

21 September 2009

Dear Unitholder

**Further clarification of the ANZ Bank (“ANZ”) commitment letter and indicative terms sheet (“ANZ Facility”) for the MacarthurCook Industrial Property Fund (“MIF” or the “Fund”) and the proposed rights issue by Real Estate Capital Partners (“ReCap”)**

We have been receiving a number of queries in respect of the ANZ Facility and the proposed rights issue by ReCap. We would therefore like to clarify a number of points:

**1. The rights issue as a condition for the ANZ Facility**

As referred to in the Explanatory Memorandum (“EM”) accompanying the Notice of Meeting, there is a condition precedent in respect of the proposed ANZ Facility that requires a rights issue to be undertaken prior to the drawdown of the debt. Specifically ANZ’s requirement is that it receives evidence that ReCap has received funds from a rights issue of an amount that satisfies the Loan to Value Ratio (“LVR”) covenant of 50% and also provides the Fund with sufficient working capital to fund its capital expenditure (“capex”) obligations for the first year of the Facility.

As you will appreciate, given that ReCap has not yet been appointed the responsible entity of MIF, it is not possible to accurately determine the amount of required capex for the properties over the next 12 months. ReCap however would like to ensure that the balance sheet is sufficiently stable to fund this capex in order to maintain a sustainable distribution program.

The properties are currently valued at circa \$124 million. ReCap has sought a debt facility of \$60 million or 50% LVR of the anticipated valuation of the properties (catering for a potential drop in the value of the properties). Therefore to satisfy the ANZ Facility the required rights issue would be circa \$10 million plus the required capex over the next 12 months.

Unitholders should also note that the amount that ReCap will seek to raise under the rights issue may be reduced further by any proceeds it receives through the sale of the Fund’s MI-REIT units to Oxley Capital Group. These units are currently worth circa \$6.5 million.

**2. The expected amount of capital that would be raised under any rights issue to effect ReCap’s strategies**

As in point 1 above, in order to meet a condition precedent under the ANZ Facility and ensure that the balance sheet is stabilised (and disregarding any proceeds MIF may receive through the sale of the MI-REIT units) ReCap would seek to raise circa \$10 million plus required capex over the next 12 months. If we assume that the capex requirement is \$5 million, the expected rights issue to affect ReCap’s stabilisation strategy would be circa \$15 million.

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ReCap would expect to issue the units at a discount to the trading volume weighted average price ("VWAP") prior to the announcement of the rights issue. ReCap has modeled a rights issue under various scenarios given the volatility of the MIF unit price, and the uncertainty of where the unit price will be in the future (ie 6 weeks from now). However, for the purpose of this exercise, let's assume that the issue price of units under the rights issue is 30 cents per unit (ie the current price as at 18 September 2009).

If a rights issue was to be undertaken for \$15 million at 30 cents per unit, this would have the effect of reducing the net tangible assets ("NTA") per unit to \$0.52 cents. This price would represent a circa 42% discount to NTA. Notwithstanding this discount, in ReCap's opinion, the rights issue is necessary to stabilise the balance sheet (ie allow it sufficient working capital to fund capex and leasing costs as required, and maintain a sustainable distribution program, without the need for asset sales or suspension of distributions).

The second part to ReCap's strategy, once it has stabilised the balance sheet of the Fund, is to engage in acquisitions on behalf of the Fund. At this stage ReCap is unsure of the nature of the portfolio(s) that ReCap will recommend for acquisition, however an acquisition will involve a further capital raisings, which may be undertaken via further rights issues.

### **3. Mechanics of a rights issue**

Rights issues can be undertaken on a renounceable or non-renounceable basis. If a rights issue is non-renounceable this means it is personal to you and your unitholding and cannot be traded. ReCap has not formally decided whether the issue will be renounceable or non-renounceable but it expects that given the illiquidity in the MIF stock that the issue may be non-renounceable.

Under a rights issue unitholders will be offered the opportunity to subscribe for units within an entitlement in proportion to the units that you hold. Unitholders should however be aware that if they do not take up their units under a rights entitlement, then they will be diluted as a unitholder of the Fund. In addition, if you do not take up the units under your rights entitlement, the ownership interest of other unitholders that do take up their rights, such as ReCap, will increase as a proportion to your own unitholding.

### **4. The time frame for satisfying the rights issue under the ANZ Facility**

The indicative terms sheet for the ANZ Facility currently requires that the conditions precedent must be satisfied within 6 weeks following ReCap's appointment as responsible entity of the Fund. As noted on pages 9 and 23 of the EM, if the conditions precedent are not satisfied, the ANZ facility will not be provided.

If you have any further questions about the ANZ Facility or the proposed rights issue, please do not hesitate to contact ReCap on 1800 648 328.

Yours faithfully



Andrew Saunders  
Chief Executive Officer  
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