Peter Spann

PO Box 7830, Waterfront Place
Brisbane Qld 4001

Hello

I think by now if one thing is clear it is that Mr Pritchard and I do not agree on a lot of things.

He says one thing, I say another – and around in circles we go. It IS confusing.

But you have to make your mind up on this important issue somehow so I hope this letter will help. So without getting into more I said, he said circular arguments I am going to attempt to give you some information on the issues to help you make up your mind.

Highlights:

- Clarification on the value of the company
- The Benefits of a Share Buy-Back Made Clear
- The Company stands in the market at 0.56c. 0.50c and 0.33c
- Fox Portfolio reduces its fees by 89.1% to $12,000 per annum
- I offer to buy up to 182,900 of (the maximum amount I am allowed under the Corporations Act) of Mr Pritchard's shares at the price he paid and sell them back to the company for 37% less so they can be cancelled from the register
- More details on why I believe Mr Pritchard's plan is without substance and vague
- More details on the existing plan to restore value to shareholders - firm, stated in detail, clear, already in place and leaving open all options for the company going forward

What is the value of the company?

1. Shares have traded in PFAA on the NSX at between 0.34c and 0.395c but all those shares were bought by Mr Pritchard and Associated Companies. Shares have also traded as high as 0.70c;
2. The audited NTA of the company is 0.63c;
3. The Company has bought back shares at 0.56c – a discount of approximately 10% to the NTA;
4. The Company will stand in the market until further notice at 0.56c which represents a discount of approximately 10% to the NTA, 0.50c which represents a discount of approximately 20% to the NTA and 0.33c – the approximate price paid by Mr Pritchard for his shares – if shareholders genuinely are prepared to sell for that amount I believe it is definitely in the best interests of all shareholders that the company buys back those shares and cancels them from the register;
5. A company associated with Mr Pritchard bought shares at 0.35c after the commencement of the buy-back – the company could have bought those shares if we had the opportunity;

What are the benefits of the Share Buy Back?

Share Buy-Backs allow the Director's to manage the value of the capital of a Company on behalf of the shareholders. They are generally implemented when the assets of a company exceed the current price being paid in the market for the company's shares.

In a Buy-Back the company purchases the shares and cancels them from the share register. This increases the value of the company's capital for all remaining shareholders.

This is a very common technique used by many listed companies. Here are some quotes about buy backs…

- The Chairman of Data3, Richard Anderson reconfirmed "We consider an on-market buy-back to be the best mechanism to deliver improved shareholder return on a sustainable basis and to reduce volatility in the company's share price";

- Foster's Chief Executive Officer, Ted Kunkel said, "The share buy-back demonstrates the company's commitment to efficient capital management."

- Promina's Chief Executive Officer and Managing Director, Michael Wilkins said, "The successful completion of Promina's on-market buy-back demonstrates the Groups ongoing commitment to the efficient management of its capital. Promina will continue on its journey of capital management."

- "The Board's objective is to maximise returns to shareholders by adopting an active Capital Management Policy. The announcement of this on market share buy-back is consistent with the Board's objective to add value for remaining shareholders by improving earnings per share," said Kerry Roxburgh, Chairman E*TRADE Australia.

- Executive Director and Chief Financial Officer of Westpac, Mr Pat Handley, said "This new buy-back was further evidence of our continuing commitment to aligning our actual and target capital levels."

- Referring to their off-market buy back St George Bank Chief Financial Officer Steve McKerihan says the buyback initiatives were "aimed at optimising the level and mix of the group's capital base to support growth and reduce overall funding costs.

  The board has considered the various capital management alternatives available to St George and believes that it is in the best interests of St George and its shareholders to pursue the share buy-back as a component of St George's capital management program. In the board's opinion, the buy-back represents the most value enhancing way of returning capital to shareholders."

So, there is a well documented case for share buy backs to manage the capital of a company on behalf of shareholders.

The Australian Investment and Securities Commission (ASIC) explains buy-backs this way:

"What happens in a share buy-back?

In a share buy-back a company makes you an offer to buy back some of its own shares.

There are several types of buy-backs. Two common types are:

- an equal access scheme - when the company offers to buy back the same proportion of each shareholder's shares
- a selective buy-back - when the company offers to buy back shares from only one or some of its shareholders.

Another alternative is that the company may offer to buy the share back on the ASX.

