member with choice as to when and on what terms they exit their investment in the Fund without disadvantaging those Members who wish to remain in the Fund.

The Fund's strategy to list the Fund also addresses the Exit Mechanism whereby under the Fund's Constitution the Responsible Entity is required to provide liquidity to Members in December 2012. The Exit Mechanism requires an offer to be made to Members to exit some or all of their investment for an amount at least equal to the net tangible asset (**NTA**) value per Unit.

If the Responsible Entity is not able to, or does not consider it is in the best interest of Members to provide the Exit Mechanism, the Responsible Entity must wind the Fund up unless an alternative proposal is put to Members.

1.2 Prior to 360 Capital becoming involved in the Fund in December 2010

Under the previous management of Becton, the Fund had significant impediments including:

- Distributions were suspended and had not been paid for at least 18 months
- Pressure from the Fund's financiers to refinance the Fund's borrowings, which were on a short term and expensive basis
- No prospects of addressing the liquidity event in December 2012

1.3 360 Capital's achievements since December 2010

360 Capital acquired the Becton Funds Management business and became the Responsible Entity of the Fund in December 2010. 360 Capital received unanimous support from the financiers associated with each of the 13 Becton funds.

Since becoming the responsible entity of the Fund, we have made the following significant achievements.

- Stabilised the Fund's balance sheet by entering into a new \$260 million three year finance facility with NAB on improved terms and conditions
- Reinstated FY2012 distributions at 4.0 cents per Unit per annum
- Increased the forecast FY2013 distributions by 12.5% to 4.5 cents per Unit per annum
- Re-leased in excess of 130,000 square metres of industrial space over 18 tenancies (over 40% of the Portfolio's net lettable area)
- Increased the Fund's weighted average lease expiry from 3.2 years to 4.9 years
- Sold three older style properties characterised by short term income risk for \$19.1 million
- Acquired four properties with long term leases for \$87.4 million from Walker Corporation which enhanced the Fund's income security and asset quality
- Investigated all alternatives to provide liquidity to Members and determined that listing the Fund on the ASX is in the best interests of Members.

EXPLANATORY MEMORANDUM

CONTINUED

1.4 Background to this Notice of Meeting

Significant recent activity in the Fund is as follows:

- In June 2012, the Fund acquired four properties from Walker Corporation Pty Limited
- Convertible Notes (debt that can convert to Fund Units) were issued to raise capital for that acquisition
- A new three year debt facility was agreed with NAB was entered into
- On 11 July a Notice of Meeting was distributed proposing a meeting be convened to approve listing of the Fund on the ASX and to amend the current Constitution of the Fund as was necessary to facilitate listing
- On 31 July 2012 the Supreme Court of Victoria (**Court**) ruled that certain amendments to the Constitution made in order to facilitate the issue of the Convertible Notes were invalid and as a consequence the resolution for the proposed meeting needed to be modified and the meeting postponed
- The Responsible Entity has appealed the Court's decision as the Board of the Fund's Responsible Entity believes, having regard to its legal advice, that the amendments to the Constitution were valid and made in accordance with all laws, including the most recent case law
- Despite the Court decision, the Responsible Entity believes listing the Fund on the ASX is the best strategy for the Fund and is in the best interests of Members
- Proxy votes cast by Members for the postponed meeting voted overwhelmingly in support of the ASX listing
- As the outcome of the appeal may not be known for some time, the Responsible Entity has decided to issue a new Notice of Meeting so that Members may consider the listing of the Fund independently of the appeal process
- In this new Notice of Meeting, the Responsible Entity is proposing a new Resolution to list the Fund on the ASX and seek Member approval for the listing and the necessary constitutional amendments to do so
- **For the avoidance of doubt, votes cast by the holders of Convertible Notes will not be counted where, and for as long as, the Courts determine Noteholders are not entitled to vote.**

1.5 What does the Responsible Entity recommend?

The Responsible Entity recommends that Members **vote in FAVOUR of the Resolution** for the reasons set out in Section 4 of this document.

1.6 What do Members need to do?

Members should read this document in its entirety before voting. If you are in any doubt on how to respond to this document or the action to be taken, you should seek your own professional financial advice.

Your vote is important in determining the future of your investment in the Fund.

The Responsible Entity encourages Members to vote on the Resolution either by attending the Meeting in person or by appointing a proxy to vote on their behalf.

All Proxy Forms are required to be returned to the registry provider, Boardroom (Victoria) Pty Limited by 10.00am Wednesday 12 September 2012.

Proxy Forms received after this time will not be valid for the Meeting.

2 Options available to the Fund

2.1 Background

Due to the significant negative impact on the value of Members' investments, the Responsible Entity does not consider implementing the Exit Mechanism and winding up the Fund to be in the best interests of those Members who may wish to remain in the Fund.

However, unless another alternative is found, the Responsible Entity would need to wind up the Fund.

The Responsible Entity has assessed various alternatives in providing Members with liquidity, including as follows:

1. Implement the Exit Mechanism (as required under the Constitution)
2. List the Fund on the ASX
3. Wind up the Fund and return proceeds to Members
4. Defer implementation of the Exit Mechanism beyond December 2012
5. Sale of a portfolio of properties to provide liquidity on some other basis

2.2 Implementing the Exit Mechanism

Under the Constitution, if the Fund is not listed by 17 December 2012, the Responsible Entity is required to provide the Exit Mechanism to all Members where Members can request liquidity for part or all of their investment in the Fund at NTA per Unit.

