



HENRY DAVIS YORK
LAWYERS

17 May 2012

Our Ref JDL/SVB/3128879

The Company Announcements Officer
ASX Limited
Exchange Centre
20 Bridge Street
SYDNEY NSW 2000

Dear Sir/Madam

**Woolley GAL II Pty Ltd Takeover Bid for all the units in Real Estate Capital Partners
USA Property Trust**

We act for Woolley GAL II Pty Ltd (ACN 143 327 771) (**Woolley**) in respect of an off-market takeover bid for all the units in Real Estate Capital Partners USA Property Trust (ARSN 114 494 503) (**RCU**).

In accordance with section 633(1) item 5 of the Corporations Act, we enclose, on behalf of Woolley and by way of lodgement with the ASX Limited, a copy of Woolley's bidder's statement.

Yours faithfully
Henry Davis York

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Encl

Bidder's Statement

**Cash Offer by
Woolley GAL II Pty Limited**
(ACN 143 327 771)

to acquire all your units in

**Real Estate Capital Partners USA Property
Trust**
(ARSN 114 494 503)

**For each RCU Unit you will receive 46 cents
cash**

The Offer is dated [#] 2012 and expires at 7.00pm Sydney time on
[#] 2012, unless withdrawn or extended

**This is an important document that requires your immediate attention.
You should read this document in its entirety before making any
investment decisions.**

**If you are unsure as to how to deal with this Offer, you should contact
your broker, financial adviser or other professional adviser.**

**Please call the Offer Information Line on 1300 737 760 (toll free within
Australia) or +61 2 9290 9600 (for callers outside Australia) if you have any
questions or require assistance with your acceptance.**

Legal Adviser



HENRY DAVIS YORK
LAWYERS

KEY DATES

Date Offer announced (Announcement Date)	17 May 2012
Bidder's Statement lodged with ASIC and dated	17 May 2012
Date of Offer	[#]
Offer closes, unless extended* (Closing Date)	7.00pm (Sydney time) on [#]

* This date may be changed or the Offer withdrawn as permitted under the Corporations Act.

IMPORTANT NOTICES

General

This bidder's statement (**Bidder's Statement**) was prepared and is issued by Woolley GAL II Pty Limited (ACN 114 494 503) (**BidCo**) and was given to Real Estate Capital Partners Managed Investments Limited (ACN 115 913 810) as responsible entity for Real Estate Capital Partners USA Property Trust (ARSN 114 494 503) (**RCU**) in accordance with the Corporations Act. This Bidder's Statement sets out the Offer by BidCo to acquire all your RCU Units and information relevant to your decision whether or not to accept the Offer.

You should read this Bidder's Statement in its entirety. This Bidder's Statement is dated 17 May 2012 and the Offer is dated [#] 2012. A copy of this Bidder's Statement was lodged with ASIC on 17 May 2012. ASIC takes no responsibility for the contents of this Bidder's Statement.

Defined terms

A number of defined terms are used in this Bidder's Statement. The first letters of these terms are capitalised and they are explained in Section 9. All references to time in this Bidder's Statement are to time in Sydney, New South Wales and references to "\$" are to Australian dollars and to US\$ are to US dollars.

No financial product advice

Nothing in this Bidder's Statement should be construed as financial product advice. This Bidder's Statement does not take into account the individual investment objectives, financial situation and needs of any particular RCU Unitholder or any other person. You may wish to seek independent financial, taxation or other professional advice before making a decision as to whether or not to accept the Offer for your RCU Units.

Forward looking statements

This Bidder's Statement includes forward-looking statements which have been based on BidCo's current expectations about future results and events. These forward-looking statements are subject to risks, uncertainties and assumptions that could cause actual results and events to differ materially from the expectations described in such forward-looking statements. These factors include, among other things, matters beyond the control of BidCo, not yet known to BidCo or not currently considered material by BidCo.

None of BidCo, its related bodies corporate, officers, employees or persons named in this Bidder's Statement with their consent or any other persons involved in the preparation of this Bidder's Statement makes any representation or warranty as to the accuracy or likelihood of fulfilment of any

forward-looking statement. In addition, past performance of RCU is not an indicator of future performance.

Information on RCU

All information in this Bidder's Statement relating to RCU has been prepared by or on behalf of BidCo using publicly available information. Frost Holdings, an Associate of BidCo, was given access to some information relating to RCU by the Investment Manager and Responsible Entity as a pre-condition to Frost Holdings' underwriting the recent Entitlements Offer. Since then, the Responsible Entity lodged a notice with ASX on 2 March 2012 confirming that there was no information of which it was aware that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of the assets and liabilities, financial position and performance, profits and losses and prospects of RCU or the rights and liabilities attaching to the RCU Units, that had not already been disclosed to the market.

The information in this Bidder's Statement concerning RCU and the assets and liabilities, financial position and performance, profits and losses and prospects of RCU, has not been independently verified by BidCo. Accordingly BidCo does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of such information.

Privacy statement

BidCo and BidCo's mail and registry service provider, Boardroom Pty Limited, will collect your personal information from the register of RCU Unitholders in accordance with the Corporations Act for the purpose of making the Offer and, if accepted, administering your holding of RCU Units. BidCo and Boardroom Pty Limited may be required to disclose such information to regulators such as ASIC. RCU Unitholders may request access to personal information held by BidCo or Boardroom Pty Limited, by contacting the Offer Information Line on 1300 737 760 (toll free for callers within Australia) or +61 2 9290 9600 (for callers from outside Australia).

Foreign jurisdictions

The distribution of this Bidder's Statement may, in some countries, be restricted by law or regulation. The Offers are not being made, directly, or indirectly, in or into, and will not be capable of acceptance from within, any jurisdiction in which the making of the Offers or the acceptance of an Offer would be unlawful. Accordingly, persons who come into possession of this Bidder's Statement should inform themselves of, and observe, those restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdictions. BidCo and its affiliates assume no responsibility for any violation by any person of any of these restrictions.

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1 KEY TERMS OF THE OFFER

The Offer is a 100% cash bid, conditional only on no Prescribed Occurrences occurring.

This Section provides you with a summary of the Offer and is qualified by the detailed information contained in this Bidder's Statement. You should read this Bidder's Statement in its entirety before deciding whether to accept the Offer.

THE OFFER	BidCo is offering to acquire all RCU Units registered in your name on the Register Date on the terms set out in Section 8.
OFFER PRICE	46 cents cash for each RCU Unit.
CONDITION OF THE OFFER	<p>The Offer is only subject to no Prescribed Occurrences occurring during the period from the Announcement Date until the Closing Date.</p> <p>The Condition is explained in clause 8.10 of Section 8.</p> <p>BidCo may choose to waive this Condition.</p>
CLOSING DATE	The Offer will close on the Closing Date which is 7.00pm (Sydney time) on [#] unless the Offer is extended or withdrawn.
WHEN WILL YOU BE PAID?	<p>Provided any necessary documents accompany your Acceptance Form, you will be paid within 14 days of the later of:</p> <ul style="list-style-type: none">(a) the date you accept the Offer; and(b) the date the Offer becomes unconditional. <p>In any event, you will be paid within 14 days after the Closing Date (assuming the Condition of the Offer is satisfied or waived).</p>
NO BROKERAGE OR STAMP DUTY	<p>If your RCU Units are registered in an Issuer Sponsored Holding (your SRN starts with an "I") in your name and you return an Acceptance Form to the address indicated on the form, you will not incur any brokerage fees and will not be obliged to pay stamp duty in connection with your acceptance of the Offer.</p> <p>If your RCU Units are registered in a CHESS Holding (your HIN starts with an "X"), or if you are a beneficial owner whose RCU Units are registered in the name of a Broker, bank, custodian or other nominee, you will not be obliged to pay stamp duty by accepting the Offer but you should ask your Controlling Participant (usually your Broker) or nominee whether it will charge any transactional fees or service charges in connection with acceptance of the Offer.</p>

SALES ON THE ASX	<p>BidCo intends to stand in the market to acquire all RCU Units at prices up to the Offer price of 46 cents each per RCU Unit during the Bid Period. RCU Unitholders who sell their RCU Units on the ASX will receive payment on a T+3 basis (being 3 Trading Days after the date of the transaction). RCU Unitholders who sell their RCU Units on the ASX cannot subsequently accept the Offer in respect of those RCU Units sold on the ASX. You may incur brokerage costs if you choose to sell your RCU Units on the ASX.</p>
TAX IMPLICATIONS	<p>A general overview of the taxation implications of accepting the Offer for RCU Unitholders is outlined in Section 6.</p> <p>You should not rely on that description as advice for your own affairs. You should consult your own taxation adviser for detailed advice before making a decision whether or not to accept the Offer for your RCU Units.</p>
ACCEPTING THE OFFER FOR PART OF YOUR RCU UNITHOLDING	<p>You can accept the Offer for some or all of your RCU Units.</p> <p>If you do not specify a number of RCU Units, or you specify a number greater than your holding, on your Acceptance Form, you will be taken to have accepted the Offer in relation to all of your RCU Units.</p> <p>If accepting the Offer in relation to some of your RCU Units would leave you with less than a Marketable Parcel of RCU Units, you will be taken to have accepted the Offer (and you will receive consideration) for all of your RCU Units.</p> <p>If you hold one or more parcels of RCU Units as trustee or nominee, you may accept the Offer as if a separate Offer had been made in relation to each of those parcels and any parcel you hold in your own name. A person holding RCU Units on trust for, as nominee for or on account of, another person should refer to clause 8.2(d) of Section 8.</p>
HOW TO ACCEPT THE OFFER	<p>If your RCU Units are in an Issuer Sponsored Holding (your SRN starts with an "I"), please complete the enclosed Acceptance Form in accordance with the instructions on it and return it to the address indicated on the form.</p> <p>If your RCU Units are in a CHESS Holding (your HIN starts with an "X"), then you can complete and return the enclosed Acceptance Form or instruct your Broker or other Controlling Participant to accept the Offer on your behalf.</p>
FURTHER INFORMATION	<p>You should carefully read this Bidder's Statement. If you have any questions in relation to the Offer you should first contact your financial, taxation or other professional adviser. If you have questions about how to accept the Offer, please contact the Offer Information Line on 1300 737 760 (toll free for callers within Australia) or on +61 2 9290 9600 (for callers outside Australia).</p>

2 WHY YOU SHOULD ACCEPT THIS OFFER

2.1 Premium to recent trading price

The cash consideration of 46 cents represents:

- a 12.8% premium to the 30 day volume weighted average price (**VWAP**) of RCU Units on the ASX prior to the Announcement Date;
- a 11.4% premium to the 60 day VWAP of RCU Units on the ASX prior to the Announcement Date; and
- a 15% premium to the Entitlements Offer price of 40 cents per RCU Unit. For those RCU Unitholders who acquired RCU Units under the Entitlements Offer, accepting the Offer price of 46 cents per RCU Unit represents an internal rate of return of 61.8%¹ with respect to those RCU Units acquired. For those RCU Unitholders who acquired units under the Entitlements Offer through the Sell Down Facility, accepting the Offer price of 46 cents per RCU Unit represents an internal rate of return of 92.3%² with respect to those RCU Units acquired.

2.2 Certainty of value

The Offer provides certainty of value by offering 100% cash consideration for your RCU Units.

By accepting the Offer you will receive 46 cents cash per RCU Unit, subject to the satisfaction or waiver of the Condition. If your RCU Units are registered in an Issuer Sponsored Holding in your name and you deliver them directly to BidCo, you will not incur any brokerage charges by accepting the Offer. You may incur brokerage charges if you sell your RCU Units on the ASX.

RCU Units have been relatively illiquid. Prior to the Announcement Date, turnover in RCU Units sold on the ASX was very low with average daily turnover of approximately 104,073 RCU Units over the last 12 months. Such limited liquidity can make it difficult for RCU Unitholders to sell larger RCU Unitholdings. The Offer from BidCo provides an opportunity for RCU Unitholders to exit their investment in RCU.

