

## Pritchard Moves to Block Return of Your Cash to You

Hello

In recent days Pritchard Equity and their Lawyers have moved to block Property Fox No.1 Limited from returning your cash to you. They have pulled out every technicality in the book to stop it from happening.

They reveal their motives however when they say “the proposed buy-back seek(s) to pay Property Fox’s cash assets out of the target so as to make them unavailable to PEL (Pritchard)”. And with this statement they’ve finally admitted their goal is to get their hands on the cash of the company.

This is despite the fact we have already got commitments from A Class shareholders for 2,910,000 shares to vote FOR the resolution, and proxies representing 71.88% of the votes received. This is more than enough votes to carry the resolution. **You clearly want the surplus cash in the company returned to you and the board is doing everything it can to do that.**

Pritchard is trying everything it can to stop that. Don’t let them. Vote for the current directors who will get your cash back to you.

Despite Pritchard Equity having only managed to gain a paltry 4.84% of shares through their take over, the Pritchard Equity bid has:

- Insulted shareholders by significantly undervaluing their shares;
- Stopped the company’s on market buy back - you could have sold your shares for more in cash than they are offering;
- Cost the company tens of thousands of dollars in legal fees;
- Imposed ridiculous conditions;
- Prompted regular threats of legal action from Pritchard Equity and their lawyers;
- Further decreased the value of the company.

And it is all in despite of the fact that 75.5% of shareholders voted against Pritchard being elected to the board last year and shareholders so far voting resoundingly against him this year.

Their latest tactic is to claim that the proposed buy back would breach one of their conditions of the takeover and we didn’t advise you of that. While it is true, it is of course, ridiculous. Remember they have secured less than 5% of the shares of the company through the takeover so over 90% of the shareholders could not care less. They claim this is a “frustrating action” of their takeover bid and have threatened to take legal action. Of course this is farcical. The bid is totally inadequate. Almost every shareholder has ignored it and despite repeated extensions they are making little or no

headway. My view is simple – their bid is frustrating the board in trying to comply with the wishes of the majority of shareholders.

To fight their action in court would cost tens of thousands of dollars, and probably would not get a court hearing date prior to the AGM. They only raised their concerns regarding the buy-back on 13<sup>th</sup> November 2008 some two weeks after the Notice of Meeting was lodged with NSX and sent to shareholders. Unfortunately, despite the overwhelming support we have received for the proposal it may well be cheaper and more effective to withdraw the resolution and call an Extraordinary General Meeting to vote on it.

Here's the thing that Pritchard consistently ignores – our team are in contact with most shareholders and you have told us that you agree with the proposed approach. With the markets the way they are, a global recession looming and with everything else that's going on cash is king and it should be in your hands.

To address other recent developments...

Pritchard has added a cash component of 5c per share with the extraordinary and unreasonable condition that it will only happen if their bid gets to 66% acceptances. This is silly. Not only would the buyback the directors have proposed give you 50c per share for up to 45% of your shares (the equivalent of 22.5c per share across your total holding), you'd still own 55% of your shares, and Pritchard Equity Ltd is not even close to getting 66%.

Pritchard always tries to play on shareholders' lack of knowledge in Corporate Law to confuse. In his latest missive they have claimed that a "capital reduction" would be a fairer alternate to a buy back. This is **not** accurate.

ASIC states (on their website) that a capital reduction is considered when "a company may reduce its share capital in a way that is NOT otherwise authorised by the Act". There are two forms – a selective reduction or an equal reduction.

A "Selective Reduction" prevents shareholders who are getting any consideration from the reduction to vote – this means you would not be able to vote in the resolution or it would have to be approved by ALL shareholders. Of course in a public company this would be near impossible.

An "Equal Reduction" must meet these three conditions:

- It relates only to ordinary shares.
- It applies to each holder of ordinary shares in proportion to the number of ordinary shares they hold.
- The terms of the reduction are the same for each holder of ordinary shares.

This of course would not work either. A buy back allows you to choose if you want to sell your shares or not. In an "Equal Reduction of Capital" you would have the decision unilaterally forced upon you by other shareholders. Clearly this is not appropriate and is clearly unfair upon those who may not want to sell their shares.

In a buy back **you choose** if you want to sell and (up to the 45% limit proposed) how many of your shares you want to sell. Again the key words are **“YOU CHOOSE”**.

It seems that Pritchard ignores your choices.

The buyback would increase the voting rights of any shareholder who did not sell (including Pritchard). As I (Fox Portfolio) cannot, and do not wish to profit from the buy back, I will not be selling my shares.

And as for Mr Pritchard's and Mr Elkington's resumes – I have only one word – Google.

**We are working hard to do what we have been told you want – to return your cash, sell the assets of the company, return those proceeds to you and wind up the company.**

If Pritchard succeeds in blocking this resolution on a technicality you have my commitment that we will ensure you are able to vote on it again as soon as possible.

We know you find all these games frustrating - it's **very** costly and **very** time consuming, but we ask that you remain engaged. It's the only way we can return your money to you and block this attempt at taking over your company. We thank you for your continued and overwhelming support.

If you have any questions please call us on 07 3031 9950 – we're happy to help.

Sincerely

Yours faithfully,



Peter Spann  
Managing Director