To the extent the Responsible Entity cannot provide the required liquidity under the Exit Mechanism (via strategies of increasing borrowings or disposing of properties), or does not consider that these strategies are in the best interests of Members, it must wind up the Fund.

Each time the Responsible Entity offers the Exit Mechanism it is entitled to a fee of between 1.0% and 2.5% of the value of the Portfolio.

As the Exit Mechanism is Members' only liquidity opportunity over the next 10 years under the current Constitution, the Responsible Entity expects that a large number of Members will request liquidity leaving it with no option but, in accordance with the Constitution, to not process those requests and to instead terminate and wind up the Fund. This is because:

- Given the Fund's banking covenants, the Fund would not be able to borrow sufficient additional monies to meet the redemption requests from Members
- Redeeming Units under the Exit Mechanism may require the sale of the Fund's best assets at prices most likely to be below their book value, which would result in the remaining Members having a significantly reduced NTA per Unit and being exposed to the remaining lesser quality assets of the Fund.

The Responsible Entity believes implementing the Exit Mechanism does not provide immediate liquidity or a better outcome for all Members compared to listing the Fund on the ASX.

Please refer to Section 5 for details of the wind up scenario and the impact that this is likely to have on your investment.

2.3 List the Fund on the ASX

On listing, the Fund will be the only "rent collecting" industrial property fund trading on the ASX. With approximately 2,900 Members, the Responsible Entity believes it is of sufficient size and quality to be actively traded on the ASX. If the Fund is listed, Members will have immediate liquidity, having the choice of exiting their investment at the time and on the terms of their choosing. On the other hand, Members may remain invested in the Fund and share in the benefits the Fund produces in the future. In addition, if the Resolution is passed, the total ongoing fees paid to the Responsible Entity are expected to reduce. Refer section 6 and 7.3.

The Responsible Entity believes this option should provide liquidity to Members in approximately 6 weeks (subject to the requirements of the ASX) from the date of the meeting.

Please refer to section 4 for a detailed rationale for listing the Fund on the ASX and section 7 for further information.

2.4 Wind up the Fund to return proceeds to Members

If Members do not approve the Resolution to list the Fund on the ASX, the Responsible Entity will have no option but to commence winding up the entire Fund and distribute any remaining net proceeds to Members. If the Fund were to be wound up for the purposes of providing Members with liquidity (including as a result of the Exit Mechanism) then:

- Distributions would cease
- There would be an event of default under the Fund's debt facility

- NAB may commence enforcement action including the appointment of a receiver to sell the Fund's assets
- Substantial transaction costs would be incurred in selling the properties
- Sale prices are likely to be well below book value as purchasers are likely to approach the sale process on an opportunistic "fire sale" basis
- It may be up to two years before net proceeds are distributed to Members after repaying the Fund's borrowings and all other liabilities

The Responsible Entity believes winding up the Fund does not provide immediate liquidity or a better outcome for all Members in comparison to listing the Fund on the ASX.

Please refer to section 5 for details of the wind up scenario and the impact that this is likely to have on your investment.

2.5 Defer the Exit Mechanism

Deferring the Exit Mechanism would require a special resolution (75% of votes cast must be in favour) of Members in order to succeed. From 360 Capital's discussions with Members, it is unlikely that this resolution will be successful as a large number of Members voted for the extension of the Fund in 2007 in the expectation that they could liquidate their investment in 2012.

By deferring the Exit Mechanism, liquidity for Members is again postponed and only defers the significant negative impact on Member value outlined in section 2.2 above. This exposes Members to ongoing market risk over the deferment period.

The Responsible Entity believes deferring the Exit Mechanism does not provide immediate liquidity or a better outcome for all Members compared to listing the Fund on the ASX.

2.6 Portfolio sale

To meet the expected level of demand from Members for liquidity, a portfolio sale of the whole Fund could be undertaken.

However, given the size of the portfolio, and the lower quality assets which were purchased prior to 360 Capital's involvement in the Fund, it is unlikely that a portfolio sale would be achievable in the current marketplace within an acceptable timeframe and at an acceptable price.

There are a number of lower quality industrial portfolios currently available for sale that have not sold over the past two years which supports the view that sale of the whole portfolio is unlikely. If a sale was achieved, it is likely to be at a large discount to book value which would have a negative impact on the NTA per Unit.

The Responsible Entity believes selling the portfolio does not provide immediate liquidity or a better outcome for all Members in comparison to listing the Fund on the ASX.

EXPLANATORY MEMORANDUM

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3 Fund financial information

3.1 Balance Sheet as at 30 June 2012

The Fund is currently finalising its 30 June 2012 accounts and as such the accounts set out below are unaudited. As at 30 June 2012, the Fund has an NTA of \$0.51 per Unit as set out in the first column. Included in the balance sheet is \$7.1 million of Exit Mechanism fees and accrued initial fees which the Responsible Entity is entitled to receive under the Constitution as well as the \$27.0 million in Convertible Notes.