2.3 Best offer

There is currently no alternative superior off-market offer available to acquire your RCU Units.

As at the date of this Bidder's Statement, an Associate of BidCo, Frost Holdings, held 28.93%³ of the RCU Units. This may deter any other parties contemplating a competing bid for RCU and would prevent any other party from being able to successfully acquire 100% of RCU, unless Frost Holdings sells its RCU Units.

¹ Calculated from the close of the Entitlements Offer on 30 March 2012 and assuming consideration under Offer is paid on 14 July 2012. BidCo may extend the Offer Period which, if the Offer is still subject to a defeating condition, would delay the time at which the consideration under the Offer would be payable.

² Calculated from the close of the Sell Down Facility on 27 April 2012 and assuming consideration under Offer is paid on 14 July 2012. BidCo may extend the Offer Period which, if the Offer is still subject to a defeating condition, would delay the time at which the consideration under the Offer would be payable.

³ Frost Holdings holds 28,003,699 RCU Units in its own capacity and 1,222,100 RCU Units in its capacity as trustee of the Greg Woolley Super Fund.

Although there are many factors that will influence the market price of RCU Units, if the Offer does not proceed and no other competing bid is received, the market price of RCU Units may fall below the current trading price.

The Offer provides you with an opportunity to dispose of all your RCU Units and to fully realise your RCU Unitholding.

Given the current weakness in property markets in the US, it is BidCo's view that strategies to return capital to Unitholders, such as the sale of assets or winding up of RCU, may realise less than the current valuations. The failure of RCU to sell the FedEx Montgomery Property⁴ is evidence of the depressed property market in the US.

2.4 **Risks and uncertainties of continuing to hold RCU Units**

You should consider the certainty of receiving 46 cents cash per RCU Unit with the risks and uncertainties of continuing to hold RCU Units which include:

- poor investment returns and significant uncertainty in relation to distributions;
- management uncertainty;
- RCU's significant debt funding and refinancing risk;
- adverse tax consequences arising from concentration of ownership;
- joint venture risk;
- liquidity risk; and
- the risk that RCU may be unable to sell properties at book value.

In addition to these key risks, the nature of RCU's business exposes RCU Unitholders to certain other risks which have previously been disclosed to RCU Unitholders by the Investment Manager and Responsible Entity and are set out in Section 2.12⁵.

⁴ Refer to the Interim Financial Report.

⁵ The risks in Section 2.12 have been extracted from the Investor Presentation for the Entitlements Offer.

2.5 Poor investment returns and significant uncertainty in relation to distributions

RCU's Unit price has declined sharply since November 2011:



*Source: ASX 16 May 2012. The ASX has not consented to the use of this chart in this Bidder's Statement.

*Past performance is not a reliable indicator of future performance.

The average trading volumes of RCU Units over this period have been minimal making it difficult for RCU Unitholders to exit their investment.

The Responsible Entity has consistently stated that distributions will be paid yet, since 14 July 2010, none have been paid:

- in March 2011, a distribution of 0.60 cents per RCU Unit (representing a distribution per RCU Unit yield of 11%) was forecast by the Responsible Entity for the 12 month period to 30 June 2012⁶ but has not been paid;
- in August 2011 the Responsible Entity again stated that it was targeting a payout ratio of 80% of operating earnings⁷ but none has been paid; and
- on 23 December 2011 the Investment Manager announced that it would defer making a recommendation to the Responsible Entity regarding distributions for the half year ended 31 December 2011 until February 2012. On 1 March 2012 the Responsible Entity finally conceded that it would not be paying a distribution and advised Unitholders that no distributions will be paid for the foreseeable future.⁸

2.6 Management uncertainty

The Responsible Entity has stated that it intends to review the governance and management arrangements for RCU and that changes following this review may include:

⁶ Refer to the Responsible Entity's investor presentation for the March 2011 entitlements offer lodged with the ASX on 1 March 2011. The forecast was based on the RCU Unit price prior to the 1 for 20 Unit consolidation.

⁷ Refer to the full year 2011 investor presentation lodged with the ASX on 1 September 2011. This target was said to be subject to the refinancing requirements and assumptions and risks set out in the investor presentation for the March 2011 entitlements offer.

⁸ Refer to the Investor Presentation for the Entitlements Offer.

-
- internalising the Investment Manager; and/or
 - changing the Responsible Entity.

The identity of key management personnel going forward is uncertain and whether they will have the necessary skills and experience to manage RCU is unknown.

Also refer to BidCo's intentions with respect to the Investment Manager in Section 3.2.

2.7 RCU's significant debt and refinance risk

RCU is exposed to a significant level of debt, with a portfolio loan to value ratio (**LTV**) of 69%⁹. RCU recently has had difficulties in repaying its maturing debt and obtaining refinancing.

(a) **US\$35.9 million Intel Parsippany foreclosure**

The US\$35.9 million loan secured over the Intel Parsippany Property matured on 11 January 2011. RCU was unable to repay that loan or to secure refinancing on the same terms. A revaluation of the Intel Parsippany Property at debt owing less expenses associated with the property in RCU's Interim Financial Report had a negative impact on RCU's NTA of 14 cents per RCU Unit¹⁰.

RCU entered into a forbearance agreement with the lender on 1 March 2012 under which the lender agreed not to foreclose on the loan until 31 March 2012.

On 4 March 2012, the Investment Manager announced that the property would be relinquished to the lender who would foreclose on the asset immediately. The Investment Manager has advised Unitholders that the foreclosure is expected to dilute RCU's operating earnings by approximately 1.8 cents per RCU Unit per year¹¹.

(b) **US\$87.6 million CBA and Pearlmark debt facilities**

CBA and Pearlmark have debt facilities that mature in August 2012 and are secured against the RSA Bedford Woods Property, FedEx Montgomery Property and Pfingsten Property. As at 31 December 2011, the outstanding balance of the CBA and Pearlmark debt facilities was US\$87.6 million. As the Responsible Entity and Investment Manager advised Unitholders in the Investor Presentation for the Entitlements Offer, the current debt markets are volatile and there is a risk that the properties will not be able to be refinanced on terms currently proposed, or at all.

There is no guarantee that the amounts raised under the Entitlements Offer will be sufficient to meet any refinancing shortfall that may arise. As the Responsible Entity and Investment Manager advised Unitholders in the Investor Presentation for the Entitlements Offer, in such circumstances RCU may be forced to sell assets, for example, the RSA Bedford Woods Property, and a sale in those circumstances may be at a price below book value. If this occurred there would be a decrease in the NTA per RCU Unit. If an asset sale cannot be achieved, CBA and Pearlmark may foreclose on the secured properties.

⁹ LTV as at 31 December 2011 calculated as loan balance, including senior and mezzanine debt, divided by valuations as at 31 December 2011. Excludes the Intel Parsippany Property and the RRT Pool B portfolio.

¹⁰ Refer to the Investor Presentation for the Entitlements Offer.

¹¹ Pre Entitlements Offer.

(c) **High LTVs and negative cash flow on Higgins Property and One Centennial Property**

There are a number of properties in the RCU portfolio with extremely high LTVs, including the Higgins Property which has an LTV of **100.6%** and the One Centennial Property which has an LTV of **96.2%**.

The loan of US\$17 million secured against the Higgins Property is due for repayment in 2017 and the loan of US\$27.4 million secured by the One Centennial Property is due for repayment in 2015.

RCU may have difficulty securing refinancing for these properties given the high LTVs, the significant tenant vacancies (see Section 2.11) and given RCU now has a history of foreclosure.

(d) **Availability of debt and compliance with covenants¹²**

RCU has several and various debt agreements and derivative contracts in Australia and the US. Three are cross collateralized and contain covenants requiring the maintenance of minimum LTVs, weighted average lease expiry ratios (**WALE**) and interest cover ratios, while one facility requires RCU to maintain at least US\$25.0 million net asset value and liquidity ratios.

A breach of covenants may result from a change in a number of variables, both at the property level or in the general economic conditions. These include asset values, rent revenues, foreign exchange rates and interest rates.

In the event that any of these covenants are breached, lenders may require repayment of the full loan amount and costs (on an accelerated basis for the cross collateralized loans). Any breach may also adversely affect RCU's ability to obtain future debt and impact its overall capital position and operational cash flows.

RCU's ability to raise further funds in the debt capital markets in the future may be impacted by influences out of its control including global economic conditions and domestic economic conditions in Australia and the US, credit market and political instability. These influences may impact both the availability of debt and the cost of funds and the future financial position of RCU.

US debt markets since July 2007 have been characterised by periods of considerable volatility including the second half of calendar year 2011 following the debt ceiling debates in the US Congress and the European sovereign debt crisis.

2.8 **Adverse tax consequences arising from concentration of ownership**

There are potential taxation consequences for RCU arising from the increasing concentration of ownership of RCU Units.

(a) **Maintenance of US REIT status**

Mariner American Property Income REIT Limited and RCU RRT LLC (**US Entities**) hold the portfolio of properties in which RCU has an interest through interposed entities. In order for the US Entities to qualify as real estate

¹² The risks in relation to the availability of debt and compliance with covenants has been extracted from the Investor Presentation for the Entitlements Offer.

investment trusts (**REITs**) for US taxation purposes, several organizational, income and asset, and distribution tests must be satisfied. One such test is that no more than 50.0% in value of the shares of each US Entity (on a look through basis) may be owned, directly or indirectly, by five or fewer individuals (i.e., natural persons) at any time during the last half of each US Entity's taxable year. The consequence of the US Entities losing their REIT status is that their cash flows after expenses and other adjustments representing taxable income for US taxation purposes, will be taxed at US Federal income tax rates applicable to corporations (generally 35 percent plus state income tax and any applicable alternative minimum tax) whether or not distributed to its shareholders or members¹³. Furthermore, unless entitled to relief under specific statutory provisions, an entity is disqualified from re-election REIT status for the four taxable years following the year during which it ceased to qualify as a REIT.

As a result of the Entitlements Offer a number of substantial RCU Unitholders have increased their RCU Unitholdings. In particular, Frost Holdings (an Associate of BidCo) now holds 28.93% of the issued RCU Units. If BidCo acquires 21.17% or more of RCU Units under the Offers then Frost Holdings and BidCo between them will hold more than 50.0% in value of the RCU Units and both US Entities will lose their REIT status.

Even if the US Entities do not lose their REIT status as a result of the Offer, the concentration of ownership that has occurred as a result of the Entitlements Offers and that may occur as a result of the Offer, substantially increases the risk that one or both of the US Entities will lose their qualification as a REIT if substantial RCU Unitholders (including Frost Holdings and BidCo) acquire further RCU Units after the bid, for example under the 3% creep exception in the Corporations Act.

(b) **s 382 of the US Internal Revenue Code of 1986, as amended (US Code)**

There is a risk that section 382 of the US Code, may apply as a result of the Offer by BidCo. Section 382 limits the ability of a corporation to use net operating losses (**NOLs**) and US federal credits (e.g., research and development tax credits) at the time a US company experiences an ownership change. Generally, this occurs when the US company has a greater than 50% change in the ownership of the equity of the US company during a 3-year testing period. When the US company is a wholly-owned subsidiary of a foreign company, section 382 requires the analysis to occur at the foreign parent level to determine if the US company has an "indirect" ownership change under section 382.

If a company experiences an ownership change (which is itself a complex set of rules that must be considered to make this determination), the company is required to determine the annual use limitation against those NOLs and other tax attributes that existed as of the ownership change date. This limitation (**Section 382 Limitation**) is generally calculated as the equity value of the company immediately prior to the ownership change multiplied by the long-term tax-exempt rate at the time of the ownership change (published by the US Internal Revenue Service). This estimated risk free return is the amount of

¹³ As the Responsible Entity advised in the Investor Presentation for the Entitlements Offer, the forecasts provided by the joint venture partner of the SGSA JVs indicate that 60% of the cash flows after expenses and other adjustments of those JVs represent taxable income for US federal and state tax purposes. RCU RRT LLC holds 35% of the SGSA JVs so if RCU RRT LLC does not satisfy the REIT qualification test, it will be subject to US corporate tax to the extent that the cash flows after expenses and other adjustments represent taxable income for US federal and state tax purposes and therefore the amount of any tax paid will diminish working capital available for refinancing, expenses and distributions.

