

18 August 2017

ASX Limited  
Level 6, Exchange Centre  
20 Bridge Street  
Sydney NSW 2000  
Attention: Company Announcements

**Letter to RNY Unitholders**

Please find attached a copy of a letter dispatched to RNY unitholders today.

Yours faithfully  
**Aurora Funds Management Limited**  
**as Responsible Entity for**  
**Aurora Property Buy-Write Income Trust**



Betty Poon  
**Company Secretary**

18 August 2017

<UNIT HOLDER AS ADDRESSED>

Dear fellow RNY unitholder,

**NOTICE OF MEETING FOR 12 SEPTEMBER 2017**

Aurora Funds Management Limited (“**Aurora**”) has requested a meeting of the unitholders of RNY Property Trust (“**RNY**”) to consider replacing RNY’s Responsible Entity (“**RE**”), RNY Australia Management Limited (“**RAML**”), with Aurora. Aurora called the meeting after RAML downgraded its forecast of returns to RNY unitholders from 4 – 10 cents to 1 – 3 cents per unit. On 7 August 2017, RAML issued the meeting materials for that meeting, which is scheduled to be held in Sydney on 12 September 2017.

In calling for the meeting, Aurora encouraged RAML to develop and provide an alternative strategy to generate value for RNY unitholders. In the meeting materials, RAML has proposed a “Cash Distribution Strategy” which we consider unsatisfactory.

RAML claimed its “Cash Distribution Strategy” is in the best interests of unitholders and estimated a 1 – 3 cent return to unitholders in the meeting materials. Just four days after issuing the meeting materials, RAML provided new information to unitholders that further downgraded the potential returns under this strategy to 0 – 2 cents per unit.

RAML made the following comment in the information it recently provided to unitholders:

*“Aurora first sent a request for a unitholder meeting in February 2017, which they subsequently withdrew once we explained that the majority of the cash on the US LLCs balance sheet was under lender control and that the best strategy was to market the assets for sale”.*

Aurora did send a meeting request to RNY in February 2017, however Aurora only agreed to withdraw this meeting request in good faith after RAML offered to engage in constructive dialogue with Aurora, noting that ‘everything was on the table’. This dialogue, which occurred over several months, ultimately

proved fruitless, with RAML rejecting the suggestions put forward by Aurora. Aurora did not (and does not) agree with the strategy of marketing the properties for sale in the accelerated manner conducted by RAML.

Aurora also has the following additional concerns in relation to RAML's recent correspondence:

1. The focus of RAML's efforts appears to be selling all of RNY's assets prior (if possible) to putting its "Cash Distribution Strategy" to unitholders to consider. The ACORE loan expires in January 2019, with RAML identifying it was their decision to market the ACORE secured properties in an accelerated timeframe, causing bid values to be 26% below the December 2016 valuations. There is nothing publicly available that indicates RAML was compelled to market the properties early or to accept bids significantly below (already depressed) market valuations. In addition, this action by RAML is completely inconsistent with RNY's original Product Disclosure Statement which states that the sale of substantially all of the assets of RNY would be put to a unitholder vote.
2. ACORE is now claiming it is entitled to up to \$6.6m in 'guarantee' amounts for borrowings that were previously described by RAML, on numerous occasions, as being 'non-recourse'. This may indicate that ACORE was surprised with how RAML conducted the sales process on RNY's residual assets, and that they share Aurora's view that it was sub-optimal. It is RNY unitholders who will bear ACORE's losses should these sales be consummated. The fact that RAML is intending to pay ACORE even though it states it disagrees with ACORE's claims suggests that it is not concerned with the returns to RNY unitholders, but rather protecting the ongoing relationship between RAML's owner RXR Realty (**RXR**) and ACORE.
3. Despite claims made by RAML, its interests have not been aligned with those of RNY unitholders. Rather, RAML (and parent RXR) have benefited substantially from charging significant fees to RNY. These fees have never been fully disclosed but appear to have exceeded any investments made by RXR into RNY.
4. In its "Cash Distribution Strategy" RXR has made a limited concession in relation to future fees it will charge, however continues to remain opaque with its fees and charges. For example, Aurora could not find any mention in recent correspondence of asset realisation fees (being 1% of the sale proceeds), leasing commissions (1-7% of rent, depending on the lease) or responsible entity fees that presumably will continue to be paid to RXR or RAML (or their affiliates).
5. Despite Aurora's efforts to engage in constructive dialogue with RAML, RAML's motives in conducting an accelerated exit of RNY's residual properties remain unclear. One potential reason for this could be to limit the level of effort required by RXR to be expended on RNY, given RXR has numerous other much more significant fully owned investments.