	Unaudited 30 Jun 12 (\$m)	Adjustments	Pro forma post listing (\$m)
Current assets			
Cash	9.6		9.6
Receivables	2.0		2.0
Investment properties	46.5		46.5
Total current assets	58.1		58.1
Non-current assets			
Investment properties	298.3		298.3
Total non-current assets	298.3		298.3
Total assets	356.4		356.4
Current liabilities			
Accounts payable	5.3		5.3
Borrowings	20.0		20.0
Derivative financial instruments	2.5		2.5
Deferred Initial Fee	2.4	(2.4)	–
Accrued exit fees	4.7	(4.7)	–
Total current liabilities	34.8		27.7
Non-current liabilities			
Borrowings	200.0		200.0
Convertible notes	26.0	(26.0)	–
Derivatives	3.3		3.3
Total non-current liabilities	229.3		203.4
Total liabilities	264.2		231.1
Net assets	92.2		125.3
Unitholders' equity	92.2	33.1	125.3
			–
<i>Number of Units on issue</i>	<i>180.6</i>	<i>67.5</i>	<i>248.1</i>
<i>NTA per Unit</i>	<i>\$0.51</i>		<i>\$0.50</i>
<i>Covenant LVR¹</i>	<i>63.8%</i>		<i>63.8%</i>

1 As defined under the finance facility as interest bearing liabilities (excluding Notes) divided by property values.

Column three, the balance sheet pro-forma for the listing of the Fund, has been based on the waiver of the deferred Initial Fee and Exit Mechanism fees of \$7.1 million.

The pro-forma post listing NTA per Unit of \$0.50 assumes all of the Convertible Notes are converted (this would only be possible should the Responsible Entity's appeal of the Court ruling be successful). However, if the Fund is listed and the Convertible Notes were not converted, then the NTA per Unit is expected to be \$0.55 per Unit.

3.2 Asset Disposals – reducing Fund borrowings

The Responsible Entity has been undertaking opportunistic asset sales of non-core lower quality assets to reduce the Fund's borrowings (loan to value ratio or LVR) and continue to improve the Fund's quality of cashflow.

Under the Fund's finance facility with NAB, the Fund is required to have an LVR of below 60% by December 2012, 55% by June 2013 and 50% by March 2014 to remain within its finance covenants.

Over the past 12 months to 30 June 2012 the Fund sold the following assets:

Asset	Date sold	LVR Post Sales
38 Vinnicombe Drive, Canning Vale, WA	December 2011	
244 Eastern Parade, Gilman, SA	June 2012	
71 Stradbroke Street, Heathwood, QLD	June 2012	
Total sale proceeds	\$19.1 million	

The following assets are under Heads of Agreement to be sold:

Asset	Expected sale date	LVR Post Sales
241 Shellharbour Road, Kemblawarra, NSW	August 2012	
145 Archerfield Road, Richlands, QLD	September 2012	
147 Archerfield Road, Richlands, QLD	September 2012	
48 Howleys Road, Notting Hill, VIC	October 2012	
38 Westgate Street, Wacol, QLD	October 2012	
Expected sale proceeds	\$43.8 million	

The Fund has also commenced a marketing campaign for the following assets:

Asset	Target sale date	LVR Post Sales
60 Marple Avenue, Villawood, NSW	December 2012	
32 Gauge Crescent, Canning Vale, WA	December 2012	
28 Gauge Crescent, Canning Vale, WA	December 2012	
Targeted sale proceeds	\$30.2 million	

3.3 Current distributions

Distributions for the quarter ending September 2012 will be 1.125 cents per Unit (4.5 cents per Unit per annum) after the Responsible Entity increased distributions for FY2012 by 12.5%.

If the Fund lists on the ASX, the Responsible Entity is forecasting that the Fund will be able to continue distributions on a quarterly basis at least at this increased rate.

If the Fund does not list on the ASX, it is expected the Fund's financiers will require the Fund to cease paying distributions until such time as the Fund is wound up which could be up to two years.

3.4 Further information in relation to the Fund

Further important information in relation to the Fund is available on the Fund's website www.360capital.com.au

4 Further information in relation to listing on the Australian Securities Exchange

On listing, the Fund will be the only passive industrial property fund trading on the ASX. With approximately 2,900 Members, the Responsible Entity believes it is of sufficient size and quality to be actively traded on the ASX. If the Fund is listed, Members will have immediate liquidity, having the choice of exiting their investment at the time and on the terms of their choosing. On the other hand Members may remain invested in the Fund and share in the benefits the Fund produces in the future.

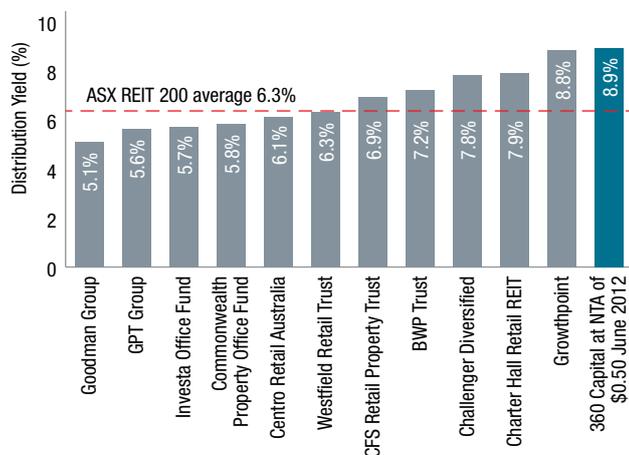
In the year to 30 June 2012, Australian Real Estate Investment Trusts (A-REITs) strongly outperformed general equities by 17.8%.

In considering the rationale for listing the Fund on the ASX the Responsible Entity determined that the listing of the Fund not only addressed the liquidity requirement in December 2012, it also provided the best strategy for preserving the value of the Fund for Members. Below is an analysis of the potential trading price of the Fund's Units using two separate approaches:

1. Distribution yield based on the Fund's current forecast distribution of 4.5 cents per Unit per annum; and
2. Discount or premium to the NTA per Unit of the Fund.