NOLs that a company can utilize on an annual basis to offset income that occurs after the ownership change. In addition to the base Section 382 Limitation, the company is also required to determine whether the company has a net unrealized built-in gain or loss (**NUBIG** or **NUBIL**) in its assets as of the ownership change date. To the extent the company has a NUBIG, the recognition of the built-in gain assets (**RBIGs**) are generally allowed to be offset by pre-ownership change losses without limitation. To the extent the company has a NUBIL, the recognition of the built-in loss assets (**RBILs**) are generally limited in offsetting post ownership change income by the same Section 382 Limitation that limits the pre-ownership change NOLs and other tax attributes.

The effect of section 382 may be to increase RCU's US tax liability as compared to the result if section 382 did not apply.

For Australian tax purposes, generally, unit trusts such as RCU are treated as 'flow through' entities. That is, they are not liable to pay Australian income tax on their net (i.e. taxable) income, provided that RCU has distributable income and the RCU Unitholders are presently entitled to all of this distributable income in the income year. The RCU Unitholders bear the tax liability and include a proportionate share of RCU's net income in their assessable income for the relevant year. Each component of RCU's net income should retain its character when assessed in the hands of the RCU Unitholders (including whether the income is foreign sourced income).

The RCU Unitholders may, subject to meeting certain conditions, be entitled to a Foreign Income Tax Offset (**FITO**) in respect of any foreign taxes paid by RCU on behalf of RCU Unitholders. The FITO that may be claimed by the RCU Unitholder in a year of income is, broadly, calculated as the lesser of the RCU Unitholder's share of the amount of foreign taxes paid by the Fund and the foreign income offset limit for the RCU Unitholder (the cap, broadly, Australian tax payable on foreign source income). In the event that the total foreign income tax paid exceeds the cap, no offset is allowed for the excess foreign income tax. The RCU Unitholder may refrain from calculating the cap and instead choose to use the \$1,000 de minimis cap.

FITOs are non-refundable, with the result that to the extent that a FITO cannot be used by a RCU Unitholder in a year of income because the RCU Unitholder's share of foreign taxes paid exceeds the cap, the excess is lost. The excess cannot be carried forward to a later income year.

Assuming the US Entities retain their REIT status, the section 382 limitations noted above may result in an increase in the potential US tax liability of RCU as compared to the result if section 382 did not apply. Provided RCU has net (i.e. taxable) income and distributable income in the income year, and the RCU Unitholders are presently entitled to all of this distributable income, the US tax paid should give rise to a FITO to RCU Unitholders to offset Australian tax payable on foreign source income, subject to the RCU Unitholder's FITO cap. Depending upon whether RCU has net income and the circumstances of the RCU Unitholders, there is a risk that foreign income tax paid would not give rise to a FITO to RCU Unitholders or that some FITOs would be lost due to the FITO cap.

If the US Entities lose their REIT status then US Federal corporate and State Corporate taxes paid by the US Entities in their own capacity rather than by RCU is unlikely to give rise to FITOs for RCU Unitholders.

(c) **Regularly Traded Status of RCU**

Currently, RCU is "regularly traded" as such term is defined under the Australia-US double tax treaty (**Treaty**). As a result, in general, RCU is entitled to a reduced rate of US withholding tax of 15% on distributions from the US Entities provided they maintain their status as a REIT. However, if the Responsible Entity of RCU knows or has reason to know that one or more RCU Unitholders each owns 5% or more of the beneficial interests in RCU, each of such 5% or more RCU Unitholders are deemed to hold such proportion of RCU's direct interest in the US Entities as equals that person's proportionate interest in RCU and is deemed to be beneficially entitled to the REIT dividends paid with respect thereto. Thus Article 10 of the Treaty is applied to such RCU Unitholder as if it owned a direct interest in the US Entities.

To be considered "regularly traded" under the Treaty and the US Code, trades of RCU must be made in more than de minimis quantities on at least 60 days during the taxable year and the aggregate number of shares traded during the year is at least 10% of the average number of shares outstanding during the year. The Offers by BidCo could result in RCU losing its status as "regularly traded" as defined under the Treaty and the US Code.

If RCU is not regularly traded, the reduced withholding tax rate described above would not apply and dividends paid to the US Entities to RCU would be subject to 30% US withholding tax (assuming the US Entities maintain their status as a REIT).

Furthermore, if RCU is considered "regularly traded" it may be eligible for a 0% branch profits tax rate under the Treaty (versus 30% under the US Code) on the after tax portion of any capital gain distributions received from the US Entities with respect to gain recognized by such US Entities on the sale of U.S. real property interests (assuming such US Entities maintain their status as a REIT). If RCU is not considered "regularly traded", the branch profits tax rate would be 5%.

If the US Entities lose their status as a REIT and RCU is not "regularly traded" the US withholding tax on dividends paid to RCU would likely be 5% provided RCU maintains a direct interest of at least 10% in the voting power of the US Entities. If the US Entities lose their status as a REIT and RCU is "regularly traded" the US withholding tax on dividends paid to RCU may qualify for a 0% rate provided RCU owns 80% or more of the voting power of the US Entities for a 12-month period ending on the date such dividends are declared.

(d) **Loss of available tax losses**

To the extent that RCU has Australian tax losses, these losses are not available to be distributed to RCU Unitholders. These tax losses, and tax losses in a part of an income year prior to a failure of the 50% stake test (referred to as the continuity of ownership test (**COT**)), could potentially be carried forward and offset against future assessable income of RCU provided RCU satisfy the Australian trust loss recoupment rules.

The trust loss recoupment rules in Australia are complex and not readily able to be paraphrased, however if RCU is treated as a 'fixed trust' and is a 'listed widely held trust' for Australian tax purposes in all relevant periods, then to pass the COT under the Australian trust loss recoupment rules, broadly, RCU would need to demonstrate that the same individuals have fixed entitlements, directly or indirectly, to more than 50% of the income and capital of RCU from

the start of the year the loss was incurred and at each abnormal trading event. The acquisition of RCU Units under the Offer should constitute abnormal trading and would therefore trigger the operation of the trust loss recoupment rules.

If RCU fails to satisfy the COT, and assuming it is treated as a 'fixed trust' and is a 'listed widely held trust' in all relevant periods, it could rely on the Same Business Test (**SBT**) to carry forward and utilise tax losses. Broadly, the SBT requires RCU to carry on the same business during the income year in which it seeks to recoup losses that it carried on immediately before the failure of COT, and RCU must not carry on a business of a kind (new business test) or enter into a transactions of a kind (new transaction test) that it had not entered into in the course of its business operations prior to the failure of COT.

Similar rules can also operate to deny tax deductions for the writing off of loans provided prior to a failure of COT.

As noted above, the Entitlements Offers and the Offer may result in concentration of ownership in the substantial RCU Unitholders and could potentially result in a failure of the COT. As a result, to be eligible to utilise tax losses (including part year losses prior to a failure of COT) and obtain certain bad debt deductions, RCU may need to rely on the SBT. The SBT has been held by the ATO and the courts to require an identical (although not necessarily identical in all respects) and not merely similar business and necessitates a consideration of the facts and circumstances of each case. Tax losses would be denied if RCU does not satisfy the SBT during the income year in which it seeks to recoup losses as compared to immediately before the failure of COT.

(e) **Loss of Managed Investment Trust (MIT) status**

RCU is a registered managed investment scheme and purports to be a MIT for Australian tax purposes. Being a MIT, a payment of net (i.e. taxable) income (excluding dividends, interests, royalties and foreign source income) by RCU to a presently entitled non-resident RCU Unitholder (**Fund Payment**) should be subject to a final withholding tax liability, currently 7.5% or 30% depending upon the country of residency of the RCU Unitholder. The Fund Payment is treated as non-assessable non-exempt income and the non-resident RCU Unitholder is not required to lodge an Australian income tax return as a result of the Fund Payment. It is noted that the Australian Government has announced that the MIT final withholding tax rate will be increased from 7.5% to 15% commencing on 1 July 2012.

For RCU to continue to qualify as a MIT for withholding tax purposes it must satisfy certain licensing requirements, the 'widely held' ownership requirements, certain 'closely held restrictions' and other conditions at the time of a Fund Payment. In particular, the 'closely held restriction' requires that at any time during the year, 20 or fewer persons should not have a total MIT participation interest in RCU of 75% or more.

As noted above, the Entitlements Offers and the Offer may result in a concentration of ownership in the substantial RCU Unitholders and could potentially result in failure of the 'closely held restriction' and/or the 'widely held' ownership requirement, or otherwise result in the loss of MIT status for RCU. Upon loss of MIT status, distributions of net (i.e. taxable) income should generally be subject to a non-final withholding tax of 30% and a non-resident RCU Unitholder may be required to lodge an Australian income tax return to obtain a refund of any excess Australian tax paid.

2.9 Joint venture risk

RCU holds a 35% minority interest in the SGSA JVs. RCU's joint venture partner, Saban, holds a 65% majority interest in the SGSA JVs. RCU's interest entitles it to appoint one out of the five directors of the joint venture entities. While RCU is entitled to 35% of all distributions made, the amount and timing of distributions, if any, are controlled by Saban. If the distributions are not paid or they are delayed, RCU's working capital available for paying down debt, expenses and distributions will be diminished.

On 26 April 2012, the Investment Manager announced that SGSA JV had advised that distributions from the JV may be reduced or withheld in order to fund the proposed development and expansion of the property located at Sterling, Virginia, US (and owned by the SGSA JV).

The joint venture agreements contain a number of provisions to protect RCU's minority position but Saban is the dominant joint venture partner and if RCU exercises certain of its minority protections, Saban may buy out RCU's interests at market value.

In addition, given RCU only has a 35% interest in the SGSA JVs, there is a risk that if RCU needed to realise its investment in the SGSA JVs, and Saban did not exercise any first right of refusal it has under the joint venture agreements, RCU would have difficulties finding a buyer willing to acquire a minority interest, particularly in a venture where the majority party controls distributions.

2.10 Liquidity risk

The market for RCU Units has generally been illiquid which means your ability to sell your RCU Units at an acceptable price may be limited. In addition, the market value of RCU Units may be adversely impacted by the volume of RCU Units being bought or sold at any point in time and if buyers are scarce, this may have an impact on the price at which you may be able to sell your RCU Units.

As the RCU Units are quoted on the ASX, they are subject to price fluctuations which can be significant and can substantially change the market value of your investment. Some of the risks affecting the market value of the investment on the ASX are:

- Australian, US and international economic conditions and outlook, including inflation, interest rates and foreign exchange rates;
- global equity, debt and capital markets conditions;
- changes to Australian, US and international monetary and fiscal policies; and
- general operational and business risks.

2.11 Inability to sell properties at book value

There is no certainty that the book value of investment properties can be realised when the properties are ultimately sold. For example, the Fedex Montgomery Property was marketed for sale in 2011 but could not be sold at its book value and as a result was withdrawn from sale.

The valuation of properties is largely based on the expected rental income which can be generated from a property and the expenses incurred in its operation. As such, rental vacancies have a negative impact on property values. Excluding properties in the RRT Pool A and RRT Pool B, as at 31 December 2011 the Pfingsten Property

was 26.8% vacant, the Higgins Property was 29.1% vacant and the One Centennial Property was 40.2% vacant.

Rental income or market value can be affected by a number of factors, including the overall condition of the US or local economy, real estate conditions in the region in which the property is located, debt markets and the ability to refinance debt, perception of potential tenants relating to the property, current state of plant and equipment and ongoing expenses and changes in capitalisation rates adopted by valuers.

