19 September 2012

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RG198 Announcement
360 Capital Industrial Fund
ARSN: 099 680 252

Dear Member,

RE: UPDATE REGARDING MEMBER MEETINGS and Q&A

Members would be aware that a Meeting of Members was held on Friday 14 September to allow Members to vote on the proposed listing of the Fund and that a second meeting was held on Monday 17 September seeking to replace 360 Capital RE Limited as Responsible Entity of the Fund with Denison/Forum/Garnaut.

Both meetings have been adjourned. We again apologise for the delay in providing you with liquidity as a result of the actions of a self-interested minority that continues to hold the Fund to ransom.

However, we expect that in the next few days over 50% of the Fund's register will have rejected the Denison/Forum/Garnaut proposal meaning ***it is impossible for the Denison/Forum/Garnaut proposal to succeed.***

Denison/Forum/Garnaut Meeting – Monday 17 September

The meeting to consider the Denison/Forum/Garnaut proposal was adjourned and will reconvene on 4 October 2012, one day prior to 360 Capital's reconvened meeting.

Based on the proxies received by 360 Capital to date in respect of the Denison/Forum/Garnaut proposal, it is clear that it has very little support among Members:

1. **To date, approximately 950 non-associated Members holding over 82 million units have lodged proxies against the Denison/Forum/Garnaut proposal and in favour of the 360 Capital proposal;**
2. **Over 46% of the entire register has now lodged proxies against the Denison/Forum/Garnaut proposal;**
3. **We expect that in the next few days over 50% of the register will have rejected the Denison/Forum/Garnaut proposal meaning *it is impossible for the Denison/Forum/Garnaut proposal to succeed; and***
4. **The Denison/Forum/Garnaut proposal only has the support of 20% of proxy votes lodged to date.**

These numbers show that Members have seen through and are rejecting the Denison/Forum/Garnaut proposal. It is hoped that Denison/Forum/Garnaut will realise its proposal is doomed to fail and will withdraw its proposal and allow the Fund to focus on the more important matter of enhancing returns for Members.

360 Capital has put Denison/Forum/Garnaut on notice that it will do everything in its power to ensure that Members have an appropriate opportunity to vote and that their votes are properly counted in accordance with all relevant legal requirements in connection with both meetings. 360 Capital RE Limited will continue to work with ASIC to ensure the meetings are properly held and Members have their say.

Member Meeting to approve the listing of the Fund – Friday 14 September

The Meeting of Members scheduled to vote for a listing of the Fund on the ASX and receive the option of liquidity by Christmas was adjourned to allow appropriate time for financial advisers to consider a favourable report prepared on the Fund's proposed listing. The report, prepared by Australia's pre-eminent independent property research provider, was released on 11 September 2012, one day prior to the proxy deadline.

The Meeting was properly adjourned by the Chair in accordance with the Corporations Act and the Fund's Constitution.

In the interests of full disclosure and providing Members with a true and factual account of the meeting, the following facts are provided. After the Meeting being properly adjourned and closed, a Garnaut representative took the microphone and then went through a farce of attempting to re-open the Meeting. Denison/Forum/Garnaut endeavoured to frustrate the Meeting by bringing a large number of students to the Meeting, the majority of who had no interest or Units in the Fund.

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The purpose of the "rent a crowd" was to forcibly install a Denison/Forum/Garnaut Chairman to oversee the defeat of the resolution to list the Fund. If successful, this would have meant that the wishes of the overwhelming majority Members to list the Fund would have been denied by a crowd on non-Members, the majority of which did not know why they were there or whom they were representing.

It is disappointing that Garnaut has again abused his position in respect of his clients to further his own interests.

Members should be rest assured that the Meeting has been properly adjourned and will continue at 10:00am on Friday, 5 October 2012. Currently, the adjourned Meeting is scheduled to occur at the offices of Clayton Utz at 1 Bligh Street, Sydney. However, having regard to the tactics employed by Denison/Forum/Garnaut in seeking to hijack the Meeting, 360 Capital is proposing to move the meeting to an alternate venue which will be advised.