4.1 Trading price analysis based on current distribution of 4.5 cents per Unit per annum

Currently the Fund is making quarterly distributions equivalent to 4.5 cents per Unit per annum. The Fund is expected to maintain these distributions if it lists on the ASX. The analysis below compares the Fund with other "rent collecting" or passive A-REITs listed on the ASX. As at 8 August 2012, the ASX A-REIT 200 Sector was trading on an average distribution yield of 6.3% with comparable A-REITs trading at the higher end of this average as follows:



If the Fund were to trade at its NTA per Unit, and reflect an 8.9% yield, it would be one of the highest yielding A-REITs amongst its peers. Given the Fund will be smaller than its comparable A-REITs, it may initially trade at a slightly higher yield (i.e. lower price). For example, trading at a yield of 10.5% (compared to 6.3% for the A-REIT Sector) would imply a trading price of \$0.43 per Unit. As such, we have also provided an analysis below of the potential trading price if the Fund were to trade at higher distribution yields as follows:

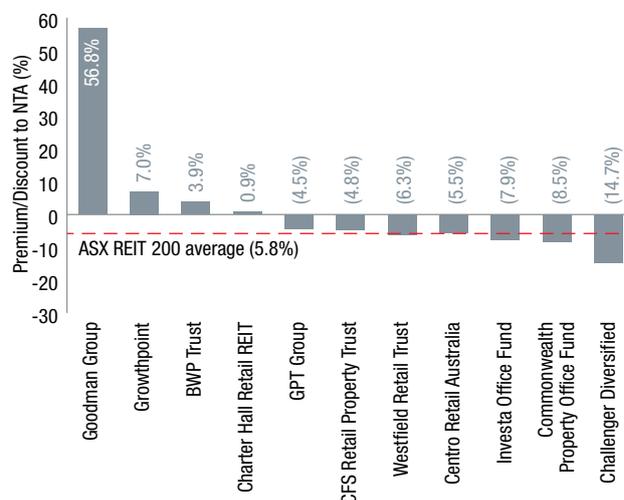


4.2 Trading price analysis based on NTA per Unit

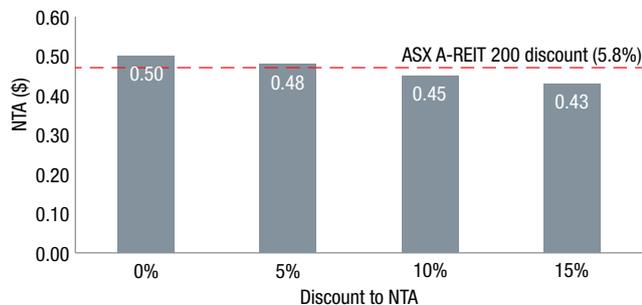
Another way of looking at what price the Fund may trade once listed on the ASX is to look at the potential trading price compared to the Fund's NTA per Unit.

At 30 June 2012 the ASX 200 A-REIT Sector was trading at a discount of 5.8% to its underlying NTA per Unit. Goodman Group has been included in the analysis as, although it includes significant development activities, it is the only current industrial property focussed A-REIT on the ASX. However, Goodman Group trades at a significant premium to NTA.

We do not expect the Fund to trade at such a premium but more like the typical "rent collecting" A-REITs that trade between 7.0% premium to NTA per Unit (Growthpoint) and a discount of up to 15% (Challenger Diversified) as seen below.



Using the A-REIT Sector average discount to NTA per Unit of 5.8%, the Fund would trade at \$0.47 per Unit. At a 0% discount to NTA per Unit the Fund would trade at \$0.50 per Unit. At a 15% discount to NTA per Unit, the Fund would trade at \$0.43 per Unit. The graph below shows the potential trading price on the ASX where Units trade at a discount to NTA of up to 15%.



If for example a Member had 10,000 Units in the Fund, the realisable value on the ASX would be between \$4,300 and \$5,000 based on the above scenarios.

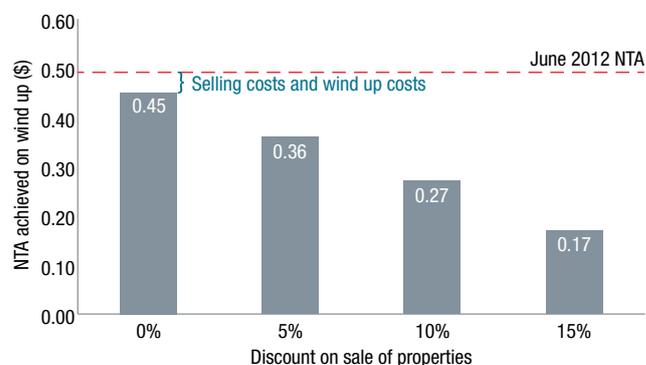
THE RESPONSIBLE ENTITY STRONGLY BELIEVES LISTING THE FUND ON THE ASX PROVIDES AN OUTCOME THAT MEETS THE REQUIREMENTS OF ALL MEMBERS.

5 Further information in relation to winding up the Fund

If the Fund were to be wound up (including as a result of the Exit Mechanism), then there would be a number of negative consequences, as outlined in section 2.4. As such, the amount investors receive under a wind up strategy could be affected significantly.

We have analysed the amount Members are likely to receive per Unit based on a wind up scenario and provide the sensitivity below.