2.12 Risks inherent in RCU's business¹⁴

In addition to these key risks, the nature of RCU's business exposes RCU Unitholders to certain other risks, including:

(a) Interest rates and long term debt

Investment entities that borrow are potentially exposed to adverse interest rate movements that may increase the cost and financial risk inherent in those entities. Whilst the Investment Manager seeks to mitigate the risk through interest rate hedging and fixed term debt contracts, such as interest rate swaps, there could be residual exposure, particularly at refinance dates. In addition, there may be additional risk if due to illiquid markets, there is a lack of counterparties willing or able to accept refinance commitments on assets when the debt matures which may make refinance more expensive than the current terms.

(b) Fluctuations in foreign exchange rates

RCU holds investments and cash in the US in US dollars. RCU does not hedge foreign exchange rate movements and any fluctuations in exchange rates exposes RCU's earnings and balance sheet to potential negative impacts.

(c) Re-leasing risk

The ability to retain tenants and re-lease vacant space depends upon the Investment Manager's and property managers' success in implementing its re-leasing strategies for each property in the portfolio. The ability to re-lease also depends on factors beyond the control of the Investment Manager including national economic conditions, regional and local economic conditions (which may be adversely impacted by plant closings, business layoffs, industry slow downs, weather conditions, natural disasters, and other factors) local real estate conditions (such as over-supply of or insufficient demand); changing demographics; perceptions by prospective tenants of the convenience, services, safety, and attractiveness of the properties; increases in interest rate levels; and changes in prevailing market rentals.

(d) Tenant and property risks

RCU derives its revenue from rent received from tenants in the buildings owned or under its control. There is a risk that tenants may default on their obligations under their contractual lease terms which may result in both a loss of income and loss of capital to RCU. If there is any prevailing weakness in economic conditions, tenants may either not elect, or not be in a position, to renew their leases on expiry and upon vacating, RCU may not be able to find

¹⁴ The risks in section 2.12 have been extracted from the Investor Presentation for the Entitlements Offer.

suitable replacement tenants in the building in a suitable timeframe and at suitable cost. These events may impact the earnings and cash flow of RCU and valuation of the assets.

The leases with each of US General Services Administration and RSA Security Inc, will account for approximately 64% of rental income¹⁵. As such, the rental income of RCU is highly dependent on these two key tenants continuing to pay rent as and when it falls due.

The value and income from real property may be adversely affected by increases in the cost of maintenance, insurance and operations (including energy costs and real estate taxes) and potential environmental and other liabilities.

(e) **Counterparty/credit risk**

There is a risk that third parties to contractual obligations with RCU and its subsidiaries such as tenants, contractors, service suppliers, joint partners, guarantors, insurers and counterparties to derivatives and other contracts may not be willing or able to perform their obligations under existing contracts or renew or enter into new contracts which may adversely impact the income or assets of RCU.

RCU, its subsidiaries and agents hold cash deposits in certain financial institutions globally. There is a risk that any one or more of these financial institutions may experience financial difficulty and that these cash deposits may be lost in whole or part, or that there may be a delay in accessing these deposits which may adversely impact the cash flow, income and assets of RCU.

(f) **Availability and cost of capital**

RCU's ability to raise additional capital on favourable terms for transactions of a capital nature or the refinancing of debt facilities is dependent on a number of factors outside of its control including general global and domestic economic conditions both in Australia and the US, credit and capital markets and levels of political stability. These factors may impact both the availability and cost of capital as they are required which may then impact the earnings, cash flow and balance sheet of RCU.

(g) **General Business Risks**

- Property liquidity risks – property assets by their nature are illiquid investments. Should realisation of the assets be required, there is a risk that this realisation may not be able to be completed in a timely manner and not be at the values contemplated by either the independent valuers or the directors of the Investment Manager;
- Capital expenditure – the property investments owned by RCU may need unforeseen capital expenditure or significant repairs and maintenance which may impact the earnings, cash flow or assets of RCU;

¹⁵ Excludes both the Intel Parsippany Property and RRT Pool B portfolio. RRT Pool B has been excluded because the portfolio debt exceeds its value.

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- Fixed costs – many costs associated with an investment in real estate are fixed (e.g. interest on debt, rates and taxes etc). In the event that property revenue or occupancy declines, net operating income, cash flows and asset values may be adversely impacted;
 - Insurance – some risks are uninsurable (e.g. war, nuclear, chemical and or biological events) or insurance coverage is reduced or uneconomical to fully insure against (e.g. hurricane, earthquake, terrorism). In addition the financial strength of the insurer or its ability to meet its obligations if and when called upon may be adversely affected by insurable events. In these instances the earnings, cash flow or assets of RCU may be adversely affected;
 - OH&S requirements – each jurisdiction in which RCU owns assets has occupation, health and safety requirements. If RCU fails to comply with the obligations under these requirements it may be penalised with fines and compensation for damages as well as reputational damage, all of which may impact the earnings, cash flow or assets of RCU;
 - Competition – RCU operates in a competitive environment for assets, revenue, services, debt and capital. The competition for these may impact RCU's ability to receive its income stream from property services and the debt and capital required to maintain its portfolio;
 - Litigation and disputes – through the ordinary course of business, RCU may become involved in disputes and possible litigation either as a plaintiff or defendant. It is possible that a material and costly claim could distract management from its core business impacting the performance of the assets or may directly result in costs to RCU and hence the income and distributions of RCU;
 - Regulatory issues and changes in law and accounting standards – these may have an impact on the reported financial performance by directly or indirectly affecting property, income, expenses, distributable returns or net assets of RCU; and
 - Environmental risks – under various US federal, state and local environmental laws, ordinances and regulations, a current or previous owner or operator of real property may be liable for the costs of removal or remediation of hazardous or toxic substances on, under or in that real property. These laws often impose liability whether or not the owner or operator knew of, or was responsible for, the presence of hazardous or toxic substances. The costs of investigation, removal or remediation of hazardous or toxic substances may be substantial. In addition, the presence of hazardous or toxic substances, or the failure to remedy environmental hazards properly, may adversely affect the owner's or operator's ability to sell or rent affected real property or to borrow using affected real property as collateral.

3 BIDCO AND ITS INTENTIONS

3.1 BidCo

BidCo is a private company of which Greg Woolley is the sole director and company secretary. BidCo is part of the Woolley Group of companies and is indirectly controlled by Mr Woolley.

None of BidCo, its Associates or Greg Woolley are related to or otherwise associated with the Responsible Entity or the Investment Manager (other than as a consequence of Frost Holdings being a RCU Unitholder).

Greg Woolley is a private financier and investor. He is the former CEO of LJCB Investment Group, one of Australia's largest private investment companies. Mr Woolley is the former Chairman of Global Aviation Asset Management. Prior to this, Mr Woolley was an investment banker at Macquarie Bank, where he specialised in mergers and acquisitions. Mr Woolley was also previously a director of Allco Equity Partners, STW Communications and a number of private companies and public institutions.

BidCo is an Associate of Frost Holdings. BidCo and its Associates (including Frost Holdings) held, as at the date of this Bidder's Statement, 28.93%¹⁶ of the RCU Units on issue.

3.2 Management Rights

BidCo has recently engaged in preliminary discussions with the Investment Manager about a potential acquisition of the management rights with respect to RCU under the Investment Management Agreement and the US REIT Services Agreements (**Management Rights**).

No terms of any acquisition have been agreed. BidCo has not yet decided whether or not to make an offer to acquire the Management Rights.

3.3 Intentions upon acquiring between 50% and 90% of RCU Units

The Offer is not subject to a minimum acceptance condition (that is a condition that BidCo receives acceptances for a minimum number or percentage of RCU Units).

On completion of the Offer, BidCo may have Voting Power in a sufficient number of RCU Units to exercise control over the management and operations of RCU even though it may not be entitled to compulsorily acquire all the RCU Units it does not hold. For example, if BidCo owns more than 50% of the RCU Units it would be in a position to convene a meeting of RCU Unitholders and to resolve to remove the Responsible Entity.

A resolution to remove the responsible entity of a listed managed investments scheme (such as RCU) only requires an ordinary resolution of those unitholders present and voting. Similarly, if the ASX under the ASX Listing Rules requires a RCU Unitholder vote to approve any significant change to the nature or scope of RCU's activities, only an ordinary resolution would be required.

Even a RCU Unitholding of less than 50% may be sufficient for BidCo to have actual control over RCU or to pass a resolution to remove the Responsible Entity (depending

¹⁶ Frost Holdings holds 28,003,699 RCU Units in its own capacity and 1,222,100 RCU Units in its capacity as trustee of the Greg Woolley Super Fund.

upon the level of participation of other RCU Unitholders in voting on a removal resolution).

If BidCo obtains control of RCU, its present intention is to exercise its Voting Power to cause RCU to continue to operate its current business in the ordinary course. It has no present intention to make major changes to the operation or direction of RCU or to redeploy any of its assets (other than in accordance with the strategies the Investment Manager and Responsible Entity have previously announced to RCU Unitholders).

BidCo has no present intention to remove or support the removal of the Responsible Entity.

However, BidCo's intentions may change in the future, for example, its intentions with respect to the identity of the Responsible Entity the realisation of assets of RCU or the raising of debt or equity finance by RCU.

Frost Holdings, an Associate of BidCo, holds approximately 28.93% of the RCU Units and accordingly has sufficient RCU Units to block a special resolution of RCU, which would be required in order to amend the RCU Constitution. For example, to amend the fees payable to the Responsible Entity.

Subject to the Corporations Act, after the close of the Offer, BidCo may decide to acquire additional RCU Units. For example, BidCo could acquire additional RCU Units on-market pursuant to the 3% creep rule, which allows a person to acquire up to 3% of the units on issue in a listed managed investments scheme every 6 months.

3.4 Intentions upon acquiring 90% or more of RCU Units

If on completion of the Offer or subsequently BidCo and its Associates have Relevant Interests in at least 90% of the RCU Units, BidCo would be entitled under the Corporations Act to proceed to compulsorily acquire all outstanding RCU Units. In those circumstances, BidCo's current intention would be to exercise those compulsory acquisition rights.

At the conclusion of the compulsory acquisition process, BidCo would intend to arrange for RCU to be removed from the official list of the ASX.

It would also review the terms of the Responsible Entity's appointment and might seek to amend these and other terms of the RCU Constitution not appropriate to a wholly-owned investment vehicle and to have RCU de-registered as a managed investment scheme under the Corporations Act.

3.5 Basis of intentions

The current intentions of BidCo described above are based on:

- information available in the public domain concerning RCU and its business;
- BidCo's view on the general business environment affecting RCU and BidCo and the prevailing market conditions as at the date of this Bidder's Statement; and
- the circumstances which BidCo currently considers may affect the business of RCU.

It should be noted that final decisions on these matters will only be reached in view of all the material facts and circumstances at the relevant times and that BidCo's

intentions may change. See also the note on "Forward looking statements" on the inside front cover of this Bidder's Statement.

Frost Holdings has the same intentions as BidCo (as disclosed in this Section 3), in connection with RCU and its holding of RCU Units.

4 INFORMATION ABOUT RCU

4.1 Source of information

The information on RCU in this Bidder's Statement has been prepared by BidCo using publicly available information. That information has not been independently verified by BidCo. Accordingly, BidCo does not, subject to the Corporations Act, make any representation or warranty, express or implied, as to the accuracy or completeness of that information.

Frost Holdings, an Associate of BidCo, was given access to some information relating to RCU by the Investment Manager and Responsible Entity as a pre-condition to Frost Holdings' underwriting the recent Entitlements Offer. Since then, the Responsible Entity has lodged a notice with the ASX on 2 March 2012 confirming that there was no information of which it was aware that investors and their professional advisers would reasonably require for the purpose of making an informed assessment of the assets and liabilities, financial position and performance, profits and losses and prospects of RCU or the rights and liabilities attaching to the RCU Units, that had not already been disclosed to the market.

The information on RCU included in this Bidder's Statement should not be considered comprehensive. The Corporations Act requires the Responsible Entity to provide a Target's Statement to RCU Unitholders in response to this Bidder's Statement, setting out certain material information concerning RCU.

