

RNY Property Trust

Chairman's Address

Extraordinary General Meeting of RNY Property Trust

Place: RNY Office Boardroom, Level 5, 115 Pitt Street, Sydney

Meeting Date: 12 September 2017

Meeting Time: 12.00pm (Sydney time)

Opening

Good afternoon ladies and gentlemen and welcome to the general meeting of RNY Property Trust.

My name is Merv Peacock and I am the Chairman for today's meeting, having been appointed by the Board Committee of RNY Australia Management Limited (which I will call RAML), and RAML is the Responsible Entity of the Trust.

During the meeting, there are some formalities to be followed.

Those unitholders, proxyholders and corporate representatives who have registered to vote will have received a **YELLOW** voting card. Any non-voting attendees should have received a **RED** non-voting card and visitors should have received a **BLUE** non-voting card. If anyone has not yet registered to vote with Link Market Services can you please proceed to the desk and do so now.

Before I open the meeting I would like to introduce you to Mr Philip Meagher the other independent Director of the Board of the Responsible Entity. Also present today are

- Jason Barnett, one of the executive directors of the Responsible Entity,
- Francis Sheehan, Fund Manager & Company Secretary, and
- Michael Greig, legal adviser to the Responsible Entity.

Directors Scott Rechler and Mike Maturo could not attend today and send their apologies.

Anyone present who is not a unitholder in the Trust, a proxy holder or a representative is welcome to attend and listen but they cannot address the meeting or vote. No attendee is permitted to make a tape or video recording or take photographs of the proceedings without the consent of the Responsible Entity.

Meeting Procedures

As it is now past 12.00pm I would like to open the meeting.

I have been advised that a quorum for this meeting is present, and I formally declare the meeting open.

Shortly, unitholders will be asked to vote on the Resolutions to be put to the meeting. You will have an opportunity to ask questions or discuss the Resolutions when they are put to the meeting.

Before I turn to the formal business of the meeting, I will provide an update on recent events affecting the Trust and an overview of the proposals, which are the subject of this meeting.

Given the importance of today's meeting if any unitholder or proxy has any objection to any aspect of the conduct of the meeting, please make your concern known immediately during the meeting so I can address it or rule on the matter raised.

Chairman's address

Aurora Funds Management Limited has requisitioned a meeting of Unitholders to consider its two resolutions to remove RAML as responsible entity and to appoint Aurora in its place. These Aurora Resolutions are not supported by the Board Committee. The Board Committee supports RAML's Cash Distribution Strategy which is outlined in the Notice.

RAML's strategy is to distribute the remaining equity to Unitholders as soon as possible. This will involve

- agreeing with its mortgage debt lender on how best to deal with the Trust's 5 remaining properties in which RNY has a 75% interest,
- exploring with the lender various options to try to extract value from the remaining properties, and
- settling any legal disputes related to outstanding guaranteed obligations or amounts due with regards to such loans.

An agreement in principle has been reached with the lender with respect to the legal dispute thereby limiting the amount of the Trust's liability, but such agreement will not apply if Aurora is appointed as responsible entity. Other steps in relation to the RAML strategy are set out in the notice of meeting.

Background & Marketing of the Properties

In the 9 years since the global financial crisis, RAML management have stayed the course of 'hold and operate', but the expected cyclical market recovery never materialized, and RAML's plan is to resolve ACORE's legal claims, determine the best course of action re the properties and distribute any remaining cash to unitholders.

The RAML Board Committee has explored many alternative strategies and has not found any which we believe provides more value to unit holders than the RAML Cash Distribution Strategy. Aurora has failed to propose a viable, feasible or realistic alternative strategy and has not disclosed the fees it intends to charge unitholders. The Committee is concerned that any prolonged strategic review, as proposed by Aurora, will serve to further deplete the Trust's cash, will not result in any additional value to Unitholders, and may result in the lack of any cash available for distribution to Unitholders.

The loan encumbering the Trust's remaining properties is in default, and the lender may start foreclosure proceedings at any moment, and may do so if RAML is replaced as RE. One lender has already taken title or possession of a Trust property (492 River Road) due to the uncertainty related to this meeting, which also resulted in the Trust losing the opportunity to earn fee income from the potential sale of such property.