A company may want to buy back its shares for a number of reasons, for example, to:

- distribute to shareholders' funds that the company does not need
- reduce administrative costs in a listed company by buying out holders of small parcels of shares or
- enable a shareholder of a small company, who wants to sell their shares, to be bought out.

If you had been thinking of selling your shares anyway, selling them back to the company as part of a share buy-back offer will save you paying your broker's fees, unless this is done on the ASX.

If you are happy with the company's future prospects then you may decide to keep your shares and you will not be forced to sell any of them.

Tip

One of the best ways to protect your share investments is to take the time to read and understand the documents you get from your companies."

BHP Billiton, Fosters, Rio Tinto, Data 3, Santos, National Australia Bank, Alumina, Telstra, Coles, AXA, IAG, News Corporation, Fairfax, Promina, QANTAS, Commonwealth Bank, Westpac have all completed share buy backs recently along with literally dozens of smaller companies. So if Mr Pritchard disagrees with a buy back for whatever reason he is entitled to his opinion but it is just that, an opinion. Some of Australia's largest and most successful companies have used the strategy to manage the capital of the company on behalf of shareholders –I will take my lead from them, not Mr Pritchard.

In my own personal experience buy-backs of shares have been very successful. And I believe, given time this one will be as well.

The company will continue the buy back and manage capital for the benefit of all remaining shareholders.

In order not to influence the vote (remember shares bought back are cancelled from the register) the company refrained from buying back shares during this period. Now that we are out of the settlement period the company is standing in the market at 0.56c (approximately a 10% discount to the NTA) and 0.50c (approximately a 20% discount to the NTA). To this effect the company purchased on 22nd November 2007, 15,000 'A' class shares at $0.56.

It has also made a bid for shares at 0.33c to reflect the price at which Mr Pritchard and associates bought their shares. Maybe he will sell them back to us? You may be interested to know that if the shares he and associated companies bought (which we believe amounts to 380,000 shares) were sold back to the company at an average of 0.35c the NTA would rise by almost 4%.

Fox Portfolio Reduces its Fees by 89.1%

Nobody likes paying fees, especially when an investment is losing money. All of the fees charged by Fox Portfolio to manage the company were covered in the original Prospectus.

Fees paid to Fox Portfolio to manage the company include office facilities, clerical and administration staff, accounting staff, preparation of board reports and financial statements and my personal fees. Up until 1 July 2007 they effectively totaled $110,000 PA including GST.

Earlier this year Director Howard Woolcott in a discussion with the board at a board meeting raised the issue of fees.

In our discussions with shareholders a number of you have raised this issue as well.

I have never been backward on the subject of fees as long as they are disclosed however I do agree that the fees of an investment should be aligned with the interests of the investors. So when an investment is losing money as PF#1 has done I agree that fees should not contribute to that any more than absolutely necessary.

In response to you the shareholders and my fellow Directors I have agreed to substantially reduce the management fee Fox Portfolio charges to manage Property Fox #1.

> As of 1 July 2007 this fee will be reduced to just $12,000 per annum - a reduction of 89.1%. All of that fee goes to the administration of the company – none comes to me personally.
>
> In addition Fox Portfolio will not accept any profit share or performance bonus on profits in respect to the shares it owns in the company until the NTA of the company has exceeded $1.25.

I hope this assures shareholders that my only interest in this going forward is to see the company successful once more.

Are Shareholders Interests Best Aligned by Director's Holding Shares in the Company?

I love the quote from Warren Buffett used by Mr Pritchard. As you probably know Buffett, as an investor, is one of my personal heroes and I have a number of shares in Berkshire Hathaway. But Mr Pritchard's use of him as an example is ironic - at their AGM's they do not listen to any dissent from shareholders and always vote their majority shares to ensure success of any motion they put. As I have attended a number of AGM's I have seen this a number of times personally.

I agree that Directors holding shares CAN be a benefit to shareholders IF their interests are aligned but in the case of PF#1 and Mr Pritchard and his Associates there is a major misalignment that I think they are hoping you won't notice. He says I should buy shares on the same basis as the other shareholders but neglects to point out that he has not. That is - because they have bought their shares for less than the asset value of the company it doesn't really matter much to them what happens – they profit regardless.

- If they gain control they can move the company to a different mandate, charge fees, do whatever they like – they haven't said;
- If they don't they could apply to have the company wound up. After all costs they would still make a profit of about 50% on their investment while others would have the value of the company decimated;
- Or when we do restore the value of the company and profits they cash in as well.

