

**IMPORTANT INFORMATION REGARDING DISTRIBUTIONS**

Dear Investor

The purpose of this letter is to advise you of some important information relating to your investment in the Prime Access Property Fund ("Prime Access" or "the Fund").

As you know, the investment strategy of Prime Access is twofold:

- Firstly, to acquire and hold properties that are investment grade, or through redevelopment have the capacity to become investment grade; and
- Secondly, to provide investors with preferential access to participate in any of those redevelopments and hence participate in the full lifecycle of property.

We are excited to advise that the Fund is about to enter into a very important phase in keeping with the above strategy, whereby we will commence to unlock significant capital values in the Fund, for the benefit of ordinary unit holders. We are pleased to inform investors that after many months in planning, we have received positive news that our development application to build 230 residential apartments on the Marque Hotel site has been approved. This is a milestone result, as it means we are a step closer to being able to commence the redevelopment and create increased capital values for investors. In addition, we are exploring various options for the enhancement of Canberra House that are intended to increase the value of the property by capitalising on the redevelopment opportunities within the site. That said, the redevelopment phase will impact on the revenue levels generated from the properties. This is particularly relevant for the Marque Hotel which provides annually \$1 million of rental income which will cease on 30 November 2011, when the tenant vacates.

One of the initial key features of Prime Access was the ability to structure the Fund in a manner that allowed distributions to be paid by the property despite it being in development phase. This distribution was effectively to be supplemented from the equity raised through the development phase.

As you may appreciate, raising equity in the post GFC environment is extremely difficult and the cost can be prohibitive. We have been successful with our pre-development raising equity in Prime Access via a Convertible Notes offer to wholesale investors. The cost of that capital, while high at 25% pa, is reflective of the pre-development risk, and prudent given the upside potential in the developments. However it is also dilutive to the ordinary unit value of the Fund if that capital is used in part to replace foregone revenue during the development phase.

Taking this into account the Board of Directors of PrimeSpace at its meeting of 27 October 2011 reviewed the position of the Fund in detail, and reaffirmed the commitment to achieving significant capital growth in unit value by pursuing the development of the Marque Hotel and Canberra House. The Board concluded that, in light of this next phase and the associated demands on cash flow, and the dilutive impact on ordinary unit value, it would be prudent to cease all distributions from the Fund until further notice.

In arriving at this decision the Board in addition to the points discussed above, also considered:

- the end of the lease agreement to the Marque Hotel on 30 November 2011;
- our decision to pursue the redevelopment of Canberra House in the shorter term which has the consequence of reducing income levels by approximately \$800,000 pa;
- the impact on cash flow following the payment of the change of use charge of \$300,000 for Canberra House in addition to the repayment of \$420,000 to the CBA following the downward revaluation from \$39.2 million to \$38.5 million at 30 June 2011;
- the continuing development costs required to position all Fund properties for capital value enhancement; and
- the impact on ordinary unit holders in the medium term.

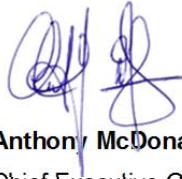
This change is effective immediately, and means that you will not receive a quarterly distribution payment for the September 2011 quarter, which was due in November.

We understand that this decision may impact your personal circumstances, however we believe it is the most prudent and sustainable approach to managing the Fund, and the decision to cease distributions was made with primary consideration for the interest of all unit holders.

We are entering the next important phase of the Fund. An exciting re-development phase, and one that is in keeping with the strategy for the Fund and has the potential to reward ordinary unit holders, with positive increases to unit value.

Yours Sincerely

**PrimeSpace Property Investment Limited**



**Anthony McDonald**  
Chief Executive Officer