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## A MESSAGE FROM THE INDEPENDENT DIRECTORS

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Dear Unitholder

### **Independent Directors agree price for internalisation with OnePath**

We are pleased to be able to inform you that we have agreed with OnePath (NZ) Limited ("OnePath") a payment of \$20 million to effect the termination and internalisation of the management arrangements for the Argosy Property Trust ("Argosy").

In arriving at the agreed price we have received commercial and legal advice and taken into account feedback from investors. The price agreed with OnePath represents good value and avoids the complications, costs and contingencies involved in the alternative of, in effect, forcibly removing the manager.

Essentially, in our assessment, the price agreed, taking into account its expected deductibility for tax purposes, is similar to the overall amounts Argosy could be expected to incur if the present manager was dismissed by way of a resolution under Section 18 of the Unit Trusts Act. Having evaluated all the options, we concluded that the benefits of an orderly internalisation outweighed the benefits of the alternatives. We also expect the payment to fall within the range expected in the independent report to unitholders by Grant Samuel & Associates Limited ("Grant Samuel"). If the payment is above the value range estimated by Grant Samuel, we will not be recommending unitholders vote for it at the forthcoming annual meeting.

You may also be aware of the actions of a number of unitholders (controlling approximately 9.57% of units) who want to dismiss the manager for no cost. The Trustee has now confirmed to you (by letter of 19 July 2011) that in its view it would not be appropriate, or in the interests of unitholders, for the Trustee to dismiss the present manager for no cost (using Section 19 of the Unit Trusts Act). The conclusion reached by the Trustee has consistently been the view of the Independent Directors.

Unitholders also will be aware of the continuing agitation by the listed property company DNZ, which has made clear that it wants to, in effect, take control of Argosy. This course of action is, we believe, not in the best interests of unitholders at this time.

We have met with the Directors of DNZ and examined, with expert advice, their publicly stated proposals for a merger with Argosy. Our view is firmly that the benefits of internalisation are value accretive to Argosy unitholders and these benefits should be captured fully by Argosy unitholders.

Having obtained the benefits of internalisation, unitholders will then be in a position to consider any other proposals that increase earnings for Unitholders and add to the net wealth of Argosy.

The decision on internalisation – and consideration of the alternatives advanced by some unitholders – will be for unitholders to determine at the annual meeting which we will hold as soon as practicable. Confirmation of the date is subject to all regulatory approvals being received.

To assist unitholders in reaching their decisions, the Grant Samuel report will also comment on the alternatives to internalisation. It is expected that the report will indicate that in Grant Samuel's view the merits of the proposed internalisation outweigh the alternatives.

If internalisation is achieved Argosy will be strongly positioned to pursue strategies that will drive unitholder value going forward.

We anticipate the Notice of Meeting, including the recommendations of your Directors, the Grant Samuel report and a letter from the Trustee will be dispatched to you in the first half of August, again subject to timing of regulatory approvals.

When you receive the notice, we urge you to read and consider it carefully and then cast your vote at the annual meeting in Auckland or by proxy by completing and returning the relevant forms.

Yours sincerely



Trevor Scott



Peter Brook

Independent Directors of Argosy Property Management Limited