

BRIEFING NOTES

April 2010

Dear Debenture Stockholder

Welcome to this quarter's Briefing Notes.

Whilst the activities of the first quarter of this year will not enable the Company to make a distribution to Stockholders, the Company is making progress in meeting the twin objectives of the Moratorium in that all efforts are being made to protect the capital value of the Company's assets (and therefore your investment) and to convert these to cash as soon as practicable.

These assets are of considerable value, but are of a nature which makes realisation a complex and time-consuming process. Any attempt to accelerate the asset realisation process is likely to result in assets being realised at significant losses, thereby effectively transferring the underlying value in the assets from the Company and its Stockholders to third party purchasers of the assets.

In this Briefing Notes, we have included additional disclosure about the financial position of the four mortgage securitisation Trusts which the Company has developed. During the quarter, additional asset impairments were recorded by the Trusts and a number of recovery strategies were enacted particularly with borrowers in the commercial mortgage Trust to assist these borrowers to survive and to minimise losses to the Company. These actions were approved by the independent Financing Advisor pursuant to the Moratorium rules.

A summary of the additional asset impairments made during the quarter is:

Asset Type	Impairment
Direct loan receivables	\$1,125,613
Property held for re-sale	\$56,511
Mortgage backed securities	\$3,220,670
	\$4,402,794

What this means is that the latest estimate of return per \$1 of Stockholder principal is 91 cents compared to 97 cents at 31 December 2009.

Finally, your attention is drawn to the Government's new Moratorium Regulations for moratorium companies and a section on this is set out below:

Moratorium Regulations

With effect from 31 January 2010, finance companies which are under a moratorium must comply with the Securities (Moratorium) Regulations 2009.

These Regulations set out the minimum standards for periodic reporting to Stockholders.

In addition, the Regulations set out a process where in certain circumstances Stockholders can request the Trustee to appoint a receiver to a moratorium company.



We have posted a full copy of the Regulations on the Company’s website. For those who would like additional details we refer you to – www.propertyfinance.co.nz.

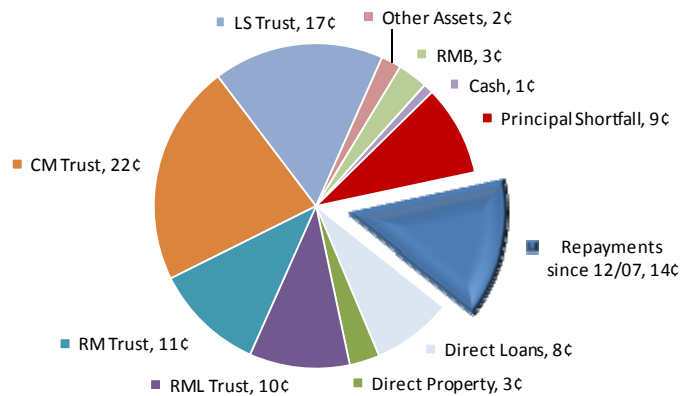
Please note that this Briefing Notes is not a report for the purposes of the new Regulations. This report will be sent to Stockholders by 31 May 2010.

Distributions

As noted above, the Company is not able to make a distribution to Stockholders this quarter.

Where is Your Money?

As a guide to understanding where the Company has invested its assets, we have set out below the latest pie graph, reflecting the current position as at 31 March 2010.



Total Assets as at 31 March 2010: \$61.8 million

The segment denoted “Principal Shortfall” represents the current shortfall of principal to Stockholders if the Company’s assets were realised at current book values.

Securitisation Trusts

The Company has today some 83% of its residual assets invested in its securitisation Trusts.

Over the 2010 calendar year the Company’s principal focus will remain on working with its advisors on avenues to accelerate the winding down of these Trusts so that distributions can be made to the Company and in turn to Stockholders. The Company is also concerned to make sure that the Trusts are being managed on a timely and cost effective basis.

A current summary of the four Trusts is:

Trust Name	Asset Type	Initial Size* (\$)	Today’s Size (\$)	PFSL Investment (\$)
RM 2005-1	Residential 1 st mortgages	86,043,257	28,390,685	8,479,070
RML 2005-3	Residential 1 st mortgages	317,006,497	103,925,878	7,881,807
CM 2005-2	Commercial 1 st mortgages	157,212,541	91,254,541	17,704,733
LS 2005-4	Home Equity / Residential 1 st mortgages	75,749,913	59,530,464	13,757,746

* 29/08/07 at receivership.



Expanding on each Trust:

- **RM Trust**

Comprises a pool of residential first mortgages for owner-occupied homes.

This pool of mortgages has reduced substantially from \$86.0m (311 loans) at receivership to \$28.4m today (106 loans). The Company has \$8.4m invested in this Trust and based on the information available today expects a full recovery of this investment over time.

Average Loan Size	\$283,907
90 day arrears (current)	4.36%

- **RML Trust**

Comprises a pool of residential first mortgages for both owner-occupied and investment properties.

This pool of mortgages has reduced substantially from \$317m (1,031 loans) at receivership to \$103.9m today (387 loans). The Company has \$9.6m invested in this Trust. The Company is presently unable to access the detailed information required to fully assess the recoverability of the Company's investment in this Trust. Based on the information available, this investment is at risk and has therefore been written down in the Company's accounts. Our best assessment at this time is that a partial recovery will be made over time.

Average Loan Size	\$339,627
90 day arrears (current)	8.28%

- **CM Trust**

Comprises a pool of commercial first mortgages for commercial properties.

This pool of mortgages has reduced substantially from \$157.2m (114 loans) at receivership to \$91.2m today (62 loans). The Company has \$19.1m invested in this Trust. The Company has rehabilitated a number of loans within this Trust and this has seen 90 day arrears reducing from over 20% to 5% today. It is expected that the value of this investment will need to be written down in the near future. However, based on the information we currently have access to, it is expected that most of this investment will be recovered over time.

Average Loan Size	\$1,573,354
90 day arrears (current)	5.22%

- **LS Trust**

Comprises a pool of first mortgages for owner-occupied properties.

This pool of mortgages has reduced from \$75.7m (980 loans) at receivership to \$59.3m today (755 loans). The Company has \$13.7m invested in this Trust. Over time, the Company expects a full recovery of its investment.

Average Loan Size	\$68,429
90 day arrears (current)	0%

Projects

There has been no material change to the residual projects/direct loans the Company is recovering during the quarter; a summary of these as at 31 March is:

Direct Loan Receivables	\$6,853,626
Property Held For Re-sale	\$2,314,600
Other	\$858,330
	\$10,026,556



Cash Movements – Quarter Ended 31 March 2010

	(\$)
Opening cash	796,217
Net cashflow ¹	(11,967)
Closing cash	784,250
Management fees	157,500
Distribution	Nil
Official cash rate	2.5%

¹ Net of approved investment

Annual Financial Statements

The annual financial statements for the year ended 31 March 2010 are currently being audited by Ernst & Young and we expect to publish the full Annual Report during this current quarter.

Statements

We have not included a revised statement of your investment at this time; updated statements will be provided after the next payment is made.

However, if you have any queries in this regard or require any clarification please do not hesitate to contact us.

Information

All correspondence is available on the Company's website, www.propertyfinance.co.nz.

We are happy to address any queries that you may have. Please feel free to call us on 03 379 9336 or if it is more convenient, by email to catherine@propertyfinance.co.nz.

Thank you.

Darryl Queen
Managing Director

Disclaimer

The Company makes every effort to ensure the accuracy of the information provided at the date of publication, however, due to the non-availability of key information and changes in market conditions no warranty or representation can be provided regarding the accuracy of such information.