

23 August 2017

The Manager
Company Announcements
Australian Stock Exchange Limited
20 Bridge Street
Sydney NSW 2000

RNY Property Trust (ASX:RNY) – Notice to RNY unitholders

RNY Australia Management Limited (RAML) as responsible entity of RNY Property Trust (the Trust) reported that, with regards to the unitholder meeting to be held on 12 September 2017, the Board Committee of RAML would like to remind RNY unitholders (Unitholders) of the following, in response to a letter dated 18 August 2017 from Aurora Fund Management (Aurora):

- as the owner of an indirect and direct interest of nearly 30% of the RNY portfolio, RXR is aligned with Unitholders and is very interested in any outcome which returns the most value to Unitholders,
- the RAML Board Committee has explored many alternatives and has not found any which they believe provides more value to unit holders than the RAML Cash Distribution Strategy (as defined in the Notice of Meeting previously distributed to Unitholders),
- in management's prior discussions with Aurora they have failed to propose a viable, feasible or realistic alternative strategy; management is concerned that any prolonged strategy or strategic review, as proposed by Aurora, will serve to further deplete the Trust's cash, will not result in any additional value to Unitholders, and may result in the lack of any cash available for distribution to Unitholders,
- Aurora's letter fails to mention that the loans encumbering all of RNY's remaining properties are in default, that the lenders can start foreclosure proceedings at any moment, and may do so if RAML is replaced as responsible entity (RE) of the Trust, as the lenders have no experience with Aurora's capabilities relating to the ownership or operation of commercial real estate in the NY region,
- contrary to Aurora's claims, the marketing of RNY's five ACORE assets was conducted with ACORE's permission, as they were in agreement with RAML's strategy to market these properties,
- contrary to Aurora's claims, the marketing of RNY's five ACORE assets was not done in an 'accelerated timeframe', but instead went through a formal marketing process, started in March 2017, conducted by nationally recognized, third-party brokers, and is still on-going,
- contrary to Aurora's claims, the ACORE loan is non-recourse, and the US LLC believes that the lender's legal claims are overreaching and excessive; but, instead of waging a lengthy and expensive legal battle to fight these claims, which could take years and the cost of which could exceed all of the US LLC's remaining cash, the US LLC has negotiated a proposed settlement to cap the liability of such claims at US\$2 million; although, such settlement is contingent on RAML remaining RE; if RAML is replaced as RE the lender may re-institute their legal claims for US\$6.6 million,
- if Aurora thinks RNY's remaining properties are undervalued they can bid on them at any time, yet they refuse to do so,
- if Aurora thinks the RNY units are undervalued they can make a tender offer for all such units, yet they refuse to do so,

- RXR has agreed to waive asset management fees above costs, including approximately US\$659,000 of deferred asset management fees, if RAML remains as RE of the Trust,
- Aurora has remained silent on the issue of fees and still has not stated the amount of asset management and other fees they will charge the Trust if they are appointed RE,
- Aurora claims that RXR should have predicted the unprecedented structural changes in the NY suburban markets and that structural changes only evolve slowly, yet ACORE originated their mortgage loan in January 2016, at 70% leverage, based on independent third-party appraisals, and only 18 months later, bids for such assets, in total, were less than the amount of such loan,
- In the 9 years since the global financial crisis, RAML management have stayed the course of 'hold and operate', but the expected cyclical market recovery never materialized, and RAML's plan is to resolve ACORE's legal claims, determine the best course of action re the properties, wind-up the entity, and distribute any remaining cash to unitholders.

The RAML Board Committee recommends that you vote:

FOR Resolution 1 (to approve the RAML Cash Distribution Strategy), and

AGAINST Resolutions 2 & 3 (to remove RAML as RE, and appoint Aurora as RE of RNY)

The Trust is managed by RAML, an Australian licensed responsible entity which is an affiliate of RXR Realty. Other affiliates of RXR serve as property manager, leasing agent, asset manager, and construction manager and provide other services to the properties in the Trust portfolio. RXR is one of the New York Tri-State area's leading real estate companies, specializing in the acquisition, leasing, financing, property and asset management, design and development, and construction of commercial properties.

Certain statement herein relate to the Trust's future performance ("forward looking statements"). Although RAML believes such statements are based on reasonable assumptions, forward-looking statements are not guarantees of results and no assurance can be given that the expected results will be delivered. Such forward-looking statements are subject to certain risks, trends and uncertainties that could cause actual results to differ materially from those expected. Among those risks, trends and uncertainties are the general economic climate, including the conditions affecting industries in which principal tenants compete; financial condition of tenants; changes in the supply of and demand for office properties in the New York Tri-State area; changes in interest rate levels and changes in credit ratings and changes in the cost of and access to capital.

For further information:

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