

3 September 2012

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Dear Member,

**RE: FURTHER INFORMATION ON DENISON/FORUM/GARNAUT**

In the interests of all Members, 360 Capital representatives attended the Denison/Forum/Garnaut presentations to Members in Perth on 28 August and in Sydney on 30 August.

**THE DENISON STRATEGY IS ILL-CONCEIVED & WILL ERODE YOUR EQUITY FOR FORUM'S BENEFIT**

Only 360 Capital's strategy provides you with access to your money by Christmas or the ability to remain in the Fund and share in its future prosperity.

Concerning issues were disclosed at the meeting:

1. **Denison/Forum/Garnaut's sole "strategy" - Extend Exit Mechanism by 3 years (+ 1 year option)**
  - o Denison wants to deny you your right to liquidity for up to 4 years
  - o Extending the Exit Mechanism means you have to vote again to change to the Constitution (a 75% vote)
  - o 360 Capital believes the vote will fail, as a large proportion of Members have told us they want to exercise their right for liquidity in December 2012
2. **What happens if the vote to extend the Exit Mechanism fails?**
  - o Exit Mechanism will be triggered
  - o Matthew Burrows (Denison CEO) confirmed Denison would follow 1 of 3 options to meet redemptions:
    - List the Fund on the ASX – *this is 360 Capital's strategy*;
    - Wind-up the Fund – *Denison confirmed* that this strategy will result in a "fire sale" of assets and be a negative outcome for Members; or
    - Forum Partners (US Hedge Fund that owns Denison) will inject fresh capital into the Fund.
3. **Forum's history of diluting Unitholders' equity**
  - o In June 2012 Forum injected capital into the Denison-managed Viento Diversified Property Fund - *a related party transaction that never received Unitholder approval*. The facts:
    - \$19.4 million convertible bond investment
    - 18% p.a. interest rates (*distributions to Unitholders remain suspended*)
    - Repayable in 3 years by issuance of 35 million Units which will *dilute Unitholders' ownership by 30%*
    - Mr Burrows was unable to provide the pricing details of the options – we can only assume they will be issued well below NTA and *further dilute Members' NTA per Unit*
    - Mr Burrows was asked why the pricing of Forum's capital was so detrimental to Unitholders, his response was that "**Forum FORCED us to use their capital to refinance the fund despite my protests**"
4. **The likely outcome of supporting the Denison/Forum/Garnaut proposal?**
  - o Proposal to extend the Exit Mechanism will be voted down by the majority of Members who want liquidity
  - o Forum owns 100% of Denison and therefore *Forum will determine the Fund's strategy*
  - o Forum will **FORCE** Denison to accept its highly dilutive capital to meet redemptions

**360 Capital recommends you VOTE IN FAVOUR of listing the Fund and  
VOTE AGAINST the Denison/Forum/Garnaut proposal**

You can use the attached proxy form to vote on both proposals (**you DON'T have to complete any other form**). If you have already voted, you can re-lodge your vote in favour of 360 and against Denison/Forum/Garnaut. We look forward to welcoming you at the meeting on 14 September 2012. If you can't attend, proxy forms need to be received by 10.00am 12 September 2012. If you have questions, visit [www.360capital.com.au](http://www.360capital.com.au) or call 1800 182 257.

Yours faithfully,



Tony Pitt

Managing Director, 360 Capital RE Limited