So I just can't see how their interests are aligned. IF they had bought shares at $1 or even at the NTA I might be able to agree but because they have managed to get their shares so cheaply they have options you don't – this is not alignment.

Having said all this I DO own shares – I have 1,250,000 of them. Granted they were given to me for $100 but the ONLY way those shares make me money is if the company makes a profit. They have NO rights to the distribution of capital whatsoever. So I would argue that my interests ARE aligned with "A Class" shareholders – you and I only benefit from this if Property Fox Number 1 makes a profit. That's why I am keen to get it back to profit as soon as possible. And now I have a hurdle – I have undertaken to you not to take a profit share until the NTA is up to $1.25. That gives me excellent motivation to work hard to achieve that goal.

Here's a better idea to further align my interests with Shareholders

Mr Pritchard has challenged me to buy shares. OK.

I offer to buy up to 182,900 shares (the maximum I am allowed by the Corporations Act) Mr Pritchard has bought at between 0.34c and 0.395c – prices that I do not believe reflect the true value to the company – at exactly what they paid for them.

> I will then immediately sell them back to the company at 37% less than I paid for them so that the company can cancel them from the register increasing equity for all shareholders.

I will accept those losses as you have done with no potential upside.

This means you as a shareholder get the benefit of those low sales. It immediately increases **your equity** and potential **profits**. I am in exactly the same position as you except I lock in my losses forever with no potential upside. I share the pain with no chance to share the gain.

I admit this is an unusual thing to do but no stranger than a number of the things Mr Pritchard has done in his career. I am so convinced Mr Pritchard is not trying to help I want to see if he really is trying to do what is in the best interests of shareholders – this gives him that opportunity.

Alternatively Mr Pritchard can just offer his shares on the market and allow the company to buy them back at the price he paid benefiting all shareholders.

My offer is only subject to any Corporations Act requirements (as all sale and purchases of shares are).

When this is all done I would be happy to back the company and Howard and Jodie by buying shares in the company at fair market price allowing for all the Corporation's Act rules and laws around Director's investing.

Mr Pritchard's odd plan – no substance and deliberately vague

Mr Pritchard makes some odd claims about their plan – firstly that they will have the assets valued – they have already been valued. The auditor has already agreed that the values of the properties in the annual accounts reflect their true value so not only does this statement serve no purpose it would be a waste of your money. So there's no plan in that.

He also says they will call on external professional advice – from whom? And why? If they have as much experience as they claim what is the purpose of that? This is a clever way of lulling the casual observer into a false sense of security – is the "external professional advice" they are referring to their own management company? And will it be that company that "formulates an appropriate investment strategy going forward"? We don't know, and unfortunately neither do you.

Finally they say they are going to eliminate unnecessary operating costs – this sounds good but this company is run on the smell of an oily rag especially now there has been a substantial reduction in management fees.

There's no substance to this plan, and it's being delivered by corporate raiders. More important I believe it is deliberately vague – if they don't tell you what they are going to do and you vote for them they can do whatever they like.

On the contrary the existing Director's are restricted in our actions by what you, as a shareholder have already voted on, what is in our mandate and what we have already announced to the NSX – this gives you the security of knowing exactly what is going on.

Further Explanation of the Director's Plan - working and underway

The first step of the plan was to sell underperforming assets.

The current properties in Property Fox Number 1's portfolio are quality assets with potential upside.

The current properties include:

- 4 apartments in Fairfield NSW. Although our other holdings in this area lost money these properties are now at their carrying value, are fully leased and we believe there is more potential upside;

- A 30% share in 8 properties on Ruthven St Toowoomba. These properties have been cash flow positive since day 1 and are situated on the main thoroughfare through this significant regional city. Recently a number of properties in the area have been rezoned to commercial and higher density residential. The Department of Natural Resources showed an increase in the unimproved capital values of these properties of 15%. We believe there is considerable potential upside should a rezoning be effected;

- The Company also owns a small share of Fox Riverside which is undertaking development of 2 new homes on the Brisbane River

The remainder of the Company's Assets are Cash holdings in reserve for future investing and a small share holding in Property Fox #2.

The second part of the plan is to reinvest funds from sales in better performing assets.

The mandate of the company, as voted on by shareholders allows us to invest in residential and commercial real estate within Australia. Generally we will be looking for properties that offer good growth prospects, good cash flow and potential for development in the future.

The company can arrange loans on the properties from a bank or other financial institution and generally up to 70% loan to valuation ratio is being considered.

