



24 November 2008

Dear Fellow Property Fox Shareholder

**Peter Spann's unlawful grab
for additional control**

We are writing to you about the scheme that Peter Spann, Howard Woolcott and Jodie Stainton included as item 2 on the agenda for the forthcoming annual general meeting of Property Fox No. 1 Limited (Property Fox).

Shareholders were led to believe that the purpose of item 2 was to enable the company to repay them the equivalent of 22.5 cents per A class share. However the effect of item 2 is to increase Peter Spann's voting power in the company, which was not disclosed to shareholders.

The *Corporations Act* requires that details of a buy-back proposal are lodged with the Australian Securities and Investments Commission (ASIC) at least 14 days before they are forwarded to shareholders.

This requirement is not a mere technicality, as Peter Spann is now suggesting. It is to enable ASIC to review the details to ensure that shareholders are fully informed about the effects of the buy-back.

Property Fox failed to comply with the *Corporations Act*, and did not lodge details of the buy-back with ASIC. It was for this reason and that the company was required to withdraw the buy-back proposal from the agenda at the meeting.

Amongst other things, the directors failed to inform shareholders of the following;

- 1. Effect on control of Property Fox** – The directors failed to advise shareholders that the effect of the buy-back would be to increase Peter Spann's voting rights from his present 21.7% to up to 33.5%.
- 2. Financial effect of the buy-back** – The directors failed to advise shareholders that the buy-back would substantially increase the gearing of the company at a time when most other property investment companies are raising additional capital to reduce their debt levels. The buy-back would substantially increase the financial risks of holding an investment in the company.

Pritchard Equity Limited ABN 80 100 517 404

10 Murray Street Hamilton NSW 2303 • P O Box 413 Hamilton, NSW Australia 2303 • Telephone: 02 4920 2877 • Facsimile: 02 4920 2878
Email: mail@pritchards.com.au • Webpage: www.pritchards.com.au

3. **Discussion of alternatives** – The directors failed to say why they had not considered making a return of capital, which would have preserved relative voting rights in the company.
4. **Tax information** – The directors failed to advise shareholders of the tax impact on them of the proposed transaction.
5. **Independent advice** – The directors failed to provide any independent advice to shareholders as to whether the \$0.50 buy-back price was a fair price for the company to pay in order to increase Mr. Spann's voting control.

Property Fox continues to be poorly managed

The current board of Property Fox have now cost the company many thousands of dollars through their failure to comply with the *Corporations Act*.

As you will recall, the original bidders statement was required to be done again because of the many errors that it contained, and because the firm which the company engaged to prepare the expert report did not have a financial services licence.

The company has again failed to comply with the *Corporations Act* in relation to the buy-back scheme, and has failed to properly advise shareholders about many aspects of the scheme.

Peter Spann's record as an investor

In his most recent outburst, Peter Spann says in respect of my own and Dr. Elkington's resumé: "*I have only one word – Google.*"

You will note that despite previous statements, he has not produced any of the references he has mentioned.

You might however find some interest in an article entitled "GET-RICH-QUACKS IN THE PRESS" An inside look at the tactics of the predators, which can be found at http://www.jenman.com.au/news_item.php?id=106.

In our last letter to shareholders, we set out details of the performance of Property Fox No. 1 Limited, and Property Fox No. 2 Limited. We have since obtained from ASIC copies of the financial statements of Freeman Fox Capital Limited, which is another investment company managed by Peter Spann.

These three companies have at least two things in common. They are all managed by Peter Spann, and they consistently lose money whilst paying fees to Peter Spann and his associates for managing them.

We have set out the results of these companies in a schedule enclosed with this letter.

Voting at last years annual general meeting

Mr. Spann claims that 75.5 percent of shareholders voted against Steven Pritchard being elected to the board last year. No doubt he means 75.5 percent of the votes, rather than 75.5 percent of the shareholders, but what he does not say is that the 75.5 percent includes the 1,250,000 votes which he exercised as the holder of 1,250,000 ordinary shares for which he paid a total of just \$100. If these 1,250,000 votes were excluded from the count, his claimed majority is marginal at best.

Proxies

If you are not able to attend the meeting, we urge you to complete your proxy and return it to Link Market Services Limited by 12.00 noon on Wednesday 26 November 2008. *We would recommend that your proxy be faxed to Link on 02 9287 0309.*

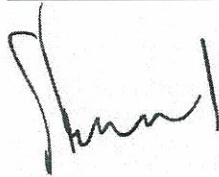
If you have already lodged a proxy and wish to change it, you can do so by lodging a replacement proxy.

