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The Manager
ASX Limited
20 Bridge Street
Sydney NSW 2000

ASX Release

Rubicon Japan Trust (ASX: RJT) – Update

In February and August 2008, in response to the deterioration in market conditions caused by a dislocation in global credit markets, RJT announced several initiatives to reduce gearing to help overcome the short-term liquidity issues. While the retention of cash and unwinding of foreign exchange hedges has been successful in materially reducing RJT's loan with National Australia Bank (NAB), the worsening global environment for financial services and real estate entities has meant that sufficient liquidity does not exist to allow the other strategies to be successful in repaying the expiring debt commitments in Rubicon TK1 Godo Kaisha ("TK1") and the preference equity facility ("PTK") in Rubicon TK2 Godo Kaisha ("TK2").

Accordingly, RJT sought to restructure the terms of various debt facilities with the current financiers. The prime focus has been on extending the term of these financing facilities to be greater than three years to allow sufficient time for the application of surplus cash to materially reduce senior debt obligations, and sufficient time for a stabilization of valuations, for improving the prospects of refinancing, allow repositioning of three key assets, and targeted disposal of non-core assets from 2011. Further, key financial covenants, in particular loan to value ratios, have been put on standstill to minimise the risk of future default under the revised term of the loans.

Negotiations with the RJT corporate, TK1 and TK2 lenders has been successful with terms of the restructure agreed commercially with all financiers. Revisions to the facility documentation is expected to be finalized by the end of March 2009.

The key outcome of these negotiations are:

- the real estate portfolio is no longer at risk to events of default through asset valuation movements due to the removal of the application of all loan to value covenants across all facilities;
- debt duration of the property level debt has increased from 1.3 years to 1.9 years, with the next debt facility expiring being 30 June 2010;
- amortisation commitment to all senior debt facilities to reduce future repayment risk; and
- no increase in interest rates, and a reduction in the repayment costs, providing no leakage in fees reducing the effectiveness of the amortization while creating greater flexibility in disposals opportunities.

1. Summary of facility negotiations

A summary of the negotiations, set out above, by facility follows:

RJT corporate facility: National Australia Bank

On 25 July 2008, RJT announced that, consistent with the change in its foreign exchange hedging policy announced on 29 February 2008, it had completed the unwinding of all of its foreign currency hedges generating approximately A\$45.9 million of pre tax cash flow for RJT, comprising approximately A\$19.9 million foreign exchange gains and approximately A\$26.0 million in release of cash reserves (which had primarily been used as collateral to support the foreign exchange hedging arrangements). These cash proceeds were applied to reduce the balance under the NAB facility to RJT from approximately A\$59.9 million to approximately A\$13.9 million. Utilising surplus funds distributed from TK1, and a consumption tax rebate from TK2, RJT has continued to repay this facility to the current balance of A\$1.5 million.

The key terms of the proposed restructured facility include:

Structure	Revolving for working capital purposes
Term	Extended to 30 September 2011
Security	All existing security to remain in place with an additional provision of additional security being \$1.45m on term deposit with a right of set-off in the event of default
Margin	A reduced margin of 1.85% p.a. as compared to 4.00% p.a
Covenants	Removal of consolidated gearing, interest coverage and independent board covenants
Other	TK agreements can be amended without lender approval

While the amendments to the loan documentation have not been executed and, as such, completion of this debt restructure may not be successful, these terms have been formally approved by NAB, and are currently in the process of being incorporated into the facility documentation.

The amended facility terms are subject to confirmation of renewal by Shinsei Bank and CSC Series 1 on current agreed terms, and evidence of RJT's formal ability of sufficient cash flows from TK1 to service net interest payable on the NAB facility.

TK1: CSC Series 1 ¥13.7 billion loan facility

The CSC Series 1 loan facility has a maturity date of 16 November 2009. The facility is recourse only to the assets of Rubicon TK1 Godo Kaisha ("TK1"). CSC Series 1 securitised this loan and several other loan assets in December 2006. This Bond has an expected maturity date of November 2009, and a final maturity date of November 2012. The loan currently has a 68% loan to value ratio, and as a consequence of lodgement of the half year financing statements, this facility would have been in breach of its Indebtedness covenant. Further, worsening global environment for financial services and real estate entities has meant successful repayment of this facility in full by November 2009 is considered unlikely.

