

Company Announcement Officer
Australian Securities Exchange
Level 4
Sydney Exchange Centre
20 Bridge Street
Sydney NSW 2000

13 December 2010

Dear Sir / Madam

Real Estate Capital Partners USA Property Trust (ASX: RCU) Acquisition of Record Realty US Portfolio

Real Estate Capital Partners Managed Investments Limited (**Responsible Entity**) as responsible entity for the Real Estate Capital Partners USA Property Trust (ASX: RCU) (**Trust**) is pleased to announce that the Trust, together with an affiliate of Saban Capital Group, SGSA I LLC (**SGSA I**), have funded the transaction in relation to the 21 office properties that comprise the US portfolio of the formerly listed Record Realty (**RRT Portfolio**).

Key points for the Trust

- The Trust has invested US\$12.2m in the RRT transaction, comprising deposits previously paid and its share of transaction costs. This represents 14.5% of the total investment cost.
- The Trust has an obligation to increase its interest, at investment cost, to 35% of the RRT Portfolio within 90 days of obtaining all of the consents to the transfer of the RRT portfolio to the joint venture entity with SGSA I. The Trust may increase its interest up to 48% with the agreement of SGSA I.
- SGSA I has funded the majority of the transaction and has provided the Trust with a right to increase its participation in the RRT portfolio at investment cost. If the Trust fails to take up its rights to participate up to 35%, its income returns will be reduced but the Trust's investment is not diminished.
- The RRT portfolio comprises 21 office assets, 98% leased to the US Government with a weighted average lease expiry (**WALE**) of 6.7 years and a gross value of approximately US\$500m. This investment has been split into two pools:
 - a. Pool A comprises 12 properties with gross assets of US\$272m, debt of US\$153m and an average debt term of 6 years. The net assets of Pool A are US\$115m, for which the investment cost is US\$82m.
 - b. Pool B comprises 9 properties valued at US\$240m and debt of US\$284m due in May 2012. The investment cost of Pool B is US\$1 as it is considered an option on a recovery in value of the properties.
- The Trust has interests in both Pool A and Pool B, however Pool A drives the returns for the investment, which are summarised as follows:

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- a. Investment at a 29% discount to net asset value.
- b. 9% initial cap rate and 14% yield returns (FY 2011) underwritten by a WALE of 6.7 years and average debt term of 6 years with a weighted average interest rate of 6.2% and asset level gearing of 58%.
- c. The gross assets of Pool A comprise:
 - i. US\$258m of property, with long term debt in place of US\$153m.
 - ii. US\$10m in cash and reserves, of which US\$4m is unrestricted cash.
 - iii. US\$4m in receivables and other assets.

The RRT portfolio provides the Trust, once it acquires a 35% interest, with an investment that provides long term stable income and entry at an attractive discount to net asset value. The investment is in line with the Trust's previously announced strategy to stabilise the Trust and seek to expand the Trust's investments to provide long term returns.

It is the Trust's intention to increase its investment in the RRT Portfolio and acquire at least 35% of the RRT Portfolio.

Key Transaction details

The Trust and SGSA I completed the transaction with funding as follows:

- The Trust invested US\$12.2m in deposits paid and pro rata transactions costs;
- SGSA I invested US\$73m, with US\$71.5m as payments detailed below and US\$1.5m in pro rata transaction costs paid to the Trust.

The Unit Sale Deed (**USD**) relating to the units in the trust which ultimately holds the RRT portfolio (**RRT US Trust**) has been fully funded. The Receiver is expected to continue to hold the units until such time as the Trust and SGSA I obtain consents from the senior lenders to the transfer of the Pool A properties, at which time the assets will be transferred to the new joint venture investment vehicle or sold to third party purchasers. The joint venture entity has assumed day to day management control of the RRT Portfolio and is entitled to control all distributions, whether capital or income. A\$3m has been paid to the Receiver (representing the Trust's deposits previously paid) and A\$19m has been paid to an escrow account, which will be released to the Receiver as assets are transferred.

US\$58.3m was paid under the Note Purchase Agreement (**NPA**) to acquire the mezzanine loan notes which funded the RRT Portfolio. Of this amount the Trust funded US\$8.5m and SGSA I funded US\$49.8m (including reimbursing the Trust for the US\$1.5m deposit amount paid on 26 November 2010). The Trust's investment in the mezzanine loan notes is represented by a "C" note which is subordinate to the notes held by SGSA I until the Trust meets its obligation to acquire 35% of the RRT portfolio.

Other points of note

In the event that any of the properties within the RRT portfolio have not been transferred to the new joint venture entity or sold to a third party within 12 months, those properties will remain in the RRT US Trust and the units in that trust will be acquired by the Trust. The Trust will then continue to transfer properties to the new joint venture or sell or retain the properties within RRT US Trust. If the properties are retained within the RRT US Trust, SGSA I will continue to own the note which funded the RRT portfolio. The principal balance of the note held by SGSA I will be the original amount (US\$49.8m) less

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amounts repaid following the transfer of assets to the joint venture entity or third parties plus any part of the A\$19m escrow account which is not drawn for the transfer of properties.

The Trust is required to guarantee the note and provide certain securities. Based on advice received from the Investment Manager, Real Estate Capital Partners Management Pty Limited, it is not expected that this obligation will be substantial but until the consent process is completed, the position will not be known. A number of lender consents are well advanced as a result of previous work on the transaction.

In the event that 35% interest in the RRT portfolio is not acquired within 90 days of the transfer of the last property to the joint venture entity or, if this has not occurred by 26 November 2011, the Trust acquiring the units in the RRT US Trust, SGSA I will be entitled to receive a preferred return on the difference between the Trust's holding of the joint venture entity and 35%. It should be noted that this operates as a reduction of returns and not a debt owed by the Trust. SGSA I has the ability also to redeem any interest held by the Trust in the joint venture entity in exchange for a transfer (in part or in whole) of SGSA I's remaining investment in the mezzanine note.

The Trust's position in the joint venture is that of a minority holder. It is entitled to contribute to the joint venture's consideration of matters but will not be able to control or determine the outcome of those decisions. However, under the terms of the joint venture agreement between the parties, once the Trust acquires a 35% interest in the RRT portfolio, the Trust will need to consent to any decision in relation to certain specified matters for that decision to be implemented.

The Trust and the joint venture entity have agreed to indemnify the sellers of the RRT portfolio and the receivers (in certain circumstances) against certain adverse consequences in connection with the management and sale of the RRT portfolio. The Trust assesses the likelihood of such claims arising as being low.

Saban Capital Group is a leading private investment firm based in Los Angeles which has historically specialised in the media, entertainment and communications industries.

The Trust will be making a more detailed announcement on the transaction later this week.

For further information please contact:

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