If the properties were sold at book value Members might expect to receive \$0.45 per Unit after selling costs. If the properties were sold at a 15% discount to current book value then Members might expect to receive only \$0.17 per Unit after selling costs due to the magnifying effect of the Fund's level of borrowings.



If for example a Member had 10,000 Units in the Fund, the realisable value under a wind up would be between \$1,700 and \$4,500 based on the above scenarios. Furthermore it may be up to two years before Members receive these proceeds.

THE RESPONSIBLE ENTITY STRONGLY BELIEVES WIND UP THE FUND IS NOT IN THE INTERESTS OF MEMBERS AS IT ERODES MEMBER VALUE MORE THAN LISTING THE FUND ON THE ASX.

EXPLANATORY MEMORANDUM

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6 Constitutional amendments

If the Resolution to approve the listing of the Fund is passed, Members will formally adopt an amended Constitution (**New Constitution**) for the Fund. Prior to 360 Capital taking over the responsible entity of the Fund, the Constitution was amended in 2009. The benefit of Members formally adopting a Constitution is that it will provide Members, the Fund and the market with certainty and avoid the risk of the Fund incurring additional cost as a result of challenges being made to the Constitution in relation to matters which occurred prior to 360 Capital's involvement in the Fund.

To enable Members to consider the changes to the Constitution we have summarised some of the key provisions of the New Constitution and compared those provisions with those which were adopted in 2009 (**2009 Constitution**). In the event someone were to challenge the validity of the 2009 Constitution (which was adopted prior to 360 Capital taking over as Responsible Entity of the Fund), also provided is a comparison between those provisions of the New Constitution and the Constitution that applied prior to the 2009 amendments (**Pre-2009 Constitution**). Please note that the New Constitution will only incorporate the May 2012 amendments in relation to the 360 Note issue if and to the extent those amendments are determined by the Court to be effective.

The summary below has been prepared having regard to the provisions of the Constitutions, the Corporations Act and any relevant ASIC instrument of relief. As the following table represents a brief summary only, the Responsible Entity recommends that Members inspect the following documents which are available on the Fund's website at www.360capital.com.au:

- the Supplemental Deed which will be executed if the Resolution is passed (containing the New Constitution);
- the 2009 Constitution; and
- the Pre-2009 Constitution.

Provision	New Constitution	2009 Constitution	Pre-2009 Constitution
Issue of Units when listed	<p>In accordance with ASIC policy relating to schemes similar to the Fund, the RE may issue Units at one of the following prices:</p> <ul style="list-style-type: none"> ● a price determined pursuant to a bookbuild conducted in accordance with market practice by a reputable and experienced investment bank; ● in relation to a placement, at a price which the RE determines, provided no more than 15% of the Units are issued in any 12 month period; ● in relation to a rights offer, at a price which is at least 70% of the prevailing VWAP; ● in relation to a DRP, at a price which is at least 90% of the prevailing VWAP; and ● at a price which is based on the 10 day VWAP of Units. <p>Offers of new units may be underwritten.</p> <p>Having some flexibility in the determination of the issue price is advantageous as it will enable the RE to raise capital in circumstances where it believes it is in the best interests of members, including to take advantage of investment opportunities.</p>	<p>This was permitted under the 2009 Constitution.</p> <p>This was permitted under the 2009 Constitution.</p> <p>The price for a rights offer was determined by a bookbuild under the 2009 Constitution.</p> <p>This was permitted under the 2009 Constitution.</p> <p>This was permitted under the 2009 Constitution.</p>	<p>No equivalent provisions.</p> <p>The Pre-2009 Constitution does not contain any provisions which deal with circumstances where the Fund is listed.</p>
Issue of Units when unlisted	<p>The RE may issue Units at a price based on the NTA per Unit.</p> <p>Pursuant to a rights offer, the RE may issue Units at a discount of up to 70% off the usual issue price.</p> <p>Offers of new units may be underwritten.</p>	<p>No change</p>	<p>The RE may issue Units at a price based on the NTA per Unit.</p> <p>Pursuant to a rights offer, the RE may issue Units at a discount of up to 2% off the usual issue price.</p>

Provision	New Constitution	2009 Constitution	Pre-2009 Constitution
Issue of different classes of Unit	The RE may issue different classes of units with rights and terms it determines, including partly paid units.	No change	No change
Issue of options	The RE may issue options on such terms it considers only when the Fund is listed. Prior to exercise, option holders do not have any right to receive distributions of income or capital or to receive any distribution upon winding up of the Fund.	No change	The RE does not have the power to issue options.
Member liability	Your liability is limited to your investment in the Fund	No change	No change
RE powers	The RE has all powers that a natural person would have as if it owned the Fund assets. This includes the power to acquire and dispose of property, to borrow or raise money and to encumber the Fund's assets.	No change	No change
RE indemnity	The RE will be indemnified out of the assets of the Fund for all liabilities incurred by it other than as a result of the RE's breach of trust, recklessness or fraud.	No change	No change
RE fees when listed	The RE is entitled to a management fee of 0.65% p.a. of the gross asset value of the Fund.	No change	No equivalent provision as the Pre-2009 Constitution did not contemplate listing.
RE fees when unlisted	The RE is entitled to a management fee of 6% p.a. of the gross proceeds received from the Fund properties during the relevant year.	As for the New Constitution. In addition, the RE was also entitled to receive <ul style="list-style-type: none"> ● an exit mechanism fee of an amount equal to 1% of the aggregate value of each real property asset owned (directly or indirectly) by the Fund (Property Value) plus the lesser of: <ul style="list-style-type: none"> — 1.5% of the Property Value — the aggregate for each real property asset owned (directly or indirectly) by the Fund of the net value of the property less the acquisition cost of the property adjusted to CPI movement; ● an initial fee of 5% of the purchase price of each real property asset acquired by the Fund; and ● a leasing fee of 8.5% of the gross proceeds for the first year of a new or extended lease term. <p>The exit mechanism fee, the initial fee and the leasing fee have all been removed from the New Constitution.</p>	As for 2009 Constitution.
Removal of RE	The RE may be removed in accordance with the Corporations Act. This requires an extraordinary resolution when the Fund is unlisted and an ordinary resolution when the Fund is listed.	No change	No change