Accordingly, TK1 has renegotiated the terms of the facility to include:

Maturity Date	Extended three years to 31 March 2012
Interest Rate	Remains the same at 2.05% per annum (fixed)
Amortisation	All free cash after paying all costs, including RJT entity management and tax expenses, will be applied in amortisation to the facility (approx. 4% per annum)
Indebtedness Covenant	Removed for the life of loan
Prepayment Fees	Reduced from 1.5% to 0%
Release Price	Reduced from 115% to 100% of the Loan amount
Other	TK agreements can be amended without lender approval

This loan amendment can be approved with the consent of the majority of the controlling class holders of the Bonds. The majority of the controlling class have provided their written consent to the amendments and their consent should be formalized through the clearing house processes prior to 31 March 2009. However, the appropriate agreements have not been executed and, as such, completion of this debt restructure may not be successful.

TK2: Shinsei Bank financing facilities

As previously announced to the market, Rubicon Japan Trust (RJT) through Rubicon TK2 Godo Kaisha ("TK2") has exposure to a ¥4.9 billion preference equity facility with Shinsei Bank, which was due to mature on 31 March 2009. The interest on this facility (LIBOR + 2.00%) currently capitalises quarterly, and as a commitment to reducing the overall debt of RJT, TK2 has been voluntarily amortising this facility with available TK2 free cash. This facility, including capitalised interest costs, has a current outstanding balance of ¥4.75 billion.

In addition, TK2 has a Senior Loan Facility with Shinsei Bank of ¥53 billion with a maturity date of 25 June 2010. TK2 has been amortising this facility with available cash and the proceeds of a consumption tax refund. This facility has a current balance of ¥46.6 billion (A\$746.3 million).

Rubicon Asset Management Limited (RAML) as responsible entity for RJT, together with TK2 and TK1 has entered into a binding commitment letter with Shinsei Bank (Shinsei) to restructure and extend this facility. In addition, TK2 has also agreed to amendments to the senior debt facility with Shinsei that will minimise the events of default for the remaining term of the loan.

(a) PTK – Revised Terms

The restructure provides RJT with a two and half year duration to facilitate repayment of the facility in exchange for granting Shinsei additional collateral in TK1 and a return more akin to equity.

The key terms of the proposed restructure are:

Structure	Shinsei Bank are to become a TK Investor (TKI) in TK1, on similar terms to the current TK2 facility, and extend the current TK2 facility to 30 September 2011, for a total consideration of ¥4.75 billion.
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	Each Shinsei TK investment is cross-collateralised through granting Shinsei a right to increase the minimum guarantee return at expiry of each PTK to a maximum of outstanding TKI amount x (JPY LIBOR + 2.00% pa) calculated quarterly), to the extent that the corresponding TKI minimum guaranteed amount has not been repaid in full. The increase can only occur in the event of non-payment of the alternative PTK minimum guaranteed amount.
Return	The PTK will participate as a TKI of each TK with a return on the following proportions: 25% TK1 and 9% TK2. The participation is for all income, distributions and capital appreciation of the respective TK investment. The calculation of the relevant portions is; for TK1, based on the 31 March 2009 fair net asset value of TK1; and for TK2, based on the fair net asset value of TK2 at the inception of the facility (September 2007).
Minimum Return	The investor participation is subject to a minimum guaranteed return on the facility calculated as the Outstanding PTK Balance x (JPY LIBOR + 2.00% pa) calculated quarterly.
Review Date	Each TKI will have a review date of 31 March 2011, at which point, a deliverable repayment strategy must be demonstrated to Shinsei's satisfaction. The undertaking of the strategy requires Shinsei's express approval, and Shinsei's non-acceptance of the strategy is an event of default.
Use of Funds	All surplus cash of the TK must be firstly applied to senior debt, and then to the TKI. Distributions to RJT are limited to the amount required to be made by the TK to RJT to enable RJT to pay its fees, expenses and taxes as and when they fall due. Shinsei will approve the RJT budget annually. In the event that the TKI is fully repaid, distributions will only be released to the extent that the bi-lateral rights to increase the PTK minimum return have ceased in full.
Disposals	The minimum release price for disposals is 100% of the allocated loan amount plus costs of disposal. Any disposal at greater than the minimum release price can be executed without Shinsei's PTK consent. If the TK receives a bona fide offer to dispose of any asset a price that is above a valuation for the asset as held at 31 December 2008, the TK must use reasonable efforts to consummate such sale.
Change of Control	Shinsei acknowledges that AREAM K.K. or Rubicon Asset Management Limited may change ownership, or a new trustee may be appointed for RJT1 or RJT2.
Other	<ul style="list-style-type: none"> • RJT is not allowed to incur new liabilities, other than those required to satisfy current obligations, and required in the ordinary course of business (for example, legal, tax, audit, interest expenses). • The convertible terms of the TKI in TK2 remain in place, however, any conversion is seen as a repayment of the PTK, and reduces the minimum guarantee amount for the purposes of cross collateralisation.

