



PROPERTYFINANCE SECURITIES LIMITED

MINUTES OF ANNUAL GENERAL MEETING

Held at The Marlowe Room, Heartland Hotel Cotswold,
88-96 Papanui Road, Christchurch
Wednesday, 10 November 2010, 10:30am

Trustee:	Graham Miller, Covenant Trustee Company (Chairman)
Directors in attendance:	Barney Sundstrum (Chairman) Darryl Queen (Managing Director)
Monitor:	Graeme McGlinn and Blair Dreaver, Grant Thornton
Financing Advisor:	Murray Greer
Debenture Holders in attendance:	Derek Anso, Jenny Setchell, Mary Reilly, Val Davis, Sue Birch, Laurie Nugent, Garth Moore, Victor Holder, Kevin Jones, Diann Jones, Ron Willems, Alex Wright, Greg Walls
Non- Debenture Holders in attendance:	Rod Bourke Shaw, Carolyn Tapley, Jonathan Davidson, Catherine Timbers (Staff)
Apologies:	Gary Evans, Elizabeth McEwan

1.0 **Welcome and Introduction**

Graham Miller, as Chairman of the meeting, welcomed all attendees and introduced the Directors, Financing Advisor and Monitor.

2.0 **propertyfinance presentation**

Barney Sundstrum, as Chairman of propertyfinance securities limited (PFSL) addressed the meeting. Barney read a prepared presentation summarising the Annual Accounts and Directors' Report and offered the opportunity for questions to be raised at the end of the presentation.

3.0 **Directors Report and Financial Statements**

Graham Miller asked that a motion be tabled to receive and discuss the Directors' Report and Financial Statements

*Motion: Ron Willems
Seconded: Garth Moore
Carried*

Several questions were raised by debenture holders and advisors relating to the progress on selling the assets and whether or not a payment would be made during the next 12 months. Darryl Queen advised that pfsi is actively encouraging borrowers to re-finance and that he anticipated a payment would be made although was unprepared to commit to a strict timetable for payment or likely amount. As to whether the projected total payment of 89c was somewhat optimistic Darryl Queen



confirmed that that is the value based on information at hand today while Graham Miller confirmed that the outcome cannot be predicted. PFSL's strategies to date have paid some dividends, the assets are solid and there is no real benefit to sale of the assets at this stage. PFSL is continuing to work on strategies to enable repayment and its security level is improving all the time. PFSL is currently working on a restructure of the RM Trust which if successful could be completed within the next 6 to 8 weeks.

In response to questions relating to the reason for no financial accounts being received from NZ Guardian Trust, Darryl Queen confirmed that NZGT are in breach but that pfsi has limited recourse, the next course of action would be to go to the High Court. Graham Miller confirmed that no satisfactory reason has been provided by NZGT. When asked if pfsi is considering such action, Darryl Queen stated that pfsi would prefer to work with NZGT to reach a satisfactory outcome as the cost of High Court proceedings would be high. Graham Miller confirmed that there is an obvious conflict with NZGT carrying out the role of both Manager and Trustee.

Darryl Queen confirmed the accuracy of the management information as this was prepared by Deloitte.

Some time was spent expanding on the waterfall of pfsi's investment in the Securitisation Trusts. Questions were raised regarding the level of risk and the fact that pfsi will bear any losses to the Trusts and whether debenture holders were adequately informed of the risks of investing in the Trusts. PFSL is comfortable with the level of information that was provided. However, Graham Miller advised that the Trustee has referred the matter to the Securities Commission for review.

Graham Miller asked that the report be read and received into the meeting.

*In favour: All
Carried*

4.0 **Trustee (Covenant Trustee Company) Report**

Graham Miller asked that a motion be tabled to receive and discuss the Trustee's Report

*Motion: Ron Willems
Seconded: Garth Moore
Carried*

The Trustee is disappointed in the progress of the moratorium. When asked what they can do about it he stated that unless pfsi breaches the moratorium it is entitled to proceed. One option is that pfsi be placed in receivership. This would involve 10% of the debenture holders initiating proceedings and then 75% of the debenture holders voting in favour. A second option would be that if either the Financing Monitor or Financing Adviser retired, a revised moratorium could be entered into.

On the question of cost overruns, Graham Miller had prepared a presentation of cost breakdown in accordance with the Northington Report prepared at the time of the new moratorium. Darryl Queen argued that the Trustee presentation was not a fair representation of the costs and reiterated that pfsi's costs were in fact under budget. Graham Miller confirmed that many of the costs in the report were one-off costs due to setting up the risk management structure of the moratorium and that costs are likely to reduce from now on.

Graham Miller asked that the report be read and received into the meeting.

*In favour: All
Carried*



5.0 **Financing Monitor (Grant Thornton) Report**

Graham Miller asked that a motion be tabled to receive and discuss the Financing Monitor's Report

*Motion: Laurie Nugent
Seconded: Garth Moore
Carried*

Graham Miller introduced Graeme McGlenn of Grant Thornton who acts as Financing Monitor for the moratorium. Concern was raised regarding directors of pfsl making decisions without proper approval. At this point Murray Greer, the Financing Advisor, agreed that there had been minor transgressions but that approval would have been given if the proper protocols had been followed.

6.0 **Financing Advisor (Murray Greer) Report**

Graham Miller asked that a motion be tabled to receive and discuss the Financing Advisor's Report

*Motion: Garth Moore
Seconded: Carolyn Tapley
Carried*

Graham Miller introduced Murray Greer who has been acting as Financing Advisor for the moratorium. No questions were raised and Barney Sundstrum took the opportunity to thank Murray Greer for the work he has done.

Graham Miller asked that the report be read and received into the meeting.

*In favour: All
Carried*

7.0 **General Business**

Graham Miller reiterated the options that are currently available to debenture holders i.e. to proceed with the moratorium (which could be a long haul) or to take action to put pfsl into receivership (which could mean significant losses).

Barney Sundstrum took the opportunity to assure those debenture holders present that pfsl would respect their wishes if they chose receivership but explained that pfsl is continually striving to achieve a positive outcome. He acknowledges that mistakes have been made but that pfsl has learned a valuable lesson from them. He does not believe receivership is the best outcome as pfsl knows the assets and is actively pursuing strategies to maintain the best interests of the debenture holders.

When asked what the anticipated payment over the next 12 months could be, Darryl Queen answered that a realistic indication based on current information would be 6 to 11 cents in the dollar.

Jonathan Davidson, representing a group of advisors, wished to record a vote of no confidence in Darryl Queen and wishes to see pfsl placed in receivership. He put forward a motion that debenture holders be given the opportunity to vote for receivership. There being no seconder the motion lapsed and no further discussion was entered into.

*Motion: Jonathan Davidson
Seconded: No
Lapsed*



Graham Miller advised that a meeting of the directors, financing monitor and financing advisor would be taking place later in the day to discuss the moratorium costs and the possibility of cutting these costs and fees.

Meeting closed at Middy.