We apologise to all genuine Members who took the effort to attend the Meeting on Friday and we assure all Members that the meeting was adjourned in the best interests of all Members.

We can only hope that at the reconvened meeting, Denison/Forum/Garnaut will respect the right of Members to participate in an orderly Meeting administered in accordance with the provisions of the Fund's Constitution and the Corporations Act.

We have advised ASIC of Denison/Forum/Garnaut's activities in connection with the Meeting and have invited ASIC to observe the reconvened Meeting. 360 Capital will continue to act in the best interests of all Members of the Fund and will not allow the interests of genuine Members to be overridden by the aggressive behaviour of Denison/Forum/Garnaut.

Q&A

Some Members have asked us questions regarding our position – please see attached Q&A in Appendix 1.

If you haven't voted, 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.

In order for the Fund to move forward and Members that have not yet voted are strongly encouraged to lodge their proxies by the **proxy deadline of 10am Wednesday 3 October 2012** by post (at the address below or via the reply paid envelope), email, fax and by hand:

Email:	**investor.relations@360capital.com.au**	**Fax:**	**+61 2 9290 9655**
By Post:	**Boardroom (Victoria) Pty Limited** **GPO Box 3993** **Sydney NSW 2001**	**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

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Appendix 1

Member Q&A

Member Question

Why does 360 Capital claim that Denison/Forum/Garnaut proposal is misleading and deceptive?

360 Capital Answer

In the interests of all Members, 360 Capital representatives attended the Denison/Forum/Garnaut presentations to Members in Perth on 28 August 2012 and in Sydney on 30 August 2012.

Denison/Forum/Garnaut's sole "strategy" is to extend Exit Mechanism by 3 years (+ 1 year option), thereby denying Members their right to liquidity for up to 4 years. However, extending the Exit Mechanism means Members have to vote again to change to the Constitution (which requires 75% of those that vote to vote in favour). 360 Capital believes this vote will fail, as a large proportion of Members have told us they want to exercise their right for liquidity in December 2012.

If, as expected, Denison/Forum/Garnaut's vote to extend the Exit Mechanism fails, the Exit Mechanism will be triggered as the required Member and other approvals will not have been given prior to the exit date of 17 December 2012.

Even if Denison/Forum/Garnaut did become Responsible Entity, it has stated it has three options to provide redemptions being:

1. List the Fund on the ASX (which is 360 Capital's strategy);
2. Wind-up the Fund (Denison confirmed 360 Capital's conclusion that this strategy will result in a "fire sale" of assets and be a negative outcome for Members); or
3. Forum Partners (US Hedge Fund that owns Denison) will inject fresh capital into the Fund.

Forum has a long history of diluting Unitholders' equity in line with its hedge fund/private equity business model. In June 2012, Forum injected capital into the Denison-managed Viento Diversified Property Fund in *a related party transaction that never received Unitholder approval*.

The $19.4m convertible bond investment returns interest to Forum at 18% p.a. while distributions to Unitholders remain suspended. The bonds are repayable in three years by issuance of 35 million Units which we believe will dilute Unitholders' ownership by 30%.

Based on the fact that Mr Burrows, Denison CEO cannot confirm the pricing details of the options, we can only assume they will be issued well below NTA and further dilute Members' NTA per Unit.

Alarmingly, when 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".

Member Question

Why does 360 Capital claim that Denison/Forum/Garnaut do not have the experience to manage the Fund?

360 Capital Answer

Over 9 years, Denison was only able to produce 12 funds worth a total of $80m. Two of these funds went into receivership and another four have negative returns ranging from -31% to -53%. Denison has 5 inexperienced staff and has never managed a fund the size of the 360 Capital Industrial Fund.

Forum is a global hedge fund with no Australian property experience. It acquired Denison for a nominal sum, in order to control a struggling fund manager and use it as a base to acquire other funds management platforms under financial strain (such as Viento) so it could inject dilutionary capital (see answer above).