RAML appears intent on consummating the sales processes for RNY's residual properties prior to the 12 September 2017 unitholder meeting. Aurora calls on RAML to cease this activity immediately to give RNY unitholders the opportunity to have their say in relation to the future direction of RNY, and comply with representations it has made in its own Product Disclosure Statement.

# YOUR VOTE IS IMPORTANT

Aurora recommends that you vote:

**AGAINST** Resolution 1 (to approve the RAML cash distribution strategy), and  
**FOR** Resolutions 2 and 3 (to remove RAML as RE, and appoint Aurora  
as RE of RNY).

## Voting using the information mailed to you by RAML (online or postal)

If you are reading this correspondence through the ASX platform or the [www.rnyrechange.net](http://www.rnyrechange.net) website or would like to complete your vote online, Aurora recommends you vote in accordance with the above using the instructions on the Link Market Services proxy form provided to you by RAML and appoint me: **John Patton** as your proxy as soon as possible. The purpose of appointing me as proxy is to assist Aurora with any procedural matters that occur during the meeting. We note that the unitholder register obtained from RAML for this letter is approximately one month old, so this letter will not be received in the mail by all unitholders, particularly if you have only recently acquired their RNY units.

## Voting using the enclosed proxy form and envelope (postal only)

Aurora has enclosed a pre-completed proxy form and reply-paid envelope with this letter to facilitate voting for the resolutions in accordance with Aurora's recommendations. If you wish to vote using this pre-completed proxy form, please sign the form and return it using the reply-paid envelope. Please do so prior to **31 August 2017**, to allow Aurora sufficient time to process your proxy form, that Aurora will lodge on your behalf.

We welcome the opportunity to provide any unitholders with further information prior to the meeting. We again note that we have attempted to engage with RAML in relation to the Aurora's concerns and RNY's strategy, however they have been unwilling to respond to us. We do however remain open to any dialogue that would improve the outcome to all RNY unitholders.

Additional information in relation to the meeting requisition and contact details can be found at: [www.rnyrechange.net](http://www.rnyrechange.net).

Yours sincerely,  
For and on behalf of  
Aurora Funds Management Limited



**John Patton**  
**Managing Director**

## ADDITIONAL COMMENTS IN RELATION TO RAML'S RECENT COMMUNICATIONS

Aurora also has the following comments in relation to statements in RAML's meeting materials issued on 7 August 2017 and its 11 August 2017 presentation accompanying RNY's half year accounts.

RAML's statement	Comment
Aurora agreed that the best strategy was to market RNY's assets for sale.	Aurora never agreed that this was the best course of action. Rather, Aurora put a refinance and recapitalisation proposal to RAML combined with a change in RE. This proposal was rejected by RAML who also threatened to use its 'poison pill' arrangement to stymie any recapitalisation. Given the more recent performance of RNY, Aurora took the view that there is now limited downside risk of calling for a change in RE despite RAML's 'poison pill' arrangements.
Changes in the NY Tri-State market were 'unfortunate'.	RAML's owner, RXR, claims to be a 'leading' New York owner and asset manager. RXR: <ul style="list-style-type: none"> <li>failed to anticipate these changes; and</li> <li>failed to respond and adapt RNY's properties or portfolio to reflect these changes.</li> </ul> Aurora questions if these failures were due to RXR's incentive structure, with RXR being able to extract fees from the assets despite RNY's performance.
Changes in the NY Tri-State market were 'structural'.	Structural changes, by their nature, evolve slowly. At December 2014, RNY reported A\$141m in net equity (equating to A\$0.54 per unit). RAML is now estimating a total return to RNY unitholders of between \$0-\$4m.
ACORE has received guarantees from RNY.	RNY's most recent annual accounts state <b>four times</b> that the ACORE borrowing is non-recourse. We note unitholders may have invested in RNY based on statements that now appear to be incorrect.
The planned delisting and windup of RNY under RAML's "Cash Distribution Strategy".	ASX listed vehicles typically have value as 'shell companies' that can benefit all unitholders. This appears to be a way for RAML to avoid any review of its conduct.
That "as far as RAML is aware, Aurora has no material NY real estate experience in terms of property or debt management".	Aurora has unsuccessfully attempted to engage with RAML through this process. RAML had the opportunity to make themselves aware of Aurora's expertise but elected not to do so. We note: <ul style="list-style-type: none"> <li>RAML's 'experience' has translated into significant losses for RNY unitholders; and</li> <li>Aurora's team includes former corporate restructuring and turnaround professionals with extensive real estate experience and a New York based financier. Our CVs are available at <a href="http://www.rnyrechange.net">www.rnyrechange.net</a></li> </ul>