You should refer to the Target's Statement for more details in relation to RCU.

4.2 Principal activities and overview

(a) Activities

RCU is a registered managed investment scheme which has been listed on the ASX since 23 September 2005. The principal activity of RCU is investment in a portfolio of retail, office and industrial properties across the US. RCU owns interests in a portfolio of 27 properties comprising:

- 5 properties owned through holding all the common stock in Mariner American Property Income REIT Limited, which owns 6 special purpose entities each holding an individual property; and
- a 35% joint venture interest in 21 properties, primarily leased to departments of the US Government. The interest is owned through holding all the common equity interests in a limited liability company which also qualifies as a private US property investment trust, RCU RRT LLC. This entity holds a 35% interest in two joint venture vehicles in which Saban Capital Group holds the remaining 65% interest:
 - SGSA II LLC which holds 11 properties through special purpose entities which each hold a property; and
 - Record JV LLC which holds 10 properties. Each of the individual 10 properties is held through a special purpose entity.

ReCapMIL is the responsible entity of RCU and is wholly owned by Trust Company Limited. The principal business of ReCapMIL is to carry out its duties as the responsible entity for RCU.

ReCap is the investment manager of RCU and is authorised to manage RCU pursuant to the Investment Management Agreement. Mr Andrew Saunders is the Chief Executive Officer of ReCap.

(b) **Recent Entitlements Offer**

On 1 March 2012, RCU announced the Entitlements Offer which consisted of offering 0.98 of a new RCU Unit for every 1 existing RCU Unit held by eligible RCU Unitholders. The offer price of the new RCU Units was \$0.40 each.

The proceeds of the Entitlements Offer are intended to be used to:

- fund the costs associated with the extension of the 12 year lease to RSA Security Inc. for the RSA Bedford Woods Property; and
- fund the costs, and the estimated shortfall, associated with refinancing the US\$87.6 million CBA and Pearlmark debt facilities which are due to mature in August 2012.

The remaining balance of the Entitlements Offer is intended to be retained as working capital and used to meet costs associated with potential portfolio leasing activities and other refinancing requirements.

4.3 Publicly available information about RCU

RCU is a disclosing entity for the purposes of the Corporations Act. As a disclosing entity, it is subject to reporting and disclosure obligations. RCU is subject to the Listing Rules of the ASX which require continuous disclosure of any information that RCU has concerning it that a reasonable person would expect to have a material effect on the price or value of its securities.

Copies of documents lodged with the ASX by RCU in accordance with these obligations are available on the ASX website (<http://www.asx.com.au>).

In addition, RCU is required to lodge various documents with ASIC. Copies of documents lodged with ASIC may be obtained by contacting ASIC.

Information about RCU is also available on RCU's website (<http://www.recap.com.au>).

Further information relating to RCU will be contained in the Target's Statement to be issued by the Responsible Entity, which you should read in full before deciding whether to accept the Offer.

5 FUNDING

5.1 Total cash consideration

The consideration for the acquisition of RCU Units to which the Offer relates will be satisfied wholly in cash. If the Offer is accepted in respect of all RCU Units to which the Offer relates, the Maximum Consideration that BidCo will have to pay will be approximately \$46.47 million (based upon the Offer price of 46 cents per RCU Unit).

The Maximum Consideration payable includes the consideration that would be payable to Frost Holdings in its own capacity and as trustee of the Greg Woolley Super Fund if it accepted the Offer in both capacities. Frost Holdings is an Associate of BidCo and has, in its own capacity and as trustee of the Greg Woolley Super Fund, indicated to BidCo that it does not intend to accept the Offer in respect of its holding of RCU Units. Excluding the consideration that would be payable to Frost Holdings if it accepted the Offer, the Actual Maximum Consideration that BidCo will have to pay will be approximately \$33.02 million.

5.2 Funding arrangements

(a) General

The Offer will be funded solely through debt facilities made available to BidCo by certain members of the Woolley Group, including Frost Holdings (**Bid Funders**).

The Bid Funders have given BidCo unconditional commitments to make available to BidCo sufficient funds for BidCo to meet any payment obligations in relation to the Offer. To provide that funding, the Bid Funders will draw on their existing undrawn debt facilities, cash reserves and liquid assets.

The Offer is not subject to any conditions relating to financing.

(b) Particulars of debt facilities

The Bid Funders have cash reserves, liquid assets as well as undrawn debt facilities with large commercial banks and other financiers (**Facilities**). As at the date of this Bidder's Statement, the Bid Funders have, in total, in excess of the Actual Maximum Consideration available in cash reserves, liquid assets and funds available for drawdown under the Facilities.

There are no restrictions on the application of funds under the Facilities and no material pre-conditions to the drawdown of funds.

The Bid Funders have no reason to believe that any of the events of default will occur such that a drawdown will not be able to be made and funds advanced to BidCo as required.

(c) BidCo's internal funding arrangements

BidCo has entered into a funding agreement with the Bid Funders under which the Bid Funders have unconditionally and irrevocably agreed to drawdown under the Facilities, and make available to BidCo, funds that BidCo requires to make payments pursuant to the Offer as and when those payments are due to be made.

The funds will be provided in whatever form and manner BidCo requires.

5.3 **Sufficiency of funding**

Having regard to the matters set out in this Section of this Bidder's Statement, BidCo is of the opinion that it has a reasonable basis for forming the view, and it holds the view, that it will be able to pay the Actual Maximum Consideration required for the acquisition of the RCU Units pursuant to the Offer (excluding the RCU Units held by Frost Holdings) and to satisfy its obligations under the Offer.

6 AUSTRALIAN TAXATION IMPLICATIONS FOR UNITHOLDERS

6.1 Overview

The following is an outline of the principal Australian income tax consequences generally applicable to a RCU Unitholder who disposes of RCU Units under the Offer.

This outline reflects the current provisions of the Income Tax Assessment Act 1936 and the Income Tax Assessment Act 1997 and the regulations made under those Acts, taking into account proposed amendments and RCU's understanding of the current administrative practices of the Australian Taxation Office. Unless otherwise indicated below, this outline does not otherwise take into account or anticipate changes in the law, whether by way of judicial decision or legislative action, take into account tax legislation of countries apart from Australia.

This outline is not exhaustive of all possible Australian income tax considerations that could apply to particular RCU Unitholders. The summary does not address the tax considerations applicable to RCU Unitholders that may be subject to special tax rules, such as banks, insurance companies, tax exempt organisations, superannuation funds or dealers in securities. It is assumed that RCU is not subject to company taxation under Division 6B or Division 6C of the Income Tax Assessment Act 1936.

This outline assumes that your RCU Units are held as a capital investment and does not apply to you if you buy and sell securities in the ordinary course of business, or if you acquired the securities for resale at a profit. In those cases, any gain will generally be taxed as ordinary income and you should seek your own independent tax advice.

Your taxation treatment will be affected by your personal circumstances and each RCU Unitholder should consult with their own tax adviser regarding the consequence of acquiring, holding or disposing of RCU Units in light of current tax laws and their particular investment circumstances.

6.2 Taxation on the disposal of RCU Units

If you accept the Offer, you will be treated as having disposed of your RCU Units for tax purposes.

The timing of the disposal for Australian capital gains tax (**CGT**) purposes will be the date when you enter into the contract for the disposal of your RCU Units.

6.3 Australian resident RCU Unitholders

An Australian resident RCU Unitholder may make either a capital gain or capital loss in connection with the disposal of its RCU Units in the tax year in which the disposal of the RCU Units occurs for CGT purposes. If you make a capital gain, it will form part of your assessable income and will be taxable in your hands. If you make a capital loss, you may be able to offset the capital loss against other capital gains you make in the same tax year or carry forward the net capital loss for use in future tax years.

The capital gain or loss is calculated as the difference between the amount you receive and the cost base (or reduced cost base) of your RCU Units. Ordinarily for any RCU Units you purchase, the cost base is the total of the amount you paid for the RCU Units plus your acquisition and disposal costs.

RCU Unitholders who are individuals, trustees of trusts or complying superannuation funds would normally be able to discount their capital gain if they have held the RCU Units for at least 12 months prior to the date the RCU Unitholder is taken to have disposed of their RCU Units under the Offer. If so, the amount of the taxable capital

gain would be reduced by 50% for individuals or trustees, or by 33 $\frac{1}{3}$ % for complying superannuation funds.

6.4 **Non-resident RCU Unitholders**

If you are a non-resident of Australia for tax purposes, you will generally not have to pay Australian tax on any capital gain you make when you dispose of your RCU Units unless your RCU Units constitute "taxable Australian property". "Taxable Australian property" essentially includes direct interests in Australian real property (such as land), certain indirect interests in Australian real property and the business assets of an Australian permanent establishment of a foreign resident.

On the basis that RCU's portfolio of assets comprises of properties located in the US, your RCU Units will not constitute "taxable Australian property" and you will not have to pay Australian tax on any capital gain you make when you dispose of your RCU Units.

If you buy and sell units in the ordinary course of business, or acquired the RCU Units for resale at a profit, any gain could be taxed in Australia as ordinary income and not as a capital gain. In those cases, you should seek your specific advice.

You should seek advice from your tax adviser as to the taxation implications of accepting the Offer in your country of residence.

6.5 **Transaction Taxes**

No stamp duty or GST is payable by you on the transfer of your RCU Units pursuant to the Offer.

7 ADDITIONAL INFORMATION

7.1 Additional information on RCU

As at the date this Bidder's Statement was lodged with ASIC, according to documents lodged by the Responsible Entity and Investment Manager with the ASX, the only issued securities in RCU are 101,014,072 RCU Units.

As at the day before the date this Bidder's Statement was lodged with ASIC, according to documents lodged with the ASX, the number of RCU Units held by RCU Unitholders (together with any relevant Associates) with a 5% or more RCU Unitholding was as follows:

RCU Unitholders	No. of RCU Units	% of issued RCU Units
Frost Holdings Pty Limited in its own capacity and as trustee of the Greg Woolley Super Fund and Greg Woolley (all of with whom BidCo is an Associate)	29,225,799	28.93%
Acorn Capital Limited	14,734,662	14.59%
Intelligent Investor Funds Pty Limited	8,978,357	8.89%
Regal Funds Management Pty Limited	3,571,481	7.0%

Frost Holdings in its own capacity and as trustee of the Greg Woolley Super Fund has indicated to BidCo that it does not intend to accept the Offer in respect of its holding of RCU Units.

7.2 BidCo's Voting Power in RCU

As at immediately before this Bidder's Statement was lodged with ASIC and the first Offer is sent:

- (a) BidCo did not have a Relevant Interest in any RCU Units;
- (b) BidCo's Associate, Frost Holdings (in its own capacity and as trustee of the Greg Woolley Super Fund), had a Relevant Interest in 29,225,799 RCU Units; and
- (c) BidCo and its Associate, Frost Holdings (in its own capacity and as trustee of the Greg Woolley Super Fund), had Voting Power in RCU of 28.93%.

7.3 Recent Entitlements Offer

An Associate of BidCo, Frost Holdings, acted as underwriter in the recent Entitlements Offer undertaken by RCU. Frost Holdings, the Responsible Entity and the Investment Manager entered into the Underwriting Agreement under which Frost Holdings was obliged to subscribe for all the RCU Units that were not subscribed for by RCU Unitholders under the Entitlements Offer (**Shortfall Units**).

Frost Holdings acquired a total of 24,265,937 Shortfall Units under the Entitlements Offer.

Generally the Corporations Act prohibits a person from increasing the person's Voting Power in a listed managed investment scheme above 20% unless an exception applies, such as the acquisition of units under a formal takeover bid.

Frost Holdings was able to rely upon an exception that applies to acquisitions by a person as an underwriter of a pro rata rights issue (that is, the Entitlements Offer). Frost Holdings increased its Voting Power in RCU (in its own capacity and as trustee of the Greg Woolley Super Fund) pursuant to the Entitlements Offer from 19.84% as at 1 March 2012 to 43.87% as at 11 April 2012. Under the Sell Down Facility, Frost Holdings sold 15,085,138 RCU Units representing 14.93% of RCU Units on issue (see below).

