

31 October 2011

**The Manager**  
**Company Announcement Office**  
**Australian Securities Exchange**  
**Level 4, 20 Bridge Street**  
**SYDNEY NSW 2000**

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## **Redcape Property Fund (ASX: RPF)**

### ***Entering into Exclusivity Undertaking with Investor Group***

Redcape Property Fund (ASX: RPF) (**Redcape**) comprises Redcape Property Trust (**Trust**) and Redcape Property Fund Limited (**Company**). Redcape Services Pty Limited (**Manager**) is the investment manager for the Trust and The Trust Company (RE Services) Limited (**Responsible Entity**) is the responsible entity for the Trust.

Redcape advises that it has entered into an exclusivity undertaking (**Exclusivity Undertaking**) for a period of 2 weeks commencing today (**Exclusivity Period**) with an investor group comprising affiliates of York Capital Management, Värde Partners, Inc. and Goldman Sachs (Asia) Finance (**Investor Group**) so that the Investor Group can finalise a recapitalisation proposal. The Exclusivity Undertaking includes the usual fiduciary carve-outs.

During the Exclusivity Period, Redcape will negotiate in good faith with the Investor Group for the purpose of entering into a new scheme implementation agreement with affiliates of the Investor Group for a recapitalisation and restructure of Redcape via a scheme of arrangement and trust scheme on the terms proposed by the Investor Group, which values Redcape at \$635.1 million in total and is expected to involve:

- the payment of \$4.2 million in total to Redcape's stapled securityholders in extinguishment of their securityholdings (being 2.59 cents per stapled security);
- the payment of amounts to the existing senior and junior secured lenders and Redcape's interest rate swap provider (in amounts to be agreed between them and the Investor Group) in full and final satisfaction and discharge of all amounts owed to them by Redcape; and
- a refinancing of Redcape with new bank loan facilities arranged by the Investor Group.

The scheme implementation agreement is expected to include the above terms and otherwise be on substantially the same terms as the Scheme Implementation Agreement previously entered into with affiliates of the Investor Group on 18 August 2011, with such amendments reasonably required by the Investor Group having regard to the terms of the proposal. The scheme implementation agreement would be subject to regulatory, court and stapled securityholder approval. An independent expert's report would be provided to stapled securityholders.

The Boards of the Company and the Responsible Entity (**Boards**) believe that it is in the best interests of Redcape's stapled securityholders to enter into the Exclusivity Undertaking with the Investor Group because:

- Redcape has not received, and does not currently expect to receive, a recapitalisation proposal from any other party;
- the Investor Group had previously agreed a Scheme Implementation Agreement with Redcape, which had the support of the Boards;
- as previously advised, the senior lenders have notified Redcape of events of default which are subsisting under the security documents; and
- the Exclusivity Undertaking was consented to and is supported by the existing senior and junior secured lenders and the interest rate swap provider (who have themselves also agreed to negotiate in good faith with the Investor Group during the Exclusivity Period for the purpose of executing binding agreements on the amounts to be accepted in satisfaction of their loans).

To facilitate the proposed recapitalisation and restructure, Redcape's interest rate swap was closed out today at \$69.6 million (**Swap Loss**). The Swap Loss is payable by Redcape to the interest rate swap provider within 28 days unless, in the meantime, it is agreed by the relevant parties (as is expected by Redcape) that the Swap Loss be converted into a fixed amount of senior debt. Redcape's interest rate swap provider would then be paid an amount by the Investor Group (as agreed between the interest rate swap provider and the Investor Group) for the liability associated with the Swap Loss to be extinguished as part of the proposed recapitalisation.

The market will be kept informed of developments.

Colin J Henson  
Executive Chairman  
Redcape Property Fund Limited