EXPLANATORY MEMORANDUM

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Provision	New Constitution	2009 Constitution	Pre-2009 Constitution
Withdrawal from the Fund when listed	The RE may instigate a buy back which, subject to the Corporations Act, will enable the RE to offer to buy back units on similar terms to that on which a company may buy back shares.	No change	No equivalent provision as the Pre-2009 Constitution did not contemplate listing.
Withdrawal from the Fund when unlisted	<p>You have no right to withdraw from the Fund other than pursuant to any withdrawal offer made by the RE. The RE is not required to make any withdrawal offer.</p> <p>The Exit Mechanism (defined in the next column) will be removed from the New Constitution. If the RE were to retain this provision and offer the Exit Mechanism to Members this year, due to it being the only opportunity Members would have to withdraw from the Fund in 10 years, the RE believes the requests for withdrawal would be considerable. The RE therefore considers that providing the Exit Mechanism would lead to the wind up of the Fund.</p>	<p>No change</p> <p>In addition, the RE is required to offer you an opportunity to apply to withdraw some or all of your Units on 17 December 2012 and each 10 year anniversary of that date at a price equal to the NTA per Unit (Exit Mechanism). If the RE is not able, or does not believe it is in the best interests of Members, to provide the Exit Mechanism, the RE must wind up the Fund.</p>	<p>No change</p> <p>As for 2009 Constitution.</p>
Distributions of income	For each distribution period, you are entitled to your pro rata proportion of the Fund's distributable income.	No change	No change
Distribution of capital	In respect of any distribution of capital (through the life of the Fund or on winding up), you are entitled to your pro rata proportion of the distributable amount.	No change	No change
Meetings of Members	<p>All meetings of Members will be conducted in accordance with the provisions of the Corporations Act, including:</p> <ul style="list-style-type: none"> ● you are entitled to receive notice of the meeting and attend the meeting; ● you are entitled to appoint a proxy; ● quorum is two Members; ● on a show of hands, you have one vote; and ● on a poll, you have one vote per dollar invested in the Fund. 	No change	As for the New Constitution with the exception that the quorum is the lesser of five Members and Members holding 10% of Units.
Transfer of Units when listed	Transfers are permitted and must occur in accordance with any Listing Rule requirements.	No change	No equivalent provision
Transfer of Units when unlisted	Transfers are permitted provided they are in the prescribed written form.	No change	No change
Transmission of Units	Standard transmission provisions apply to transfer Unit ownership in circumstances where a Member dies.	No change	No change
Valuation of property	The RE may value the property of the Fund at any time.	No change	No change

Provision	New Constitution	2009 Constitution	Pre-2009 Constitution
Investment Strategy	<p>The RE will manage the assets of the Fund in accordance with the investment strategy which includes:</p> <ul style="list-style-type: none"> investing in freehold or leasehold property located in established or industrial zoned precincts in Australia or New Zealand; property purchase prices must be supported by a written valuation provided by an independent valuer; no single property acquisition will constitute more than 35% of the Fund portfolio value at the date of acquisition; property may be acquired wholly through debt provided the RE believes at the time of acquisition that the debt will be paid down to an LVR of 65% within two years; RE must commission a legal due diligence report and may commission an independent building condition report and quantity surveyors report where it considers necessary; and all acquisitions must be approved by the board of the RE. <p>As required by the Corporations Act, the RE may only acquire properties where it considers it to be in the best interests of Members.</p>	<p>In the 2009 Constitution, property was required to be freehold and located within metropolitan boundaries of capital or regional cities in Australia or New Zealand.</p> <p>No change</p> <p>No change</p> <p>In the 2009 Constitution, property may be acquired wholly through debt provided such debt is paid down to an LVR of 65% within 9 months.</p> <p>In the 2009 Constitution, the RE was required to commission a legal due diligence report, an independent building condition report and a quantity surveyors report.</p> <p>No change.</p> <p>In addition, in the 2009 Constitution, each property acquisition must be capable of achieving comparable returns and benefits as those properties which were first acquired by the Fund. However, this concept has been deleted in the New Constitution as it is both vague and uncertain. The RE may only acquire properties where it considers such acquisition is in the best interests of Members.</p>	<p>As for 2009 Constitution.</p> <p>The RE could implement a stapling or merger without any Member approval provided implementation of any such proposal was consistent with the investment strategy of the Fund (set out immediately above).</p>
Stapling / Merger / Restructure	<p>There will be no power for the RE to implement any stapling, merger or restructure in respect of the Fund.</p>	<p>The RE could implement a stapling or interpose a head trust with a prior ordinary resolution of Members.</p>	<p>The RE could implement a stapling or merger without any Member approval provided implementation of any such proposal was consistent with the investment strategy of the Fund (set out immediately above).</p>
Legal compliance	<p>The provisions of the Constitution are subject to the Corporations Act and, when listed, the Listing Rules.</p>	<p>No change</p>	<p>No change, other than the Constitution did not contemplate listing.</p>
ASX requirements	<p>The New Constitution will contain such other provisions as are required by the ASX to facilitate the listing of the Fund.</p>	<p>Not applicable</p>	<p>Not applicable</p>

