

## IMPORTANT NOTICE

24 September 2008

### City Pacific First Mortgage Fund (Fund)

On 19 August 2008 we wrote to you and advised that the Board of City Pacific Limited (City Pacific) had considered, in conjunction with its advisors, a number of options designed to provide unitholders with ongoing liquidity.

At that time the Convertible Preference Share (CPS) offer was considered an appropriate liquidity solution. Since that date the Board, in consultation with its advisors, and upon consideration of the feedback received from unitholders, has decided that the preferred liquidity solution for unitholders is to seek the listing of the Fund on the Australian Securities Exchange (ASX).

### What does this mean for my investment?

If the Fund lists on the ASX:

- unitholders will have the ability to access liquidity through the sale of their units on the ASX;
- the security position of unitholders remains unchanged, being registered mortgages secured over real property;
- there will only be one class of investment and distributions will be at the same rate for all unitholders;
- City Pacific's objective, subject to the Fund's performance, will be to undertake monthly distributions;
- the deferred redemption process will no longer be relevant as unitholders will, at their discretion, be able to exit their investment via the sale of their units on the ASX;
- the Fund will no longer have the requirement to meet redemptions and will be able to continue focusing on:
  - generating income producing opportunities;
  - the orderly realisation of assets in the normal course of operations; and
  - meeting funding obligations and looking to add value to projects.
- the Fund will continue to be bound by continuous disclosure requirements.

### Approval for the listing of the Fund

The listing of the Fund requires the approval of unitholders and the ASX. Unitholder approval will be sought at a meeting of unitholders to be held as soon as practicable (currently scheduled for 24 November 2008) to which all unitholders are encouraged to attend and vote.

A 'Notice of Meeting of Members' (Meeting Notice) will be forwarded to all unitholders prior to the meeting. Unitholders may attend the meeting and vote or complete and return the proxy form attached to the Meeting Notice.

The Directors of City Pacific, as the Responsible Entity for the Fund, consider the listing of the Fund on the ASX to be in the best interests of unitholders and therefore unanimously recommend that all unitholders vote in favour of the listing.

#### ■ BRISBANE

Level 12, 300 Queen Street  
Brisbane QLD 4000  
GPO Box 2456  
Brisbane QLD 4001  
T 07 3229 7129 F 07 3229 5796

#### ■ SYDNEY

Level 12, 32 Martin Place  
Sydney NSW 2000  
GPO Box 969  
Sydney NSW 2001  
T 02 9238 0822 F 02 9238 0833

#### ■ MELBOURNE

Level 7, 50 Market Street  
Melbourne VIC 3000  
PO Box 275, Collins Street West  
Melbourne VIC 8007  
T 03 9629 1777 F 03 9629 1677

#### ■ GOLD COAST

City Pacific House, 2 Miami Key  
Broadbeach Waters QLD 4218  
PO Box 783  
Pacific Fair QLD 4218  
T 07 5554 0200 F 07 5575 6366

## **Fund audit finalised confirming net asset backing**

The audit of the Fund for 30 June 2008 has now been finalised with a 5% accounting provision (Impairments) against the entire loan portfolio. In light of the global credit and liquidity crisis and its impact on the Australian property market, the Board considers this to be a satisfactory result as it highlights the quality and resilience of the Fund's investments.

City Pacific continues to work with the Fund's borrowers in order to minimise the Impairments and as a result does not expect the provisions to be realised in full. For example, City Pacific has, subsequent to 30 June 2008, entered into a Settlement Deed with a borrower which requires the borrower to provide additional security and cash payments. As a result of this Settlement Deed, the Impairment against this loan is not expected to arise.

A copy of the Funds audited accounts will be available on City Pacific's web site by 30 September 2008 or can be obtained from City Pacific upon request.

## **Resumption of distribution payments**

City Pacific expects to pay September distributions by 14 October 2008. The distribution rates remain unchanged and are as follows:

Premium	8.20% p.a.	12 month term	9.70% p.a.
90 day term	8.60% p.a.	24 month term	9.95% p.a.
180 day term	9.10% p.a.		

## **Unitholder seminars**

Unitholder seminars regarding the Fund will be held in October and November around Australia. A schedule of the seminar details is attached. We highly recommend that unitholders attend a seminar for the opportunity to hear from City Pacific and pose questions.

## **Conclusion**

City Pacific Limited is the founder and manager of the City Pacific First Mortgage Fund and has held this role for 11 years. In that time we have managed the funding of 461 loans advancing in excess of \$4.4 billion to fund projects with an end value of \$8.2 billion enabling the Fund to pay out in excess of \$435 million in distributions to unitholders.

The Directors and staff would like to take this opportunity to reassure unitholders that your interests are our priority and accordingly our focus remains to preserve the quality and value of the assets of your Fund.

Should you have any questions please contact our Client Relations Team on 13 47 69 or via email to [enquiries@citypac.com.au](mailto:enquiries@citypac.com.au).

## **CITY PACIFIC LIMITED**

Phil Sullivan  
**Managing Director & CEO**

### CITY PACIFIC FIRST MORTGAGE FUND INVESTOR SEMINARS

Investors in the City Pacific First Mortgage Fund (Fund) are invited to attend an Investor Seminar at which City Pacific Limited (City Pacific) will:

- Provide an overview of the Fund and the prevailing market conditions
- Discuss the proposed liquidity solution for investors in the Fund
- Discuss City Pacific's role as the Manager of the Fund
- Provide an opportunity for investors to ask questions

We look forward to your company at one the following venues:

City/Town	Perth	Gold Coast	Adelaide	Melbourne	Ballina	Brisbane
<b>Day &amp; Date</b>	Tues 14 <sup>th</sup> October	Fri 17 <sup>th</sup> October	Mon 20 <sup>th</sup> October	Tues 21 <sup>st</sup> October	Wed 22 <sup>nd</sup> October	Thurs 23 <sup>rd</sup> October
<b>Time</b>	10am	4pm	10am	10am	12pm	10am
<b>Venue</b>	Duxton Hotel	Gold Coast Convention Centre	Stamford Plaza	CQ Functions	Ballina RSL Club	Brisbane Convention Centre
<b>Address</b>	No 1 St Georges Terrace Perth	Gold Coast Highway Broadbeach	150 North Terrace Adelaide	113 Queen St Melbourne	20 River St Ballina	Cnr Merivale & Glenelg Streets Brisbane

City/Town	Cairns	Townsville	Toowoomba	Mudjimba	Sydney
<b>Day &amp; Date</b>	Tues 28 <sup>th</sup> October	Tues 28 <sup>th</sup> October	Wed 29 <sup>th</sup> October	Mon 3 <sup>rd</sup> November	Thurs 6 <sup>th</sup> November
<b>Time</b>	10am	3.30pm	12pm	1pm	2pm
<b>Venue</b>	Cairns Holiday Inn	Townsville Holiday Inn	Quality Hotel Burke & Wills	Novotel Twin Waters Resort	Wesley Conference Centre
<b>Address</b>	Cnr The Esplanade & Florence Street Cairns	334 Flinders Mall Townsville	554 Ruthven St Toowoomba	Ocean Drive Twin Waters	220 Pitt St Sydney

Tea and Coffee will be served following the seminars.

As seating is limited please register your attendance by calling our Client Relations Team on **13 47 69** or email: [enquiries@citypac.com.au](mailto:enquiries@citypac.com.au) **7 days before** the seminar you wish to attend.