

10 September 2012

RG198 Announcement

360 Capital Industrial Fund
ARSN: 099 680 252

360 Capital RE Limited
ABN 62 090 939 192
ALL CORRESPONDENCE TO:
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Dear Member,

RE: MEMBER UPDATE REGARDING WHY DENISON/FORUM/GARNAUT'S PROPOSAL WILL LEAD TO THE WIND UP OF THE FUND

On behalf of 360 Capital RE Limited, the Responsible Entity of the 360 Capital Industrial Fund (Fund), I would like to provide you with the following update.

Some Members have asked why we have said that the appointment of Denison will result in the winding up of the Fund. There are several reasons for this.

The first is that the appointment of Denison is an event of default under the terms of the Fund's financing arrangements if the financier has not previously consented to the appointment of a new Responsible Entity. This may either:

- entitle the financier to demand that 360 Capital as Responsible Entity of the Fund immediately repays the facilities under the financing arrangements and, if necessary, to commence enforcement proceedings and appoint a receiver over 360 Capital as Responsible Entity of the Fund; or
- even if enforcement proceedings are not commenced, require 360 Capital as Responsible Entity of the Fund to agree revised terms of repayment with the financier.

As a consequence of either, it is likely that a receiver or the Responsible Entity itself would be forced to wind up the Fund, dispose of the assets in the Fund and use the sale proceeds to repay the finance facility.

Irrespective of the above, as a result of the default under the facility arrangements, 360 Capital believes the appointment of Denison will still result in the winding up of the Fund. This is because the appointment of Denison does not avoid the Exit Mechanism under the Constitution.

What Denison has not told Members is that, in order to avoid the Exit Mechanism, Denison will have to convene another meeting in order to pass a special resolution (being a 75% vote). 360 Capital has consulted with Members and, given Denison's failure to provide Members with any real liquidity option and given the very real prospect of Denison together with its affiliate Forum raising capital in the Fund on a highly dilutive basis, 360 Capital strongly believes that such a special resolution will not be passed.

As previously explained to Members, if the Exit Mechanism is triggered, Members have a right to require the Responsible Entity to redeem their units at NTA per Unit. In the absence of any other liquidity option, it is likely that a vast majority of Members (by value) will seek to participate in the Exit Mechanism. The redemption of Members under the Exit Mechanism would be likely to cause the remaining Members to suffer significant detriment (by virtue of the Fund having to raise capital on dilutive terms or having to sell the most attractive assets of the Fund in order to fund the exit of some Members). As such, the Responsible Entity would have no option under the Constitution but to wind up the Fund.

Accordingly, 360 Capital firmly believes that, if Members approve the Denison/Forum/Garnaut proposal, the Fund will be wound up. While the Fund is being wound up, it is probable that 360 Capital will be unable to make further distributions to Members.

Denison/Forum/Garnaut have been misleading to Members by not disclosing to Members the inherent flaws, significant execution risk, conflicts and payments that are associated with its proposal.

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Lodging your proxy is easy

On behalf of all Members, I would like to thank all those Members that have voted and provided clear support for 360 Capital's proposal to list the Fund and to reject the inadequate Denison/Forum/Garnaut proposal.

We strongly believe that our strategy to list the Fund to provide liquidity by Christmas and a Fund with a prosperous future is in all Members' best interests.

There is still time Members to lodge proxies by the **proxy deadline of 10am Wednesday 12 September 2012** by email, fax and by hand:

Email: investor.relations@360capital.com.au

Fax: +61 2 9290 9655

By hand: Boardroom (Victoria) Pty Limited
Level 7, 207 Kent Street
Sydney NSW 2000

Alternatively, I would welcome your attendance at the meeting. If you have any questions, please call 1800 182 257 or visit www.360capital.com.au

Yours faithfully,



Tony Pitt
Managing Director
360 Capital RE Limited