7.4 **Takeovers Panel application**

On 9 March 2012, a substantial RCU Unitholder, Intelligent Investor Funds Pty Ltd, made an application to the Takeovers Panel seeking a declaration of unacceptable circumstances in relation to the Entitlements Offer fully underwritten by Frost Holdings.

On 28 March 2012, the Takeovers Panel made a declaration of unacceptable circumstances and also made a number of remedial orders varying the Entitlements Offer. Pursuant to the orders, Frost Holdings made the Sell Down Facility available, and it sold the RCU Units referred to above. For further information, refer to RCU's ASX announcement of 28 March 2012.

7.5 **Previous offers by BidCo and its Associates and other arrangements**

(a) **Acquisition of RCU Units in previous 4 months**

Neither BidCo nor any of its Associates has provided (nor agreed to provide) consideration for a RCU Unit during the 4 months before the Offer Date, other than under the Underwriting Agreement for the Entitlements Offer and by taking up its pro rata entitlement under the Entitlements Offer.

Pursuant to the Underwriting Agreement in relation to the Entitlements Offer, Frost Holdings acquired 24,265,937 RCU Units for \$0.40 per RCU Unit.

It subsequently sold 15,085,138 RCU Units pursuant to the Sell Down Facility for 40 cents per RCU Unit.

(b) **No benefits granted by BidCo**

In the 4 months before the Offer Date, neither BidCo nor any of its Associates have given, offered to give or agreed to give any benefit to any person that was likely to induce that person, or their Associates, to:

- (i) accept an Offer; or
- (ii) dispose of their RCU Units,

which benefit was not offered to all RCU Unitholders under the Offer.

Under the Sell Down Facility, Frost Holdings (an Associate of BidCo) offered to sell Shortfall Units to RCU Unitholders on the relevant record date (13 March 2012) for \$0.40 per RCU Unit which is below the price offered under the Offer.

(c) **No agreement between BidCo and the Responsible Entity, the Investment Manager or their directors**

There is no agreement between BidCo and the Responsible Entity, the Investment Manager or any of the directors or other officers of either of them in connection with, or conditional upon, the outcome of the Offers.

(d) **No transfer of RCU Units acquired under the Offer**

There is no agreement by which any RCU Units that are acquired by BidCo under the Offers will, or may, be transferred to any other person.

(e) **No agreements**

There is no existing agreement for the acquisition of RCU Units by BidCo, or by any of its Associates.

(f) **No escalation agreements**

Neither BidCo nor any Associate of BidCo has entered into any escalation agreement that is prohibited by section 622 of the Corporations Act.

(g) **On market acquisitions by BidCo**

As the Offers are subject only to the Condition, BidCo may acquire RCU Units during the Bid Period by buying them on-market on the ASX. BidCo intends to stand in the market to acquire all RCU Units not owned by it at prices up to the Offer price of 46 cents per RCU Unit. RCU Unitholders who sell their RCU Units on the ASX will receive payment on a T+3 basis (being 3 Trading Days after the date of the transaction). RCU Unitholders who sell their RCU Units on the ASX cannot subsequently accept the Offer in respect of those RCU Units sold on the ASX.

7.6 **ASIC waivers and modifications**

BidCo has not obtained from ASIC any modifications of, or exceptions from, the Corporations Act in relation to the Offer. However ASIC has published various instruments providing for modifications and exemptions that apply generally to all persons, including BidCo.

7.7 **Consents**

BidCo's sole director has given his written consent to the lodgement and issue of this Bidder's Statement and to this Bidder's Statement including statements made by, or based on statements made by, the sole director in the form and context in which those statements appear.

Henry Davis York have given their written consent to being named on the front cover and in the Corporate Directory Section of this Bidder's Statement as the Legal Adviser to BidCo in the form and context in which they are named. Henry Davis York have not withdrawn their consent prior to lodgement of this Bidder's Statement with ASIC. Henry Davis York do not make any statement that is included in this Bidder's Statement or on which a statement made in this Bidder's Statement is based and do not accept any liability to any person in respect of any false or misleading statement in, or omission from, any part of this Bidder's Statement.

Frost Holdings has given its written consent to the inclusion of the statements made about its intentions (including in Sections 3 and 5), and on behalf of the Bid Funders in

connection with the Facilities, in this Bidder's Statement and to being named in this Bidder's Statement in the form and context in which it is named. Frost Holdings has not withdrawn its consent prior to lodgement of this Bidder's Statement with ASIC.

Boardroom Pty Limited (**Boardroom**) has given its written consent to being named in this Bidder's Statement in the form and context in which it is named. Boardroom has not withdrawn its consent prior to lodgement of this Bidder's Statement with ASIC. Boardroom does not make any statement that is included in this Bidder's Statement or on which a statement made in this Bidder's Statement is based and does not accept any liability to any person in respect of any false or misleading statement in, or omission from, any part of this Bidder's Statement.

This Bidder's Statement includes statements which are made in, or based on statements made in, documents lodged with ASIC or given to ASX. Under the terms of ASIC Class Order 01/1543, the parties making those statements are not required to consent to, and have not consented to, inclusion of those statements in this Bidder's Statement. If you would like to receive a copy of any of those documents, or the relevant parts of the documents containing the statements (free of charge) please contact the Offer Information Line on 1300 737 760 (toll free within Australia) or +61 2 9290 9600 (for callers outside Australia).

7.8 **Other material information**

Other than as disclosed in this Bidder's Statement, there is no other information which:

- is material to the making of a decision by a person to whom an Offer is made whether or not to accept the Offer; and
- is known to BidCo,

which has not previously been disclosed to the RCU Unitholders.

8 TERMS OF OFFER

This Section sets out the terms of the Offer. In this Bidder's Statement, references to clauses are to clauses of this Section and references to the Condition is to the Condition in clause 8.10 of this Section.

8.1 Offer

- (a) BidCo offers to acquire all of your RCU Units (and Rights attaching to them) for 46 cents per RCU Unit on the terms set out in this Offer. You may accept this Offer for all or some of your RCU Units.
- (b) This Offer is dated [#] (**Offer Date**).

8.2 Who may accept

- (a) This Offer is being made to each person registered as the holder of RCU Units in the register of RCU Unitholders as at the Register Date.
- (b) It also extends to:
 - (i) holders of any RCU Units that are issued during the period from the Register Date to the end of the Offer Period due to the conversion of, or exercise of, any Rights; and
 - (ii) any person who becomes registered, or entitled to be registered, as the holder of RCU Units during the Offer Period.
- (c) If, at the time the Offer is made to you, or at any time during the Offer Period, another person is, or is entitled to be, registered as the holder of some or all of the RCU Units to which this Offer relates:
 - (i) a corresponding offer on the same terms as this Offer will be deemed to have been made to that other person in respect of those RCU Units;
 - (ii) a corresponding offer on the same terms as this Offer will be deemed to have been made to you in respect of any other RCU Units you hold to which the Offer relates; and
 - (iii) this Offer will be deemed to have been withdrawn immediately at that time in respect of those RCU Units.
- (d) If, at any time during the Offer Period you are registered as the holder of one or more parcels of RCU Units as trustee, nominee or otherwise on account of another person, you may accept the Offer as if a separate offer on the same terms and conditions as the Offer had been made in relation to each of those distinct parcels and any parcel you hold in your own right. To validly accept the Offer for each parcel, you must comply with the procedure in section 653B(3) of the Corporations Act. If, for the purposes of complying with that procedure, you require additional copies of this Bidder's Statement and/or the Acceptance Form, please call the Offer Information Line on 1300 737 760 to request those additional copies.
- (e) This Offer is not registered in any jurisdiction outside Australia. It is your sole responsibility to satisfy yourself that you are permitted by any law of a country other than Australia applicable to you to accept this Offer and to comply with any other necessary formalities and to obtain any necessary governmental or other consents.

8.3 Offer Period

- (a) This Offer will, unless withdrawn in accordance with clause 8.14, remain open for acceptance during the Offer Period.
- (b) The Offer Period is the period commencing on the Offer Date (being [#] 2012) and ending on 7.00pm (Sydney time) on the Closing Date, being the later of:
 - (i) [#] 2012; or
 - (ii) any date to which the period of this Offer is extended in accordance with the Corporations Act (in which case the date specified in this Offer for publication of a notice under section 630(1) of the Corporations Act will be varied accordingly).
- (c) BidCo reserves the right, exercisable in its sole discretion, to extend the Offer Period in accordance with the Corporations Act.
- (d) If, within the last 7 days of the Offer Period:
 - (i) the Offer is varied to improve the consideration offered; or
 - (ii) BidCo's Voting Power in RCU increases to more than 50%,then the Offer Period will be automatically extended so that it ends 14 days after the relevant event in accordance with section 624(2) of the Corporations Act.

8.4 How to accept this Offer

- (a) You may accept the Offer at any time during the Offer Period.
- (b) Subject to clause 8.4(d), you may accept the Offer in respect of all or some of your RCU Units. For example, if you have 10,000 RCU Units, you may accept this Offer in respect of 10,000 RCU Units or a lesser number such as 8,000 RCU Units.
- (c) If you do not specify a number of RCU Units, or you specify a number greater than your RCU Unitholding, on your Acceptance Form, you will be taken to have accepted the Offer in relation to all of your RCU Units.
- (d) If accepting the Offer in relation to some of your RCU Units would leave you with less than a Marketable Parcel of RCU Units, you will be taken to have accepted the Offer, and you will receive consideration, for all of your RCU Units.
- (e) How you accept this Offer depends on whether your RCU Units are in an Issuer Sponsored Holding or a CHESS Holding. You will have been sent a personalised Acceptance Form with this Bidder's Statement for you to use to accept this Offer depending on how your RCU Units are held:
 - (i) **If you hold your RCU Units in a CHESS Holding** (your HIN starts with an "X") you must comply with the ASX Settlement Operating Rules. If you hold your RCU Units in a CHESS Holding, you must:
 - (A) instruct your Controlling Participant (usually your Broker) to initiate acceptance of this Offer on your behalf in accordance with Rule 14.14 of the ASX Settlement Operating Rules in

sufficient time for this Offer to be accepted before the end of the Offer Period; or

- (B) complete and sign the Acceptance Form (in accordance with the instructions on it) and send it (together with all other documents required by the instructions on the Acceptance Form) directly to your Controlling Participant (usually your Broker) in sufficient time for this Offer to be accepted before the end of this Offer Period with instructions to initiate acceptance of the Offer on your behalf in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the end of the Offer Period; or
 - (C) complete and sign the Acceptance Form (in accordance with the instructions on it) and return it (together with all other documents required by the instructions on the Acceptance Form) to the address indicated on the Acceptance Form in sufficient time for BidCo to initiate, or instruct your Controlling Participant to initiate, acceptance of this Offer on your behalf in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the end of the Offer Period.
- (ii) **If you are a Broker or a Controlling Participant**, to accept this Offer you must initiate acceptance in accordance with Rule 14.14 of the ASX Settlement Operating Rules before the end of the Offer Period.
 - (iii) **If you hold your RCU Units in an Issuer Sponsored Holding** (your SRN starts with an "I") to accept this Offer you must complete and sign the Acceptance Form (in accordance with the instructions on it) and return it (together with all other documents required by the instructions on the Acceptance Form) to the address indicated on the Acceptance Form so that your acceptance is received before the end of the Offer Period.
 - (iv) **If some of your RCU Units are held in a number of forms**. If some of your RCU Units are in different holdings, your acceptance of this Offer will require action under clauses 8.4(e)(i), 8.4(e)(ii) and/or 8.4(e)(iii), whichever is relevant to the RCU Units in respect of which you wish to accept this Offer.
- (f) BidCo will determine, in its sole discretion, all questions as to the form of documents, eligibility to accept this Offer and time of receipt of an acceptance of the Offer. BidCo is not required to communicate with you prior to or after making this determination. The determination of BidCo will be final and binding on all parties.
 - (g) Without limiting clause 8.4(f) and notwithstanding clause 8.4(e) BidCo may, in its sole discretion, at any time deem any Acceptance Form it receives from you, or on your behalf, to be a valid acceptance in respect of your RCU Units, even if a requirement for acceptance has not been complied with, but the payment of the consideration will not be made until any irregularity has been resolved or waived and any other documents required to procure registration have been received by BidCo.
 - (h) The Acceptance Form which accompanies this Offer, forms part of this Offer.
 - (i) The postage of the Acceptance Form and other documents is at your own risk.

