

18 September 2017

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

RNY Property Trust (ASX:RNY) – Update to RNY Unitholders

RNY Australia Management Limited (RAML) as responsible entity of RNY Property Trust (the Trust) refers to Aurora's announcement that it proposes, if certain conditions are satisfied, to vary its takeover offer for units in RNY by increasing the consideration offered from 1.5 cents (*1.5c Conditional Offer*) to 1.7 cents per RNY Unit (*1.7c 50% Condition Offer*).

RAML to consider Aurora's offer

RAML is considering both the 1.5c Conditional Offer and the 1.7c 50% Condition Offer. The Board's recommendation will be contained in its Target Statement due to be sent on 27 September 2017. RAML will take the following into consideration in making its recommendation:

- The Aurora bid prices and conditions,
- Any other proposals received from interested parties,
- The support shown by Unitholders in voting for the RAML Cash Distribution Strategy,
- The requirements of the ACORE lender holding security over the five remaining properties, and
- The likely amount of a potential Cash Distribution to unitholders.

Update on Cash Distribution

As regards the likely amount of a potential Cash Distribution:

- With regards to the five assets encumbered by the ACORE loan, which were widely marketed and for which there are current bidders, continued negotiations with such bidders have resulted in increased bids for some of the assets.
- While there are no assurances that such revised bids will result in executed sales contracts, such positive developments could result in an increase in the Trust's 'upside forecast' (previously 1.8c per unit) related to potential liquidation forecasts disclosed to unitholders in the August 11th RNY results presentation.
- However, this is a process whereby non-binding bids move to binding contracts over time and that process has a number of potentially positive and negative variables. RNY is highly leveraged so small movements up or down in sales prices can produce material movements in distribution amounts.
- RAML will seek to give Unitholders the best guidance available at the time of issuing its Target Statement on 27 September.

Comparing the Cash Distribution to the Aurora offer

RAML notes that one condition to the Aurora offer is if "the target or a subsidiary disposes, or agrees to dispose, of the whole, or a substantial part, of its business or property". Therefore, if the Trust takes any of the previously mentioned actions (e.g., signing a sales contract for one asset) it may trigger a bid condition allowing Aurora to terminate its offer. To be clear, this effectively means RAML must seek to determine whether a sale of the properties is likely to give unitholders the best outcome (thereby triggering the bid condition and potentially ending the takeover) or whether the Aurora offer is more advantageous.

In signing any binding contracts or taking any other voluntary actions which may trigger a bid condition and allow Aurora to terminate its bid, RAML will consider carefully which course of action is likely to produce the best outcome for unitholders.

Aurora's bid conditions

Aurora's offer incorporates 13 bid conditions. RAML is concerned that 5 of Aurora's bid conditions relate to matters beyond the control of RAML, being the conditions relating to solvency and the lender enforcing security. Aurora understood these were the challenges facing RNY when it launched its takeover. Indeed, the continued public statements by Aurora are not conducive to obtaining the best results from negotiations with the lender. The ACORE loan is in default and the lender could take possession of the properties at any time.

So, to be clear, if RNY disposes of properties Aurora may claim the right to terminate its bid. If RNY does not dispose of the properties, the lender may use their powers to take the properties and/or dispose of them, with the result that Aurora may also claim the right to terminate its bid.

The last few days

Aurora's announcement of 15 September 2017 raised a number of issues about communications over the period since the Unitholder meeting on 12 September. To put this in context

- The extraordinary general meeting was held on 12 September 2017.
- A letter was received from Aurora's lawyers later on 12 September.
- An email was received from Aurora inviting commercial discussions on 13 September.

RAML was considering both the letter of 12 September and the email of 13 September when Aurora made its public announcement of 15 September. RAML will take the time necessary to consider matters raised and will adhere to the timetable specified in the Corporations Act for a takeover response, not to the deadlines set by Aurora.

Voting on the RAML Cash Distribution Strategy

Aurora, via its lawyers on 12 September and via its 15 September ASX announcement, has raised an issue regarding the validity of the voting at Tuesday's meeting of RNY Unitholders on resolution 1 supporting the RAML Cash Distribution Strategy. Aurora raised this concern on 12 September the basis that RXR should not have voted because Aurora thought that RXR may receive a selling commission upon the sale of remaining properties. This is not correct. RXR (such term includes its affiliates) will charge no selling commission (however described) and will be paid no selling commission. There are a number of reasons for this but the principal one is that RXR waived any such entitlement prior to the despatch of the notice of meeting.

No such selling commission or disposal fee has been charged by RXR in relation to any past asset sale and there is no disposal fee or selling commission being paid to RXR in relation to any property which may be sold as authorised by Resolution 1. The RAML Board Committee (consisting of non-RXR directors) considered this matter in deciding not to exclude RXR from voting on Resolution 1.

If Aurora and its lawyers had simply asked whether there was such a fee, it could have been answered swiftly but their lawyer's letter of 12 September was more complex, also raising technical legal arguments within the jurisdiction of the takeovers panel. So, a complete answer to that letter required more than a couple of days. Now that Aurora has raised this issue in a public forum via its 15 September ASX announcement, it now has its answer in the same forum. There is no such fee to RXR, so RXR was not excluded from the vote.

"Unsolicited bid"

Aurora has raised the following observation by RAML made during RNY's results presentation on 11 August 2017 and considers it to constitute a solicitation of their bid:

"Aurora could make a tender offer for all the units if they...believe the [RNY] assets are undervalued".

This was intended by RAML as an observation that anyone including Aurora was free to bid for a unit or an asset if they believed it to be undervalued, not as a solicitation of a bid in the true sense. In any event the Aurora bid price of 1.5c and even 1.7c appears to attribute no value to the properties net of the debt.

RAML is advising RNY Unitholders to TAKE NO ACTION in response to Aurora's offer pending the release of RAML's Target Statement on 27 September.

US management agreements

The US management agreements expire on 21 September 2017. These agreements are the Services Agreement, the Asset Management Agreement, the Property Management and Leasing Agreement and the Construction Services Agreement, all as described in the IPO PDS. In order for management resources to be available after the termination date, RXR has proposed to continue to provide such services on the current basis except as follows:

- All such agreements can be terminated on 1 month's notice by either party. No compensation is payable by either party for such termination.
- As previously stated, RXR will defer all asset management fees above cost,
- As previously stated, deferred management fees of US\$659,000 will be written off and cease to be payable, as promised in the recent notice of meeting, as a result of Unitholders voting not to replace RAML with Aurora.
- As mentioned above, no disposal fees will be charged by RXR.

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

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

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