

26th November 2008

Hello Again,

Recent developments have promoted me to write to you again to keep you informed.

Today Pritchard Equity (Pritchard) made their bid for Property Fox Number 1 unconditional. This is only a very minor step forward and still does not make the bid attractive. Reject the offer by simply doing nothing.

Pritchard asserts that the \$3.50 dividend on offer for Pritchard Equity Preferred shares is attractive however it equates to a return of just 1.19% for a Property Fox No.1 shareholder who accepted the offer or just 1.19c per share. The board proposal would return 50c per share for 45% of your shares or the equivalent of 22.5c per share in cash now and you will still be holding 55% of your shares. Reject the offer by simply doing nothing.

I also need to address a number of assertions by Pritchard which I believe are simply wrong or at best distorted...

Pritchard asserts that there is something unlawful about asking shareholders to vote on a resolution – WRONG. It is the fairest, most democratic way to understand the will of the shareholders. Personally I believe it is immoral for a minority shareholder like Pritchard to continue to ignore the will of the majority and use all the means at his disposal to continue blocking that will – they are holding you to ransom.

They make out they speak for all shareholders – WRONG. Only 7.69% of shareholders have supported their bid. They speak for a tiny minority. The Board has listened to the majority of shareholders and you have made the decision – an overwhelming majority (over 71% at the time of withdrawal of the resolution) had indicated they were FOR the resolution to return cash to you.

Pritchard makes out that you are uninformed. We have advised shareholders of our intent and our only intent – to get the surplus cash back into your hands and move to sell the company's assets and wind it up. We have been told consistently by the majority of shareholders that is what you want – we are only moving to carry out the will of the shareholders. We believe that the more information you have the better informed you will be to make your decision so we will ensure that when we put the resolution again there will be considerable back up information for you including an Independent Expert's Report.

Pritchard makes out they are bastions of corporate governance – their company Illuminator Investments failed to lodge their notice of Annual General Meeting on time this year. Their company Pritchard Equity was suspended from trading because it did not lodge its annual accounts on time. It appears they are happy to ignore the rules when it applies to them.

Pritchard says that the effect of the buyback would be to increase my voting rights from 21.7% to 33.5% - DISTORTED. That would only occur in the very unlikely event that every single shareholder (including Pritchard) took up 100% of the offer. As we have said the buyback will decrease the voting rights of those who sell and increase the voting rights of those who do not. Those who sell will get 50 cents for each share they sell.

Pritchard implies that the buyback would substantially increase the gearing of the company – DISTORTED. Yes, the gearing of the company would increase slightly, but it's only gearing is a

44% loan on its joint venture in the Toowoomba properties. As PF1 only owns 30% of this joint venture its overall increase in gearing is not substantial.

Pritchard implies a “return of capital” is viable – WRONG. As we have already said in previous communication this only applies to ordinary shareholders. In addition any shareholder who would benefit from the buyback cannot vote – this is totally impractical and simply would have not worked in this instance.

Pritchard says that if you excluded my ordinary shares the vote against him would be marginal – WRONG. In 2007 a remarkable 64% of A Class shareholders voted at the AGM. My voting of my shares did not affect the outcome at all. The vote against Pritchard, Pirillo and Elkington was carried easily without my shares. Excluding my shares a total of 2,720,000 votes were counted against Pritchard’s election and just 1,128,000 votes were for (this includes Pritchard’s own shares). I would not call 70.68% of the vote marginal!

Our actions in putting resolution 2 to the vote at the AGM were designed ONLY to expedite the will of the shareholders, to save money, and bring this matter to a close as swiftly as possible.

Pritchard implies the current board is costing the company money – WRONG. It is Pritchard’s ongoing efforts to block the will of the majority of shareholders that is costing the company money. The board has made every endeavour to comply with the Corporations Act at all times, and would never knowingly not comply.

Below is a chart comparing the costs of putting the vote at the AGM to the action we are now forced to do under threat from Pritchard.

Action	Cost of putting the Resolution at the AGM as desired by the board	Cost of putting the resolution to an EGM as now forced by Pritchard Equity
Notice	No additional cost	\$500 to \$1,000
Corporate Registry Costs	No additional cost	\$4,000 to \$6,000
Legal Advice	\$1,000 to \$2,000	\$15,000 to \$25,000
Independent Expert’s Report	Nil	\$15,000 to \$20,000
Shareholder Relations	\$500 to \$1,000	\$500 to \$1,000
Total	\$1,500 to \$3,000	\$35,000 to \$53,000

Pritchard’s actions are forcing another \$32,000 to \$53,000 in cost upon the company.

Prichard – it’s time to STOP and let the will of the majority of the shareholders play out.

Pritchard - STOP and let the board carry out that will.

Pritchard - STOP destroying the capital and value of the company. If you vote for the resolution to return capital to shareholders we can have that in your hands within weeks of the approval.

Despite Pritchard Equity having only managed to gain a paltry 7.69% 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;
- Prompted regular threats of legal action from Pritchard Equity and their lawyers;
- Further decreased the value of the company;
- And now blocked the will of the majority of shareholders.

We will put this resolution to shareholders again as soon as possible.

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.

Again, we are happy to discuss any matter you wish with us. Please call us on 07 3031 9950 or write to me at peter@freemanfox.com.au or howard.woolcott@propertyfoxnumber1.com.au

Sincerely



Peter Spann
CEO