Garnaut is a Melbourne based financial planner with a history of trying to remove responsible entities that threaten his lucrative commission streams (as listing the Fund would do) and seeking to install associates as responsible entities in order to share in the management fee income and increased levels of commission.

Denison/Forum/Garnaut are not a Member of the Fund and have no alignment of interests with Members.

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In complete contrast, 360 Capital is a financially secure, Australian property fund manager with deep retail investor experience. It has:

- A current retail investor base of more than 10,000 Members;
- Directors/Senior Management averaging of 15 years of local property funds management experience;
- 20 locally based staff, with a number that have gained retail investor experience through the management of the Mirvac/JF Meridian Trust and syndicates that had more than 28,000 Members; and
- Full alignment with Members through its investment in the Fund.

360 Capital's achievements speak for themselves. Prior to 360 Capital becoming the manager of the Fund, the Fund had significant impediments:

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

Since becoming the Responsible Entity of the Fund, since December 2010, 360 Capital has:

- Stabilised the Fund's balance sheet by entering into a new $260m three year finance facility with NAB on improved terms and conditions;
- Reinstated FY2012 distributions at 4.0cpu p.a.;
- Increased the forecast FY2013 distributions by 12.5% to 4.5cpu p.a. ;
- Re-leased in excess of 130,000sqm of industrial space over 18 tenancies (over 40% of Portfolio NLA);
- 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 $27.6m;
- Acquired four properties with long term leases for $87.4m from Walker Corporation which enhanced the Fund's income security and asset quality; and
- Investigated all alternatives to provide liquidity to Members and concluded that listing the Fund on the ASX is in the best interests of all Members.

Denison/Forum/Garnaut has no basis to claim it would improve Member value to a greater extent than 360 Capital has done and will continue to do. The misleading, deceptive and biased SQM research that was paid for by Denison/Forum/Garnaut and its associates to support its management "credibility" was a resounding failure.

Member Question

Why has 360 Capital said that the appointment of Denison will result in the winding up of the Fund?

360 Capital Answer

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.

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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, 360 Capital believes 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 strongly believes it 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 has been misleading to Members by not disclosing to Members the inherent flaws, significant execution risk, conflicts and payments that are associated with its proposal.

Member Question
Will the value of my investment be destroyed as a result of listing?

360 Capital Answer

Based on *current* research, our belief is that market fundamentals support a listing of the Fund at this time and that listing the Fund on the ASX is in the best interests of Members.

360 Capital believes that current market conditions (falling interest rates and on-going economic uncertainty) support the listing of high yielding defensive stocks such as Australia Real Estate Investment Trusts (A-REIT).

1. A-REITs outperformed general equities by 17.8% over the year to 30 June 2012
2. At 30 June 2012 the average discount to NTA (excluding Westfield Group) had shrunk to 5.8% down from over 40% during the GFC.
3. Growthpoint Properties Australia is a domestic focused and passive A-REIT with gearing of circa 50% that for the last six months has traded above its 31 December 2011 NTA per Unit.
4. The Fund will have strong appeal to listed property trust (A-REIT) investors as the Fund will be the only A-REIT focused on the passive industrial property investment sector.

Our comprehensive analysis of the five possible options available to the Fund can be seen in the Notice of Meeting. Lonergan, Edwards & Associates, Atchison Consultants and other independent property research providers support our view. We expect there will be initial price volatility (first 1-2 months after listing) as Members that want liquidity exit the Fund. However the initial volatility will subside as long-term investors are attracted to the defensive nature and high relative yield of the Fund, thereby driving up its price.

The bottom line is that Members' *NTA will never recover from a wind up of the Fund* and the fire sale of assets – once listed the Fund will trade back towards NTA per Unit, just as Centro Retail Australia has done.

As per the Notice of Meeting, a *theoretical* ASX trading **price of $0.36 reflects:**

- **31% discount to NTA per Unit** = very unlikely (Fund's price should trade up toward NTA per Unit over time)
- **12.5% distribution yield** = very unlikely (Fund's yield should trade down towards comparable sector yields (meaning its price will go up))
- ***Assets sold at 5% discount to book value under wind up = very likely and could be worse***