8.5 Payment of Consideration

- (a) For every RCU Unit you hold which is sold to BidCo under this Offer, BidCo will pay you 46 cents.
- (b) Subject to the terms of this Offer and the Corporations Act, BidCo will provide the consideration for your RCU Units by the earliest of:
 - (i) if the Offer is:
 - (A) unconditional, 14 days after the Offer is accepted; or
 - (B) is subject to a defeating condition when accepted, within 14 days after the Offer becomes unconditional; and
 - (ii) 14 days after the end of the Offer Period.
- (c) Where the Acceptance Form requires an additional document to be given with your acceptance (such as a power of attorney) and that document is given:
 - (i) with your Acceptance Form, BidCo will provide the consideration in accordance with clause 8.5(b);
 - (ii) after acceptance and before the end of the Offer Period, while the Offer is subject to a defeating condition, BidCo will provide the consideration by the earlier of:
 - (A) 14 days after the Offer becomes unconditional; and
 - (B) 14 days after the end of the Offer Period; and
 - (iii) after acceptance and before the end of the Offer Period, whilst the Offer is not subject to a defeating condition, BidCo will provide the consideration by the earlier of:
 - (A) 14 days after that document is given; and
 - (B) 14 days after the end of the Offer Period; and
 - (iv) after the end of the Offer Period, BidCo will provide the consideration within 14 days after that document is given. However, if at the time the document is given, this Offer is still subject to a defeating condition that relates only to the happening of an event or circumstance referred to in section 652C(1) or (2) of the Corporations Act, BidCo will provide the consideration due to you within 14 days after this Offer becomes unconditional.

8.6 Payment to be mailed by cheque

Payment of the cash consideration to which you are entitled will be mailed at your risk by cheque in Australian currency. Cheques will be sent to the address on the Acceptance Form or the address as shown on the latest version of RCU's register of members obtained by BidCo by pre-paid ordinary mail, or if you have an overseas address, by pre-paid airmail.

8.7 Approvals for payment of consideration

If, at the time you accept this Offer, any consent, authority or clearance of the Reserve Bank of Australia or of the Australian Taxation Office is required for you to receive any consideration under this Offer, or you are resident in, or a resident of a place to which, or you are a person to whom:

- (a) the Banking (Foreign Exchange) Regulations 1959 (Cth);
- (b) Part 4 of the Charter of the United Nations Act 1945 (Cth);
- (c) the Charter of the United Nations (Dealing with Assets) Regulations 2008 (Cth);
- (d) Part 9 of the Anti-Money Laundering and Counter-Terrorism Financing Act 2006 (Cth);
- (e) any other regulations made under Part 4 of the Charter of the United Nations Act 1945 (Cth); or
- (f) any other law of Australia that would make it unlawful for BidCo to provide consideration for your RCU Units,

applies, then acceptance of this Offer will not create or transfer to you any rights (contractual or contingent) to receive (and you will not be entitled to receive) any consideration under this Offer unless and until all requisite consents, authorities or clearances have been obtained by you.

8.8 Effect of Acceptance

- (a) Once you have accepted this Offer, you will be unable to revoke your acceptance and the contract resulting from your acceptance will be binding on you, subject to the Condition and any right to withdraw that may arise under section 650E of the Corporations Act.
- (b) By signing and returning the Acceptance Form or otherwise accepting this Offer in accordance with its terms, you will be deemed to have:
 - (i) accepted this Offer (and any variation of it) in respect of and, subject to the Condition being fulfilled or freed, agreed to transfer to BidCo, the number of RCU Units specified in the Acceptance Form or if none, in respect of all of the RCU Units registered in your name, subject to section 653B of the Corporations Act;
 - (ii) undertaken, warranted and represented to BidCo, as a fundamental term that at the time of acceptance of this Offer and the time the transfer to BidCo is registered, the RCU Units (including any Rights) in respect of which you have accepted this Offer are, and will be, free from all Encumbrances and any other third party interests of any kind and that you have full power and capacity to sell and transfer the legal and beneficial ownership in those RCU Units (including any Rights) to BidCo, and that you have paid to RCU all amounts which at the time of acceptance have fallen due for payment to RCU in respect of those RCU Units;
 - (iii) irrevocably authorised and directed RCU to pay to BidCo, or to account to BidCo, for all Rights in respect of your RCU Units which BidCo acquires under this Offer. If this Offer is withdrawn, or this Offer

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- has not become or been declared unconditional, BidCo must account to you for any such Rights received by BidCo;
- (iv) authorised BidCo to notify RCU on your behalf that, your place of address for the purpose of serving notices upon you in respect of your RCU Units that BidCo acquires under this Offer, is the address as specified by BidCo in the notification;
 - (v) if you signed the Acceptance Form in respect of Units which are held in a CHESS Holding, irrevocably authorised BidCo (or any BidCo director, secretary, nominee or agent of BidCo) to instruct your Controlling Participant to initiate acceptance of this Offer in respect of your RCU Units in accordance with Rule 14.14 of the ASX Settlement Operating Rules;
 - (vi) if you signed the Acceptance Form in respect of Units which are held in a CHESS Holding, irrevocably authorised BidCo (or any BidCo director, secretary, nominee or agent) to give any other instructions in relation to your Units to your Controlling Participant, as determined by BidCo or its nominee acting in its own interests as a beneficial owner and intended registered holder of those RCU Units;
 - (vii) with effect from the time and date on which the Condition has been fulfilled or freed, irrevocably appointed BidCo and its directors, secretary, nominee or agents from time to time jointly and severally as your exclusive attorney or agent:
 - (A) to exercise in BidCo's own interests, all your powers and rights in relation to the RCU Units in respect of which you have accepted the Offer, including without limitation, to attend and vote and exercise any powers in respect of those RCU Units on your behalf at any meeting of RCU;
 - (B) to receive any notice of meeting of RCU; and
 - (C) to request RCU to register in the name of BidCo (or its nominees) your RCU Units in respect of which you have accepted this Offer and which you hold on any register of RCU Unitholders;
 - (viii) agreed not to attend in person, by proxy or body corporate representative at any RCU meeting or to exercise or purport to exercise any powers which would derogate from the grant of powers to BidCo in clause 8.8(b)(vii);
 - (ix) agreed to do all such acts, matters and things that BidCo may require to give effect to the matters the subject of clause 8.8(b)(vii) (including the execution of a written form of proxy to the same effect as clause 8.8(b)(vii) which complies in all respects with the requirements of the RCU Constitution) if requested by BidCo;
 - (x) agreed to indemnify BidCo in respect of any claim or action against it or any loss, damage or liability whatsoever incurred by it as a result of you not producing your HIN or SRN or in consequence of the transfer of your RCU Units to BidCo being registered by RCU without production of your HIN or your SRN for your RCU Units;
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- (xi) represented and warranted to BidCo that, unless you have notified it in accordance with clause 8.2(d), your RCU Units do not consist of separate parcels;
 - (xii) irrevocably authorised BidCo (and any nominee) to transmit a message in accordance with Rule 14.17 of the ASX Settlement Operating Rules to transfer your RCU Units to BidCo's Takeover Transferee Holding, regardless of whether it has paid the consideration due to you under this Offer;
 - (xiii) agreed, subject to the Condition being fulfilled or freed, to execute all such documents, transfers and assurances, and do all such acts, matters and things that BidCo may consider necessary or desirable to convey your RCU Units registered in your name and Rights to BidCo;
 - (xiv) agreed to transfer all of your RCU Units in respect of which you have accepted the Offer to BidCo in accordance with the terms set out in this Offer subject to this Offer being declared free of the Condition or the Condition being fulfilled; and
 - (xv) irrevocably authorised BidCo (by its director, secretary, nominee or agents) to complete the Acceptance Form by inserting such details as are omitted in respect of your RCU Units (if applicable) and to alter or rectify any errors in or omissions from the Acceptance Form (including, without limitation, in respect of the number of your RCU Units) as may be necessary to make the Acceptance Form an effective acceptance of this Offer or to enable registration of the transfer to BidCo of your RCU Units in respect of which you have accepted the Offer.
- (c) The undertakings, agreements, appointments and authorisations referred to above will remain in force after you receive the consideration for your RCU Units acquired by BidCo, and after BidCo becomes registered as the holder of them.

8.9 Rights

- (a) BidCo will be entitled to all Rights in respect of the RCU Units that BidCo acquires under this Offer.
- (b) If any Rights are received by you and such documents as may be necessary to vest title to those Rights in BidCo or the benefit of those Rights are not passed on to BidCo, BidCo may reduce the consideration payable to you under this Offer by the value of those Rights, as reasonably assessed by BidCo.

8.10 Condition of this Offer

This Offer, and any contract resulting from your acceptance of it, are subject to the condition that none of the following events (each a **Prescribed Occurrence**) occurs between the Announcement Date and the Closing Date (each inclusive):

- (a) RCU converts all or any of the RCU Units into a larger or smaller number of RCU Units;
- (b) RCU or a Subsidiary resolves to reduce its capital in any way;
- (c) RCU or a Subsidiary:

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- (i) enters into a buy-back agreement; or
 - (ii) resolves to approve the terms of a buy-back agreement under section 257C(1) or 257D(1) of the Corporations Act;
- (d) RCU issues units, or grants an option over its units, or agrees to make such an issue or grant such an option;
 - (e) a Subsidiary of RCU issues shares, or grants an option over its shares, or agrees to make such an issue or grant such an option;
 - (f) RCU or a Subsidiary issues, or agrees to issue, convertible notes;
 - (g) RCU or a Subsidiary disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property;
 - (h) RCU or a Subsidiary grants, or agrees to grant, a security interest in the whole, or a substantial part, of its business or property;
 - (i) RCU or a Subsidiary resolves to be wound up;
 - (j) a liquidator or provisional liquidator of the Responsible Entity or of a Subsidiary is appointed;
 - (k) a court makes an order for the winding up of RCU or of a Subsidiary;
 - (l) an administrator of a Subsidiary of RCU is appointed under section 436A, 436B or 436C of the Corporations Act;
 - (m) a Subsidiary of RCU executes a deed of company arrangement; or
 - (n) a receiver, or a receiver and manager, is appointed in relation to the whole, or a substantial part, of the property of RCU or of a Subsidiary.

8.11 Nature and benefit of the Condition

- (a) The Condition is a condition subsequent.
- (b) Subject to the Corporations Act, the Condition is for the benefit of BidCo alone and may only be relied upon by BidCo.

8.12 Freeing of Offer from the Condition

- (a) BidCo may free this Offer, and any contract resulting from its acceptance, from the Condition by giving notice to RCU and to the ASX declaring the Offers to be free from the Condition in accordance with section 650F of the Corporations Act. This notice may be given not later than 3 Business Days after the end of the Offer Period
- (b) If, at the end of the third Business Day after the end of the Offer Period, the Condition has not been fulfilled and BidCo has not declared the Offer (or it has not become) free from the Condition, all contracts resulting from acceptance of the Offer will be automatically void.

8.13 Notice on the status of the Condition

The date for giving the notice on the status of the Condition required by section 630(1) of the Corporations Act is [#] 2012, subject to extension in accordance with section 630(2) of the Corporations Act if the Offer Period has been extended.