All of the options allowed for in the original Prospectus and additions and changes to the Mandate as voted on by shareholders are still available to us to buy property for the company, however it is the Directors' view that the growth corridor of South East Queensland offers the best opportunity to profit.

The upside of Commercial Property includes higher rents, longer leases and better growth. The risks of Commercial Property include higher expenses (some of which can be recovered from tenants), and potential for extended periods of vacancy resulting in reduced cash flow and lower valuations.

We believe that with so many people moving to Queensland there is great opportunity for profit in this market place.

We have conducted considerable research and looked at a number of potential acquisitions.

Here is some information for you from the Qld State Government…

South East Queensland Growth

Population growth

SEQ has experienced high and sustained population growth since the 1980s, growing at an average of 55,300 persons each year between 1986 and 2004. The estimated resident population of the region in 2004 was 2,666,600 people.

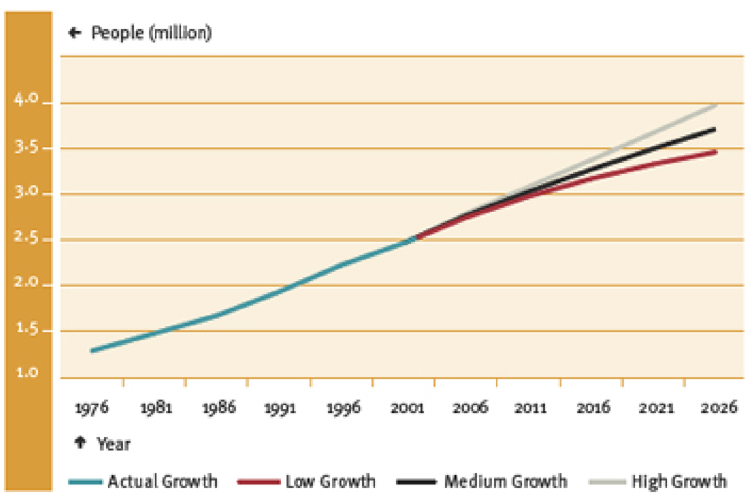
The current population projections for the SEQ region are set out in Table 1 and shown graphically in Figure 1.

Table 1 - SEQ region population projections (2001-2026)

	Population projection series (million)		
Year	Low	Medium	High
2001	2.46	2.46	2.46
2006	2.75	2.77	2.79
2011	2.97	3.03	3.08
2016	3.17	3.27	3.37
2021	3.33	3.49	3.67
2026	3.46	3.71	3.97
Average increase per year 2001 to 2026	40,000	50,000	60,000

Source: Department of Local Government, Planning, Sport and Recreation, Planning Information and Forecasting Unit 2003

Figure 1 - SEQ region actual and projected population growth (1976 to 2026)



Source: Department of Local Government, Planning, Sport and Recreation, Planning Information and Forecasting Unit 2003

Population distribution

The region's population is heavily urbanised and is generally concentrated along the coast between Noosa and Coolangatta. The metropolitan areas of the Brisbane Statistical Division, Gold Coast and Sunshine Coast Statistical Districts account for 90 per cent of the region's population. The six predominantly rural shires of Beaudesert, Boonah, Esk, Gatton, Kilcoy and Laidley account for 55 per cent of the region's land area but only 4.3 per cent of the population.

Housing demand

The projected population increase, combined with the continuing trend towards smaller households, will require an estimated 575,000 new dwellings in the region by 2026. There will also be a greater demand for a diversity of housing forms to match the needs of changing household structures, particularly an increase in one- and two-person households.

The average household size in SEQ in 2001 was 2.6 people. This is expected to decline to 2.45 people by 2011 and 2.29 people by 2026.

The falling household occupancy rates result from changes in the household structure in the region. By 2026, one- and two-person households are expected to account for around 60 per cent of all households. This compares to around 50 per cent in 2001. This trend will impact on the housing projections and type of dwellings required for the future and has been considered in the estimate of new dwellings.