With regards to the marketing of the Trust's five ACORE assets, this process was conducted with the lender's permission, by independent, nationally-recognized brokers via a formal marketing process and in July 2017 initial bids were received. These bids were materially lower than expected and ranged from approximately 15-50% below 31 Dec 2016 valuations. If sales of these assets were conducted at these bid prices, net sale proceeds would be insufficient to pay the ACORE mortgage debt encumbering such assets. Management is in discussions with its lender regarding the various options to extract optimum value from these assets.

On behalf of the Board and management of RNY, I want to state that it was always our intention to partner with our investors for a long and prosperous relationship, but unfortunately after the global financial crisis, due to:

- the debt profile of the Trust,
- the trends and changes in the NY suburban markets, and
- various other factors

we were unsuccessful in our mission. We have worked very diligently on behalf of the RNY unitholders, but unfortunately we were unable to produce a better outcome than where we are today, and this is something we regret. If we are retained as responsible entity we will continue to work diligently to provide as much value to unitholders as possible in the most efficient and professional manner.

I now turn to the steps taken by Aurora.

Aurora Takeover

On 28 August Aurora announced a 1.5c per unit, cash, off market takeover for RNY. This occurred well after our notice of meeting was despatched. Making such bid has allowed Aurora to purchase units on market in circumstances where it would otherwise not have been permitted to do so. This may have increased Aurora's voting power ahead of this meeting.

RAML will, if it remains RE, respond fully to that takeover in due course. However, the fact of that takeover may be taken into consideration by some unitholders in casting their votes today. With this in mind RAML cautions unitholders that:

- the Aurora bid is conditional
- the Aurora bid could be extended for up to a year, with the bid conditions continuing operate during that extended period,
- Aurora may seek to rely on a bid condition to terminate its obligation to proceed with its takeover bid unless prevented by the Corporations Act, thereby denying unitholders the ability to sell at 1.5 cents if they wish to do so, and
- The lender's action taking possession of 492 River Road may be claimed by Aurora to trigger such bid condition and if such claim is made and if correct, it would allow Aurora to terminate its takeover bid.

RAML's view is that if unitholders wish to receive Aurora's 1.5c offer price by selling their units into the bid, it would be prudent not to deliver control to Aurora via a change of RE at this early stage of the takeover.

An unfortunate effect of the takeover is that RAML's resources both in cash and time are being partly consumed on the bid, rather than being fully devoted to the RAML Cash Distribution Strategy explained in the notice of meeting.

Impact of vote to keep RAML as responsible entity

If Unitholders reject Aurora's resolutions to replace RAML and approval is given to the RAML Cash Distribution Strategy, RAML will endeavour to obtain the best outcome for unitholders as between the 1.5c bid price and

the likely distribution amount. The current upside forecast amount is 1.8c per unit, with a base case of 1.5c. We have however cautioned that the distribution could be as low as zero cents per unit. The distribution range is therefore 0 to 1.8c per unit. The high end of that range is over the Aurora bid price of 1.5c but there is scope for any such distribution to be less than the Aurora bid price. RAML will be working to refine the distribution estimate. However, the negative financial impact of the Aurora takeover bid on RNY's cash available will increase over time.

Impact of vote to replace RAML as responsible entity and reject Cash Distribution Strategy

If Unitholder approval is not given to the RAML Cash Distribution Strategy, the ACORE lender may start foreclosure proceedings against the five properties encumbered by the ACORE loan, as this loan is in default due to uncured violations of various covenants, and pursue its rights under the limited guaranteed obligations.

If Unitholders vote in favour of replacing RAML as RE of the Trust and appointing Aurora as RE of the Trust, then

- Aurora has stated it will present a plan to Unitholders in accordance with the timetable described in their statement.
- an affiliate of RXR has the right to force the liquidation of the Portfolio (this was described in the PDS dated 15 August 2005). Such RXR entity has communicated to RAML that it may exercise such liquidation right, but that it may consider any proposal put forth by Aurora, prior to triggering a liquidation.

The Board Committee is concerned that Aurora, if appointed as responsible entity, will have no incentive to wind-up the Trust and return value to unitholders. Aurora may instead apply remaining cash resources to pursue other objectives, to the possible detriment of unitholders. The Board Committee has confidence that current management can quickly and responsibly return any remaining equity to unitholders.