EXPLANATORY MEMORANDUM

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7 Additional important information

7.1 Advantages and disadvantages of passing the Resolution

Advantages	Disadvantages
Listing the Fund will provide enhanced liquidity options to Members.	The price of Units will fluctuate with the trading of Units on the ASX.
Listing of the Fund will enable the Responsible Entity to pursue the Fund's strategy and enable Members to benefit from recent transactions.	There is a risk that the price of Units may not be reflective of the underlying NTA value of the Fund, or be greater than the amount which Members would receive if the Fund was wound up under the Exit Mechanism. Whether the Fund trades at a premium or discount to NTA per Unit will ultimately be a product of many economic, market and Fund specific factors which will change from time to time. A number of these are outside the control of the Responsible Entity.
The Responsible Entity will not be required to provide the Exit Mechanism to Members. As such, the Responsible Entity considers Members will not be exposed to the potentially detrimental impacts of the Exit Mechanism from winding up the Fund and a default under the NAB Facility but will still obtain the opportunity to liquidate their investment at the time of their choosing.	Members will not be able to participate in the Exit Mechanism however the Responsible Entity believes the Exit Mechanism will be adverse to Members and may result in the winding up of the Fund.
Listing enables the Responsible Entity to pay FY2013 distributions at least at a rate of 4.5cpu p.a.	The Fund will incur initial listing fees of approximately \$120,000 and annual fees referable to the value of the Units which will initially be approximately \$35,000 to \$40,000 per year.
Fees of approximately \$7.1 million will be saved by the Fund.	
It is expected that ongoing Responsible Entity fees will reduce.	

7.2 What happens if the Resolution is not approved?

If the Fund is not listed on the ASX, 360 Capital RE Limited will continue to manage the Fund in the best interests of Members. As set out above, Members should note that if listing does not occur by 17 December 2012, the Responsible Entity will be required to provide Members with the Exit Mechanism.

The Responsible Entity believes providing the Exit Mechanism to Members is likely to have a materially detrimental effect on Members for the reasons set out in sections 2 and 5.

7.3 What impact will the listing have on fees

If the Fund is listed, the Responsible Entity will waive approximately \$7.1 million in fees.

After listing, the Responsible Entity will be entitled to a management fee of 0.65% p.a. of the gross asset value of the Fund.

All of the following fees which are applicable while the Fund is unlisted, will fall away upon listing:

- 6.0% p.a. of the gross proceeds received from the Portfolio during the relevant year;
- Initial fee upon the acquisition of any real property asset for the Fund of 5.0% of the acquisition price;
- Leasing fee upon the grant or extension of a lease of 8.5% of the gross proceeds for the first year of the new or extended lease term; and
- Exit Mechanism fee of up to 2.5% of the value of the Portfolio.

7.4 What does the Responsible Entity recommend?

The Responsible Entity strongly believes the listing is in the best interests of Members and recommends you vote in FAVOUR of the Resolution.

8 Queries

If you have any questions regarding your investment in the Fund, the Resolution, or what action you should take, please contact your financial adviser or the 360 Capital information line on 1800 182 257 or email investor.relations@360capital.com.au

9 Notes about the Meeting and how to vote

These notes form part of the Notice of Meeting.

9.1 Changing the time and date of the Meeting

The Responsible Entity reserves the right to postpone or adjourn the Meeting to a later time or date. If the Responsible Entity makes such a determination, it will notify all Members by placing an announcement on the following website www.360capital.com.au

The Responsible Entity will endeavour to notify Members of any such postponement prior to the original date and time of the Meeting, however, the postponement of the Meeting will not be invalidated by the failure to do so.

9.2 Quorum

The quorum necessary for the Meeting is two Members present in person or by proxy.

9.3 Chairperson

The Responsible Entity will appoint a person to chair the Meeting.

9.4 Voting intentions of the Chairperson

The Chairperson intends to vote any undirected proxies appointing the chair as proxy in favour of the Resolution.

9.5 Majority required

The Resolution is a special resolution and will be decided on a poll. The Resolution will be passed if at least 75% of the votes cast by Members entitled to vote on the Resolution (including Members who vote in person or by proxy) are voted in favour of the Resolution.

9.6 Entitlement to vote

All Members appearing on the register at 10.00am Wednesday 12 September 2012 are entitled to attend and vote at the Meeting. Accordingly, Unit transfers registered after this time will be disregarded in determining entitlements to vote at the Meeting.

9.7 Bodies corporate

A body corporate may appoint an individual as its representative to exercise any of the powers the body corporate may exercise at meetings of Members of the Fund. The appointment may be a standing one. Unless the appointment states otherwise, the representative may exercise all of the powers that the appointing body corporate could exercise at a meeting or in voting on the Resolution.

An original or certified copy of the representative's appointment (together with a certified copy of any authority under which the appointment is signed) should be delivered to the Responsible Entity no later than 10.00am Wednesday 12 September 2012 at the address set out in section 9.14 below.

9.8 Jointly held interests

If an interest in the Fund is held jointly, and more than one Member votes in respect of that interest, only the vote of the Member whose name appears first in the register of Members counts.