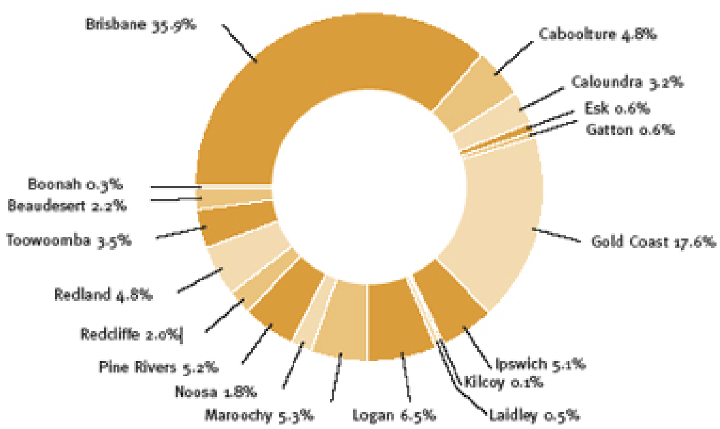
The changing household structure and resulting reduction in average household size will mean the percentage growth in housing demand will continue to be higher than the population growth rate.

In addition demand for services including commercial, retail and public works are expected to exceed growth in population.

Employment and services

The increased population in SEQ will generate demand for around 425,000 new jobs by 2026. There will also be a wide variety of supporting infrastructure and services required, ranging from arterial roads, public transport and water storages to local parks, shops and community facilities. These demands will continue to create opportunities and also impose significant social, economic and environmental pressures on the region.

Figure 2 - Population distribution in the SEQ region by local government area (at 30 June 2004)



Source: Prepared from Australian Bureau of Statistics, Regional Population Growth, Australia and New Zealand, 2003-2004, Cat No 3218.0 and companion data; ABS, Regional Population Growth (various editions), Cat No 3218.0; unpublished data; and Planning and Information Forecasting Unit sources.

Implications of current growth patterns

Many of the region's growth pressures are closely related to past and current patterns of development.

The region has experienced significant impacts from the Australia-wide 'sea-change' phenomenon, with the majority of population growth occurring along the coast. Between 1986 and 2004, the fastest-growing areas were Gold Coast City, Brisbane City and Maroochy Shire. In contrast, the western parts of the region, which include Ipswich City and Toowoomba City, have traditionally grown more slowly than the region as a whole. Since 2001, however, both cities have shown significant increases in population growth rates.

We believe that with sensible borrowing we can acquire a property or a number of properties that offer positive cash flow.

The type of properties we are considering are small (generally 800m2 to 3,500m2) offices and shopping centres in growth corridors in Brisbane, and near regional areas such as the Sunshine Coast and Toowoomba. The net yields on offer range from 6.5% to 8.7%.

Generally smaller centres offer higher yield but sometimes better diversification of tenant can be had in larger investments so the Directors will attempt to balance these considerations when purchasing.

This allows for current profitability, capital growth and future value adding potential from development.

Before entering into any purchase the Company will obtain independent valuations verifying that the proposed purchase price represents fair market value.

We can also engage professional advice from solicitor's, accountants, commercial property consultants, property managers, structural engineers, valuers and other appropriate property professionals.

Obviously there is considerable research required for this type of investment and despite obvious pressure to get invested we are acting conservatively to ensure the best outcome for shareholders.

Be SAFE - fax in your proxy form today – vote by Monday to be heard

Please send in your proxy form ***today***.

To be safe get it in as soon as possible – Monday at the latest – please fax it to the Company Secretary on 02 9283 1970.

> Make no mistake, in my view, if Mr Pritchard and his consortium get control of the company you will be worse off. I believe they are only motivated by personal gain.

More than 47% of shareholders have already voted – this is an extraordinary result and I'd like to extend my congratulations to those of you who have voted regardless of direction –

this is your company and it's great that so many are engaging in the debate and getting involved.

Should any shareholder wish to contact me, or any of my fellow directors please do not hesitate.

My direct email is peter@freemanfox.com.au

Howard can be contacted at howard@freemanfox.com.au and Jodie at jodie@freemanfox.com.au

You can also call us on 07 3031 9950.

Howard has considerable experience in running companies. He has been a Director of ASX listed companies and is of enormous benefit to me as Managing Director. Jodie has considerable property experience and is a registered Real Estate Agent.

They, together with me, are the right people to manage your company going forward.

We have a sound, strong plan that has already been approved by shareholders, that plan has already shown its success and is ready to go to its next phase.

I will have my team contact you to make sure you have received this letter and help you with the voting if necessary.

I assure you of my best endeavors going forward.

Sincerely

Peter Spann

P.S. Please remember that Jodie and Howard were recruited by me to help return the company to profitability – they were not Directors at the time of the acquisitions that caused the losses and their assistance to me over the last 12 months has been invaluable. I know they will be excellent Directors for you going forward.