

23 July 2012



360 Capital RE Limited  
ABN 62 090 939 192

ALL CORRESPONDENCE TO:

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Dear Member,

## **RE: UNIT SALE FACILITY**

360 Capital RE Limited (360 Capital or We), the Responsible Entity of the 360 Capital Industrial Fund (Fund), is pleased to announce in conjunction with proposed ASX listing of the Fund, that a Unit Sale Facility (Facility) is being provided to enable those Members with holdings of less than 50,000 Units as at 7.00pm on the Record Date (Qualifying Members) to sell their Units free of brokerage.

We believe that after listing the Fund will have strong investment fundamentals including enhanced security of income, scale and growth prospects. However, we recognise that some Members may prefer to sell their Units and that brokerage or other transaction costs may be impediments, particularly where a Member has a small holding.

To help alleviate this concern, 360 Capital has set up the Facility, whereby should you elect to do so, 360 Capital will arrange for the sale of all of your Units on your behalf and for your benefit via its appointed securities broker, Moelis Australia Securities Limited (Broker). We have instructed the Broker to sell the Units under the Facility within seven days of the Fund being listed on the ASX (Closing Date). The Broker will seek to sell all Units under the Facility; however it is not permitted by 360 Capital to sell any Units for less than 40 cents per Unit (Minimum Price). If the Minimum Price is not achieved for your Units, your Units will not be sold.

Importantly, you will not need to appoint a broker or pay any brokerage or handling costs associated with the sale of your Units under the Facility. If your Units are sold under the Facility, the sale proceeds will be remitted to you in Australian Dollars and within ten business days of the sale date. The Broker will only sell Units under the Facility if it is able to sell all the units in the Facility. If a full sale of all units in the Facility cannot be achieved by the Broker, no Units will be sold and you will continue to own your Units.

### **Selling your Units - what you need to do**

If you are a Qualifying Member and you would like to sell your Units through the Facility, **sign the attached form and return it to the Fund's Unit Registry, Boardroom (Victoria) Pty Limited, by 10.00am Monday 6 August 2012 (Record Date)** via the reply paid envelope or hand delivery.

**In order for the Facility to proceed, the listing of the Fund must proceed.** As such, should you wish to sell your Units through the Facility, you are encouraged to **vote in favour** of the resolution relating to listing the Fund on the ASX at the Member Meeting on 8 August 2012. Given the importance of the vote, **the attached form allows you to lodge your vote and also allows you to appoint a proxy if required.**

### **What price will I receive for my Units?**

Subject to the Minimum Price, the price that you receive for each Unit sold through the Facility will be the volume weighted average price achieved by the Broker on the sale of all Units sold by the Broker on ASX through the Facility (Sale Price). The Sale Price will be calculated by dividing the total sale proceeds for all Units sold under the Facility by the total number of Units sold under the Facility. As the price payable is an average, it may be more or less than the actual price at which your individual Units are sold by the Broker.

It is important to note that if **all** Units in the Facility are sold, the Sale Price received by you for your Units will not be less than the Minimum Price. All participants who have their Units sold under the Facility will receive the same Sale Price per Unit.

You should note that the price obtained for your Units under the Facility will depend on a number of factors including market conditions prevailing at the time. The market price for your Units is subject to change from time to time. The price you receive may be different to the price appearing in the newspaper or quoted by ASX on any day, may not be the best execution price on the trading day or trading days that your Units are sold, and may be more or less than the actual price at which your Units are bought or sold. However, the price you receive for your sold Units will not be less than the Minimum Price. No interest will be payable to you in relation the proceeds of sale of your Units. Interest (if any) earned on such amounts will be retained by the Fund.

**Retaining your Units - what you need to do**

If you are a Qualifying Member and wish to remain invested in the Fund, **then you do not need to take any action in relation to this Facility, however you are encouraged to vote in favour of the Fund listing.**

**Your vote is important**

Whether or not you choose to participate in the Facility, we recommend you **vote in favour** of the resolution relating to the ASX listing of the Fund at the Member Meeting on 8 August 2012. This is important to avoid a potentially significant negative impact on your investment's value due to a wind-up of the Fund if it's not listed.

If you are unable to attend the meeting in person, please fill out the Proxy Form enclosed with the Notice of Meeting dated 11 July 2012 (or the enclosed form if you want to sell your Units via the Facility) and return it to the Fund's Unit Registry, Boardroom (Victoria) Pty Limited, by 10.00am Monday 6 August 2012 via reply paid envelope, fax, email or hand delivery.

The Board of 360 Capital has obtained professional advice from **an Independent Expert who confirmed the strategy proposed by 360 Capital, including listing the Fund on the ASX, is in the best interests of Members.**

Approving the Fund's listing on the ASX will provide:

1. **Full liquidity.** You can choose to exit the Fund at any point and, importantly, you will receive the proceeds of any sale without delay.
2. **Strong distributions.** If you choose to stay in the Fund after listing you will receive a forecast 12.5% increase in your 2013 distribution to 4.5 cents per Unit.
3. **\$7.1 million in cost savings** (3.9 cents per Unit) as 360 Capital will waive fees of \$7.1 million if the Fund lists.

**If the Fund does NOT list, 360 Capital believes it will be forced to wind up the Fund, resulting in a negative impact to Members' equity value and distribution yield.**

Negative impacts of a Fund wind up are expected to include:

1. The Fund would be a "forced seller" of its assets. Consequently, potential acquirers may treat the sale process on a "fire sale" basis, seeking to purchase assets below their current book value. Such a scenario would have a **dramatic negative impact on your NTA per Unit.** By way of illustration, for a fund with 60% gearing, selling the fund's assets at just 10% below book value with selling costs of 5% has a negative 38% impact on NTA per Unit.
2. There will be an event of default under the NAB facility and it is likely that NAB (per the terms of the debt facility) will require **distributions to immediately cease.**
3. Given the complex nature of a large portfolio sale and Fund wind up, it is likely you may have to **wait up to two years before receiving any capital.**

If you are in any doubt, or if you require information regarding possible taxation implications arising from participation in the Facility, please consult your legal, financial or taxation adviser. If you have any questions, please call the 360 Capital investor services on 1800 182 257 or email [investor.relations@360capital.com.au](mailto:investor.relations@360capital.com.au)

Yours faithfully,



Tony Pitt  
**Managing Director**  
**360 Capital RE Limited**