9.9 Appointment of proxy

If you are entitled to vote at the Meeting you have a right to appoint a proxy and may use the proxy form enclosed with this notice. The proxy does not need to be a Member of the Fund.

If you wish to appoint someone other than the Chairperson of the Meeting as your proxy, please write the name of that person in the appropriate box. Members cannot appoint themselves. If you do not name a proxy, or your named proxy does not attend the Meeting, the Chairperson of the Meeting will be your proxy and vote on your behalf.

Your proxy has the same rights as you to speak at the Meeting and to vote to the extent you allow on the proxy form.

9.10 Voting directions to your proxy

You may direct your proxy how to vote. Your proxy does not have to vote, but if your proxy does vote, your proxy must vote as directed. All your votes will be cast in accordance with your direction, unless you indicate only a portion of votes are to be cast on any item.

If you do not direct your proxy how to vote, your proxy will vote as he or she chooses (and if you appoint the Chairperson, the Chairperson will vote in favour of the Resolution). If you mark more than one box relating to the Resolution any vote by your proxy on that item may be invalid.

EXPLANATORY MEMORANDUM

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9.11 Appointing a second proxy

If you are entitled to cast two or more votes you may appoint two proxies and may specify the proportion or number of votes each proxy is appointed to exercise.

If you appoint two proxies and the appointment does not specify the proportion or number of votes each proxy may exercise, each proxy may exercise half of the votes (ignoring fractions).

9.12 Signing instructions

A proxy form must be signed by the Member or the Member's attorney. Instructions for signing are on the proxy form. If a proxy is signed by an attorney and you have not previously lodged the power of attorney for notation, please attach a certified copy of the power of attorney to the form when you return it.

9.13 Appointing an attorney

If a Member wishes to appoint an attorney to act in respect of the Meeting, an original or certified copy of the power of attorney (together with a certified copy of any authority under which the power of attorney is signed) should be delivered no later than 10.00am Wednesday 12 September 2012 to the address set out below.

9.14 Lodgement of proxies and other authorities

Proxy forms and other authorities should be returned by posting them in the reply paid envelope provided or delivering them to the address below, or directly to the Responsible Entity.

By post

Boardroom (Victoria) Pty Limited
GPO Box 3993
Sydney NSW 2001

By facsimile

(02) 9290 9655

By email

investor.relations@360capital.com.au

By hand

Boardroom Pty Limited
Level 7, 207 Kent Street
Sydney NSW 2000

All Proxy Forms must be received no later than 10.00am Wednesday 12 September 2012. Documents received after that time will not be valid for the Meeting.

10 Glossary

360 Capital or 360 Capital Property Group	360 Capital Property Group consists of the stapled entity comprising 360 Capital Property Limited (ACN 146 484 433) and 360 Capital Investment Trust (ARSN 141 872 844) and each of their subsidiaries.
360 Capital RE Limited	360 Capital RE Limited ACN 090 939 192, the current responsible entity of the Fund.
AEST	Australian Eastern Standard Time (i.e. the time applicable in Sydney, New South Wales).
A-REIT	An ASX-listed Australian Real Estate Investment Trust, formerly known as listed property trusts.
ASIC	Australian Securities and Investments Commission.
ASX	ASX Limited or the market operated by it (as the context requires).
Constitution	The constitution of the Fund as amended from time to time.
Convertible Notes or Notes	The convertible notes in the Fund issued to fund the recent acquisition of the four assets recently acquired by the Fund from Walker Corporation Pty Limited.
Corporations Act	<i>Corporations Act 2001 (Cth)</i> .
Dollars or \$ or cents	Australian currency.
Exit Mechanism	A current provision under the Constitution whereby on 17 December 2012 (and every 10 years thereafter), the Responsible Entity must provide those Members who have elected to redeem some or all of their Units in the Fund with liquidity at an exit price equal to the NTA per Unit.
Explanatory Memorandum	The explanatory memorandum contained in this document.
Fund	360 Capital Industrial Fund ARSN 099 860 252.
LVR	As defined under the finance facility as interest being liabilities (excluding Notes) divided by property values.
Meeting	The meeting of Members of the Fund.
Member	A member of the Fund determined in accordance with the Corporations Act.
NAB	National Australia Bank Limited ACN 004 044 937.
NAB Facility	The Fund's debt facility with NAB which provides secured debt to the Fund.
NLA	Net lettable area.
Noteholders	A holder of Convertible Notes.
Notice of Meeting	This document, including the notice of meeting set out on page 1 of this document.
NTA	Net tangible assets.
Resolution	The Resolution set out in the Notice of Meeting.
Responsible Entity or RE	The responsible entity of the Fund (currently 360 Capital RE Limited).
Unit	An ordinary unit in the Fund.
Unitholder	A registered holder of a Unit.
VWAP	Volume weighted average price (ie. the average price a particular security is traded at over the relevant trading period).



360 Capital Industrial Fund ARSN 099 680 252

Investor Enquiries

Boardroom (Victoria) Pty Limited
GPO Box 3993
Sydney NSW 2001
Toll Free: 1800 182 257
Email: investor.relations@360capital.com.au

Postal Address

GPO Box 3993
Sydney NSW 2001

Responsible Entity

360 Capital RE Limited
ACN 090 939 192
AFSL 223739

Registered Office

Level 8, 56 Pitt Street
Sydney NSW 2000
www.360capital.com.au

Disclaimer

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