(b) Senior Facility – Revised Terms

The restructure provides TK2 with amended covenants that minimise the risk of default for the remaining term. In addition TK2 is in discussions with Shinsei for an extension of this facility to the same maturity date of the TKI, being 30 September 2011.

The key terms of the proposed restructure are:

LTV Covenant	The Loan Value Ratio Test shall be waived during the Term, other than following a Default
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Amortisation	All free cash after paying all costs will be applied in amortisation of the facility (approx. 1.5% per annum)
Asset Manager	<ul style="list-style-type: none"> • Fees will be paid in priority of amortisation and cash lock up. • If the Asset Manager is directly or indirectly owned or controlled by Rubicon Holdings (Aust) Limited, Shinsei may terminate the appointment of the Asset Manager as of March 31, 2011.
Other – Key Man	In the event Sarah Currie ceases to be an employee of AREAM KK and related entities, Shinsei must approve the replacement and may result in an event of default.

While the appropriate documentation, for the PTK and the Senior Loan, has not been executed and, as such, completion of this restructure may not be successful, these terms have been formally approved by Shinsei, and are currently in the process of being incorporated into the facility documentation. These terms are subject to confirmation of renewal CSC Series 1 on current agreed terms.

2. TK3: Credit Suisse facility update

The RHA Asia Godo Kaisha ("TK3") loan facility has a maturity date of 1 February 2011 and is recourse only to the assets of TK3. During the period, TK3 has repaid an additional ¥740 million (A\$11.9 million) in four equal monthly installments starting from 1 August 2008 to 1 November 2008. These repayments have been sourced from surplus proceeds from the settlement of the foreign exchange hedges in RJT, and the repayment of consumption tax to TK2 that was subsequently distributed RJT. Accordingly, the outstanding balance of the TK3 debt facility is ¥11.1 billion, (A\$177.8 million). In May 2008, the TK3 facility was restructured which removed RJT's exposure to an uncertain repayment requirement in return for a fixed monthly repayment schedule.

Under the terms of the facility, and as a consequence of lodgment of the 31 December 2008 financial statements, it is likely that the facility will be in breach of an Indebtedness covenants. TK3 is in discussions with CS to waive of this covenant breach, in exchange for the following terms:

- cross default provisions in the event of a default in relation to any indebtedness of TK1, TK3, RJT or AREAM;
- extensive monitoring rights over the management of the TK3 properties including, but not limited to, approval of any major leases, significant capital expenditures and refitting plans and additional reporting requirements; and
- amortisation using all surplus cash of TK3.

The outcome of the credit approval process in relation to the above is anticipated within the coming weeks.

It should be noted that based on the 31 December 2008 valuations, TK3 contributes negligible equity to RJT. As this loan will be non-recourse (except in relation to regards to certain acts as set out above) there will be minimal incremental impact from a default on the remainder of RJT and management believes that it is unlikely in current market conditions that any workout of the loan or the assets will materially change the value of RJT's equity in TK3 above the current level.

3. Valuation update

An independent valuation of RJT's real estate portfolio was undertaken for the 31 December 2008 accounts, which follows independent valuations being carried out as at 30 June 2008. While two independent valuations within six months is not in accordance usual market practice for valuation cycles, in the opinion of the Directors, there existed sufficient market evidence of continued pressure on real estate values, to warrant a review of real estate carrying values by an independent valuer. The valuation resulted in a further reduction in the valuation of RJT's real estate portfolio, as measured in Yen, of approximately 10.1% from ¥99.2 billion (A\$971.1 million equivalent), being the 30 June 2008 independent valuation and carrying book value, to ¥89.2 billion (A\$1,429.7 million equivalent), and a 23.4% reduction from the portfolio purchase price including costs of ¥116.4 billion (A\$1,863.8 million equivalent). The valuations reflected both an increase in capitalization rates (approximately 35 basis points since acquisition) and a reduction in valuer forecasted income growth.

As a result of the above developments, RJT will be lodging the Half Year Report before the 16 March 2009 Corporations Act lodgement deadline.

RAML requests that the suspension of the quotation of the stapled units in RJT continue.

Yours sincerely,

A handwritten signature in black ink that reads "Matthew Cooper". The signature is written in a cursive, flowing style.

Company Secretary
Rubicon Asset Management Limited
as responsible entity for Rubicon Japan Trust