8.14 Withdrawal of Offer

- (a) This Offer may be withdrawn with the written consent of ASIC. That consent may be subject to certain conditions imposed by ASIC. If ASIC gives such consent, BidCo will give notice of the withdrawal to the ASX and to RCU and will comply with any other conditions imposed by ASIC.
- (b) If, at the time this Offer is withdrawn, the Condition has been freed, all contracts arising from acceptance of this Offer before it was withdrawn will remain enforceable.
- (c) If, at the time the Offer is withdrawn, this Offer remains subject to the Condition, all contracts arising from its acceptance will become void (whether or not the events referred to in the Condition has occurred).
- (d) A withdrawal of this Offer will be deemed to take effect:
 - (i) if the withdrawal is not subject to conditions imposed by ASIC, on and after the date on which that consent in writing is given by ASIC; or
 - (ii) if the withdrawal is subject to conditions imposed by ASIC, on and after the date on which those conditions are satisfied.

8.15 Miscellaneous

- (a) All costs and expenses of the preparation, dispatch and circulation of this Offer will be paid by BidCo.
- (b) BidCo expressly reserves the right to extend the period during which this Offer remains open for acceptance or otherwise to vary this Offer in accordance with the Corporations Act.
- (c) The Offer and any contract resulting from your acceptance of it are to be governed by the laws of New South Wales, Australia.

9 DEFINED TERMS AND INTERPRETATION

9.1 Definitions

In this Bidder's Statement, unless the context otherwise requires the following words have the meanings indicated:

Acceptance Form	the form of acceptance form for the Offer enclosed with this Bidder's Statement or an acceptance form sent to a RCU Unitholder by or on behalf of BidCo in relation to the Offer.
Actual Maximum Consideration	\$33,022,605.58 being the Maximum Consideration less the consideration that would be payable to Frost Holdings in its own capacity and as trustee of the Greg Woolley Super Fund if it accepted the Offer.
Announcement Date	17 May 2012 being the date on which BidCo announced its intention of making the Offer.
ASIC	the Australian Securities and Investments Commission.
Associate	has the meaning given in the Corporations Act.
ASX	ASX Limited (ACN 008 624 691) or the securities market operated by that company.
ASX Settlement	ASX Settlement Pty Limited (ACN 008 504 532), the body which administers CHESS.
ASX Settlement Operating Rules	the operating rules of the ASX Settlement which govern the administration of CHESS.
Bidder's Statement	this bidder's statement dated 17 May 2012 and issued by BidCo and served on ReCapMIL as the responsible entity of RCU and of which the Offer forms part.
Bid Funders	has the meaning given in Section 5.2.
Bid Period	the period between the date on which this Bidder's Statement was provided to the Responsible Entity and the Closing Date.
BidCo	Woolley GAL II Pty Limited (ACN 143 327 771).
Broker	a person who is a securities broker and a participant in CHESS.
Business Day	a business day as defined in the Listing Rules.
CBA	the Commonwealth Bank of Australia.
CGT	capital gains tax.
CHESS	the Clearing House Electronic Subregister System which provides for electronic securities transfers for transactions effected on or through the ASX.

CHESS Holding	a holding of RCU Units on the CHESS subregister of RCU.
Closing Date	7.00pm Sydney time on the later of [#] or any date to which the period of this Offer is extended in accordance with the Corporations Act.
Condition	the condition set out in clause 8.10 of the Offer set out in Section 8 of this Bidder's Statement.
Controlling Participant	the Broker or Non Broker Participant who is designated as the controlling participant for units in a CHESS Holding in accordance with the ASX Settlement Operating Rules.
Corporations Act	the <i>Corporations Act</i> 2001 (Cth).
Encumbrance	a security interest or other interest securing any obligation of any person or any other agreement, notice or arrangement having a similar effect or any other arrangement (including any preferential, trust or set-off arrangement) having a similar commercial effect as a grant of security.
Entitlements Offer	the 0.98 for 1 renounceable pro-rata entitlements offer by RCU to raise approximately \$20 million announced on 1 March 2012 which was underwritten by Frost Holdings, an Associate of BidCo.
FedEx Montgomery Property	the RCU owned property leased to FedEx Corporation located at 191 Neelytown Road, Montgomery, New York, US.
Frost Holdings	Frost Holdings Pty Limited (ACN 009 558 338), an Associate of BidCo.
GST	has the meaning give to that term in <i>A New Tax System (Goods and Services Tax) Act</i> 1999 (Cth).
Higgins Property	the RCU owned property located at 1700 Higgins, Des Plaines, Illinois, US.
HIN	a Holder Identification Number, which is the number that starts with an "X", allocated by the Controlling Participant, to identify a RCU Unitholder with a CHESS Holding.
Intel Parsippany Property	the RCU property located at Parsippany, New Jersey, US.
Interim Financial Report	the interim financial report for RCU for the six months ended 31 December 2011 lodged with the ASX on 1 March 2012.
Investment Manager	ReCap.

Investor Presentation	the investor presentation for the Entitlements Offer dated 1 March 2012 as lodged by the Responsible Entity with the ASX.
Issuer Sponsored Holding	a holding of RCU Units on RCU's issuer sponsored subregister.
Investment Management Agreement	the investment management agreement between the Responsible Entity and the Investment Manager under which the Investment Manager is appointed to manage and invest the assets of RCU.
Listing Rules	the official listing rules of the ASX.
LTV	loan to value ratio.
Marketable Parcel	in respect of an acceptance of the Offer, a number of RCU Units with a value of not less than \$500, based on the closing price for RCU Units on the date of the acceptance.
Maximum Consideration	\$46,466,473.12 being the maximum consideration payable for the RCU Units on issue at the Offer price if all of the Offers are accepted.
Non Broker Participant	a non broker participant under the ASX Settlement Operating Rules.
NTA	net tangible assets.
Offer	each offer to be made for RCU Units on the terms set out in Section 8 and to which this Bidder's Statement relates, and the word Offers has a corresponding meaning.
Offer Date	the date of the Offer being [#].
Offer Information Line	the information line on 1300 737 760 (toll free within Australia) or +61 2 9290 9600 (for callers outside Australia) established by BidCo to provide assistance to RCU Unitholders.
Offer Period	the period commencing on the Offer Date and ending on the Closing Date.
One Centennial Property	the RCU owned property located at One Centennial, Piscataway, New Jersey, US.
Pearlmark	Pearlmark Real Estate Partners.
Pfingsten Property	the RCU owned property located at 111 Pfingsten Road in Deerfield, Illinois, US.
Prescribed Occurrences	the occurrences set out in clause 8.10 of Section 8 of this Bidder's Statement.
RCU	Real Estate Capital Partners USA Property Trust (ARSN 114 494 503).

RCU Constitution	the trust deed that established RCU dated 26 May 2005, as amended.
RCU Unit	a fully-paid ordinary unit in RCU.
RCU Unitholder	a holder of RCU Units.
RCU Unitholding	a holding of RCU Units.
ReCap	Real Estate Capital Partners Management Pty Limited (ACN 126 528 541).
ReCapMIL	Real Estate Capital Partners Managed Investments Limited (ACN 115 913 810).
Register Date	the date specified by BidCo in accordance with section 633(2) of the Corporations Act being [#].
Relevant Interest	has the meaning given in the Corporations Act.
REIT	real estate investment trust.
Responsible Entity	ReCapMIL.
Rights	all accretions and rights attaching to or arising from RCU Units after the date of service of this Bidder's Statement on the Responsible Entity (including all rights to receive dividends and to receive or subscribe for units, notes, options or other securities and all other distributions or entitlements declared, paid or issued by RCU).
RRT Pool A	<p>are the following assets:</p> <ul style="list-style-type: none"> • 1201 Lloyd Boulevard, Portland OR; • 4155 East Clay Street, Vicksburg MS; • 1709-1717 Zoy Street, Harlingen TX; • 2001 Iowa Ave, Riverside CA; • 3311 East Carson Street, Pittsburgh PA; • 4300 River Road, College Park MD; • 320 West Pike Street, Clarksburg WV; • 22624 Dulles Summit Court, Sterling VA; • 85 Broad Street, Charleston SC; • 7968 Essen Park, Baton Rouge LA; • 10824 North Central Expressway, Dallas TX; and • 7400 Schirra Court, Bakersfield CA.

RRT Pool B	a portfolio of properties located in 5 states of the US.
RSA Bedford Woods Property	the RCU owned property located at 174-176 Middlesex Turnpike in Bedford Woods, Massachusetts, US.
RSA Lease	the lease to RSA Security Inc., over the RSA Bedford Woods Property.
Saban	Saban Capital Group.
Sell Down Facility	means the offer made by the Responsible Entity on behalf of Frost Holdings to RCU Unitholders to acquire Shortfall Units acquired by Frost Holdings under the Underwriting Agreement.
Shortfall Units	means the 24,265,937 RCU Units that Frost Holdings was obliged to subscribe for under the Underwriting Agreement being the RCU Units not subscribed for by RCU Unitholders under the Entitlements Offer.
SGSA JVs	the SGSA II LLC and Record JV LLC joint ventures which hold the RRT Pool A assets.
SRN	a Security Reference Number, which is the number which starts with an "I", allocated by RCU to identify a RCU Unitholder with an Issuer Sponsored Holding.
Subsidiary	has the meaning given in the Corporations Act.
Sydney time	Australian Eastern Standard Time.
Takeover Transferee Holding	has the meaning given in the ASX Settlement Operating Rules.
Target's Statement	the target's statement to be issued by the Responsible Entity in respect of RCU in response to this Bidder's Statement and the Offer.
Trading Day	has the meaning given in the Listing Rules.
Underwriting Agreement	the underwriting agreement between Frost Holdings, the Responsible Entity and the Investment Manager dated 29 February 2012 relating to the Entitlements Offer.
US	the United States of America.
US Entities	Mariner American Property Income REIT Limited and RCU RRT LLC.
US REIT Services Agreements	the US services agreements under which RCU Services Inc, a wholly owned subsidiary of Real Estate Capital Partners Pty Limited, provides asset management services with respect to RCU to the Responsible Entity.
US\$	US dollars.
Voting Power	has the meaning given in the Corporations Act.

VWAP	the volume weighted average price that RCU Units trade on the ASX.
Woolley Group	Frost Holdings and its controlled companies and trusts.

9.2 Interpretation

In this Bidder's Statement unless the contrary intention appears:

- (a) unless otherwise indicated, words and phrases have the same meaning and interpretation as in the Corporations Act;
- (b) references to clauses are references to clauses of Section 8;
- (c) **includes** means includes but without limitation;
- (d) an agreement on the part of, or in favour of, two or more persons binds or is for the benefit of them or any one or more of them jointly and severally;
- (e) where a word or phrase is given a defined meaning in this Bidder's Statement, any other part of speech or grammatical form in respect of such word or phrase has a corresponding meaning; and
- (f) references to \$ are references to the currency of Australia and US\$ to currency of the US.

10 APPROVAL OF BIDDER'S STATEMENT

The sole Director of BidCo has approved this Bidder's Statement.

Dated: 17 May 2012

Signed for and on behalf of Woolley GAL II Pty
Limited (ACN 143 327 771) by its attorney:



James David Lonie
Attorney under a
power of attorney
dated 17 May 2012

CORPORATE DIRECTORY

BidCo

Woolley GAL II Pty Limited
Level 42 Chifley Tower
2 Chifley Square
Sydney NSW 2000
AUSTRALIA

Legal Adviser

Henry Davis York
44 Martin Place
Sydney NSW 2000
AUSTRALIA

Acceptance Registrar

Boardroom Pty Limited

You can accept the Offer by completing the accompanying Acceptance Form and:

HAND to: Boardroom Pty Limited
Real Estate Capital Partners Takeover Offer
Level 7, 207 Kent Street
SYDNEY NSW 2000

MAIL to: Boardroom Pty Limited
Real Estate Capital Partners Takeover Offer
GPO Box 3993
SYDNEY NSW 2001

If you need assistance with your acceptance please contact the Offer Information Line on 1300 737 760 (toll free for callers within Australia) or on +61 2 9290 9600 (for callers outside Australia).