Enclosed is a pro forma proxy form indicating how we recommend that you should vote.

If you have any questions or concerns, please feel free to telephone either myself or Enzo Pirillo on 02 4920 2877, or Gordon Elkington on 02 8223 5100.

Yours sincerely

PRITCHARD EQUITY LIMITED



STEVEN PRITCHARD
DIRECTOR

Various Investment companies managed by Peter Spann & Associates

Property Fox No. 1 Limited	
Financial year ended	Profit / (loss)
30 June 2008	(358,588)
30 June 2007	(197,310)
30 June 2006	(849,140)
30 June 2005	(647,188)
30 June 2004	445,149

Property Fox No. 2 Limited	
Financial year ended	Profit / (loss)
30 June 2008	(31,123)
30 June 2007	(248,889)
30 June 2006	(236,625)
30 June 2005	(267,112)

Freeman Fox Capital Limited	
Financial year ended	Profit / (loss)
30 June 2008	Not yet lodged with ASIC
30 June 2007	(15,492)
30 June 2006	(47,733)
30 June 2005	(177,776)
30 June 2004	(58,336)

APPOINTMENT OF PROXY

Please return your Proxy forms to:
Link Market Services Limited
Level 12, 680 George Street, Sydney NSW 2000
Locked Bag A14, Sydney South NSW 1235 Australia
Telephone: (02) 8280 7454
Facsimile: (02) 9287 0309
ASX Code: PFAA
Website: www.linkmarketservices.com.au

If you would like to attend and vote at the Annual General Meeting, please bring this form with you. This will assist in registering your attendance.



X99999999999

I/We being a member(s) of Property Fox No.1 Limited and entitled to attend and vote hereby appoint

A the Chairman
of the Meeting
(mark box)

☐

OR if you are NOT appointing the Chairman of the Meeting as your proxy, please write the name of the person or body corporate (excluding the registered securityholder) you are appointing as your proxy

Steven Pritchard

or failing the person/body corporate named, or if no person/body corporate is named, the Chairman of the Meeting, as my/our proxy to act generally at the meeting on my/our behalf and to vote in accordance with the following instructions (or if no directions have been given, as the proxy sees fit) at the Annual General Meeting of the Company to be held at 12:00pm on Friday, 28 November 2008, at Freeman Fox Boardroom at Level 21, 333 Ann Street, Brisbane 4000 and at any adjournment of that meeting.

Where more than one proxy is to be appointed or where voting intentions cannot be adequately expressed using this form an additional form of proxy is available on request from the share registry. Proxies will only be valid and accepted by the Company if they are signed and received no later than 48 hours before the meeting. The Chairman of the Meeting intends to vote undirected proxies in favour of items 1,2 and 8 and against for items 3,4,5,6 and 7.

B To direct your proxy how to vote on any resolution please insert **X** in the appropriate box below.

	For	Against	Abstain*		For	Against	Abstain*
Resolution 1 Adoption of Remuneration Report (non-binding vote)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Resolution 5 Election of Steven Pritchard as a Director	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 2 Approval of Share Buyback	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Resolution 6 Election of Enzo Pirillo as a Director	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 3 Ordinary Resolution to Remove Director – Jodie Morris	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 7 Election of Gordon Elkington as a Director	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Resolution 4 Ordinary Resolution to Remove Director – Peter Spann	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	Resolution 8 Re-election of Jodie Stainton (nee Morris)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

* If you mark the Abstain box for a particular Item, you are directing your proxy not to vote on your behalf on a show of hands or on a poll and your votes will not be counted in computing the required majority on a poll.

C SIGNATURE OF SECURITYHOLDERS – THIS MUST BE COMPLETED

Securityholder 1 (Individual)

Sole Director and Sole Company Secretary

Joint Securityholder 2 (Individual)

Director/Company Secretary (Delete one)

Joint Securityholder 3 (Individual)

Director

This form should be signed by the securityholder. If a joint holding, either securityholder may sign. If signed by the securityholder's attorney, the power of attorney must have been previously noted by the registry or a certified copy attached to this form. If executed by a company, the form must be executed in accordance with the securityholder's constitution and the Corporations Act 2001 (Cwlth).

PFAA PRX841

