



Residential
Community
Living

ASX RELEASE

8 February 2012

The Manager

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Electronic Lodgment

Dear Sir or Madam

Company Announcement

Letter from Torchlight to Directors of RCL Group Limited

Attached is a letter from Torchlight Real Estate Fund Limited:

This document will be available on the RCL Group Website at www.rclgroup.com.au

Yours sincerely

A handwritten signature in black ink, appearing to read 'A. James'.

Company Secretary

Ends

Further Information:

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Chief Executive Officer

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About RLG

RLG offers Securityholders geographic, project and product diversity, access to quality private developers and long-term potential for growth.

The current portfolio comprises interests in 16 residential land development projects located in Australia and New Zealand with a total lot yield on acquisition of over 9,900 lots. These projects are being developed by an experienced group of partners including PRM Property Group (in which RCL owns a 60% interest), Urbex, Metricon Group, Winten Property Group, and Links Living in Australia, and Darby Partners in New Zealand.

RCL Group Limited
ABN 49 119 517 985

RCL Group Trust
ARSN 119 613 848

RCL Group Services Limited
ABN 40 118 364 499

AFSL No. 298788



7 February 2012

Directors
RCL Group Limited
Suite 202
Level 2
689 Burke Road
Camberwell VIC 3124

PO Box 3376
Auckland 1140
New Zealand

PRIVATE AND CONFIDENTIAL

Dear Directors

We refer to the requisition for a general meeting of RCL Group Limited ("**RCL**") issued by LTHC Pty Limited ("**LTHC**") and two other shareholders of RCL dated 14 December 2011 ("**Requisition**") and the General Meeting of RCL which is due to be held on 15 February 2012 pursuant to the Requisition ("**Meeting**").

The Meeting will consider

- The removal of Robert Wright as a director
- The removal of Richard Gelski as a director
- The appointment of Michael Larkin as a director
- The appointment of Brian Hilton Balison as a director

We further refer to:

- the facility agreement between BOS International (Australia) Limited ("**BOSI**"), RCL and others dated 28 June 2007 as amended, and amended and restated, from time to time ("**Corporate Facility Agreement**") and
- each project specific facility agreement between BOSI or Capital Finance Australia Limited ("**CFAL**") and various subsidiaries of RCL ("**Project Facility Agreements**"),

(together, the "**Current Facilities**").

As you are aware, the Current Facilities were assigned and novated by BOSI and CFAL to Torchlight Real Estate Fund Limited ("**Torchlight**" or the "**Financier**") on 20 January 2012.

Words and expressions defined in the Corporate Facilities Agreement have the same meaning in this Letter.

1 **Consequences of Requisition**

1.1 Changes to Board

- (a) We refer you to clause 20.1(g) of the Corporate Facility Agreement. Should there be any appointment, resignation or removal of a director of, among others, RCL or any member of the RCL Group, a "Review Event" for the purposes of the Corporate Facility Agreement will have occurred.
- (b) Upon the occurrence of a Review Event, at the request of the Financier, a Review Period will commence.
- (c) If a Review Period is commenced, pursuant to clause 20.2 of the Corporate Facility Agreement, the Review Event must be remedied or it must be demonstrated to the satisfaction of the Financier that the Review Event will not have a Material Adverse Effect.

- (d) If this is not done and RCL and the Financier have not agreed to amendments to the Facilities as contemplated in clause 20.2(b)(iii), an Event of Default may be deemed to have occurred.
- (e) Torchlight is of the view that the identity of the board of RCL is critical to the ability of the RCL Group to perform its obligations under the Current Facilities.
- (f) Torchlight's consent to any removal of directors or appointment of directors, as set out in the Requisition, has neither been sought nor provided.
- (g) Should the resolutions, as outlined in the Requisition, be approved by shareholders of RCL, Torchlight intends to commence a Review Period in respect of such changes (in addition to any other Review Period which may have commenced) and would be required to consider whether the removal and appointment of the directors contemplated in the Requisition would have a Material Adverse Effect. The statements contained in the Requisition and absence of further correspondence are insufficient for Torchlight to determine that a Material Adverse Effect would not arise from such removals and appointments.
- (h) We are also concerned about the identity of the personnel nominated to be appointed to the board and their intentions in relation to the RCL Group (particularly given what we view as potential conflicts of interest arising from their close associations with the Babcock & Brown "long term holding company", LTHC Pty Limited ("**LTHC**") in its capacity as a subordinated creditor of the RCL Group).
- (i) We are also concerned that Mr. McTigue was appointed to the board at the behest of Payce Industries Pty Ltd ("**Payce**") and remains on the board, notwithstanding that Payce is one of the parties which requisitioned the Meeting.

1.2 Key Person

We refer you to clause 19.1(u) of the Corporate Facility Agreement. Should the resolutions contained in the Requisition be approved, and should the altered composition of the Board of RCL result in changes to management, such that any of the officers or key persons named in condition 2 of the schedule of conditions of RCL's AFSL cease to be officers or key persons of RCL Group Services Limited, Torchlight must approve any replacement officer or key person. A breach of this obligation is an Event of Default. An Event of Default under the Corporate Facility will result in an Event of Default under each Project Facility Agreement.

We expect to be kept informed of developments.

All Torchlight rights in relation to the Corporate Facility Agreement and each Project Facility Agreement are reserved.

Yours sincerely



Russell Naylor
For and on behalf of
Torchlight Real Estate Fund Limited

