

# BRIEFING NOTES

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11 March 2009

Dear Investor

We would like to take this opportunity to report to you with regard your secured debenture stock investment with propertyfinance securities limited (PFSL).

## Restructure

As you will be very aware, market conditions remain very challenging. In a recent speech by Dr Bollard of the Reserve Bank, he commented that the current economic conditions are the most challenging since World War II.

Over the past quarter, the Company has needed to put in place a robust plan to survive these events. The Company has been working closely with the Company's Trustee and has determined that our initial share-based concept needed modification. Agreement has now been reached with the Trustee that will enable a restructuring of the secured debenture stock to be put to a special meeting: The principal terms of the restructuring being:

- ☞ Your investment will remain as first ranking secured debenture stock.
- ☞ At the end of each quarter (March, June, September and December) the Company will first use its net cash flow to make on-going partial repayments of principal (until paid).
- ☞ Secondly, the Company will pay all accrued interest on debenture stock from 1 April 2009 at a rate being the Reserve Bank's Official Cash Rate plus a margin of 2.0%.
- ☞ The Company will be permitted to trade to the extent required to protect or enhance its existing assets and/or assets within the Company's securitisation programme. The Directors consider this to be a very important aspect as we deal with market changes. Up to 50% of a quarter's net cash flow will be able to be utilised in this regard.
- ☞ The removal of the Company's minimum equity requirement.
- ☞ Interest accrued and unpaid up to 31 March 2009 will be forgiven; this will allow the Company to write down the book value of a number of securitisation assets until clarity on values is known.
- ☞ The engagement of an independent monitor to oversee the Company's actions; and assist the directors and Trustee.

The directors believe this proposal to be a prudent step forward for the Company's debenture stockholders and strongly support it.

We are aiming to hold the special meeting as soon as possible. However, we firstly need to register a Prospectus and undertake a national road show so we can brief you and address any questions. We will keep you updated as we work through this process.

*Update continues on the reverse of this page.*



## Projects

In the Company's December Briefing Note we set out details of three projects that were nearing completion. Steady progress continues to be made on these:

Project	Status	Completed Value
Takapuna	All site works are complete; Code Compliance Certificate issued; two of the four townhouses are being auctioned in late March by Barfoot & Thompson.	\$2.9m
Maymorn	All physical work completed on this 15 lot subdivision with titles due to be issued in mid March. Marketing in progress. First sale due to settle on issue of titles.	\$4.5m
Sunnyvale	All physical works complete on this 9 section West Auckland subdivision. Council signoff complete and titles due to issue late March.	\$1.8m

We are pleased to now have the physical project works behind us; this also means that the Company's cash outflow to these projects is at an end.

The realisation of these projects as soon as practicable over this year will be converted into distributions to you.

## Payout / Statements

We are pleased to advise the resumption of payouts and a further 1¢ is being paid to all debenture stockholders on Tuesday, 17 March 2009.

This will bring distributions up to 10¢ in each dollar of principal since February 2008 when the Company exited receivership.

After the distribution has been paid updated statements will be sent for your records.

## Outlook

Propertyfinance appreciates the uncertainties and difficulties that these economic times create and the impact on this business.

Please be assured that the Board is working closely with the Trustee and a number of advisors to ensure that we survive these challenges. Clearly these economic events will pass as they have done so in the past. It is critical that we avoid any short-term actions that may compromise the value of your debenture stock and the ultimate realisation thereof.

As always we are available to address your concerns (preferably by email, [liz@propertyfinance.co.nz](mailto:liz@propertyfinance.co.nz) or phone 03 379 9336) and look forward to meeting shortly with the pre-meeting road show.

Thank you.

Darryl Queen

Managing Director