

16 June 2010

Dear Class B Note Holder,
Diversified Mortgage Trust No. 1 Limited

Re: Your Investment – Due 30 June 2010

We refer to our letter dated 2 November 2009 in connection with your Class B Notes issued by Diversified Mortgage Trust No. 1 Limited (the **Company**). The balance owing to B Note holders was due for repayment on 31 December 2009 but the Company requested additional time to 30 June 2010 to make the payment.

Background

Your investment matured on 31 December 2008. As the Company did not repay the Class B Notes in full on 31 December 2008 it was, and continues to be, in default and Perpetual Trust Limited as Trustee, was entitled to exercise its enforcement rights. However, at that time, Perpetual Trust Limited chose not to exercise enforcement rights, but allowed the Company an extension in time to repay the Class B Notes in full, including all outstanding interest, which continued to accrue after 31 December 2008 on that part of the principal which had not been paid on that date.

In the 18 months since that time and following updated advices from the Company's Manager, Praesidium Asset Management Limited (the **Manager**), requested, and Perpetual Trust Limited agreed, to further extensions to 30 June 2010 to repay all B note holders in full plus accrued interest, including all outstanding interest, which continued to accrue after 31 March 2009 on that part of the principal which was not paid on that date.

Update

Following further updates from the Manager, Perpetual Trust Limited has now chosen to allow the Company until 31 December 2010 to repay all B note holders. The further extension of time is to allow the Manager to commence legal proceedings against Lloyds to enforce its right to claim under the Lloyds Mortgage Indemnity and Impairment Policy.

At this point in time it is unclear how long these legal proceedings will take, and it may be likely that further time will be required beyond 2010. We will continue to monitor the actions of the Manager and we will provide you with a further update before 31 December 2010.

The Manager has advised that the claims lodged with Lloyds include costs incurred in recovering proceeds from defaulting mortgages. Until the legal process has been completed, the Manager is unable to confirm with any certainty what portion of the costs incurred will be recoverable from Lloyds. On the basis of a nil recovery of costs, the Manager expects to achieve a payout to the B note holders in the region of 88 cents in the dollar of principal outstanding. No funds will be available to pay outstanding interest, which continues to accrue after 31 March 2009 on any unpaid principal. The directors of the Company anticipate that repayment of principal due to B note holders will occur as each loan claim is settled in court.

You should also appreciate that the Trustee's decision not to enforce immediately would not prevent persons holding at least 20% in nominal amount of the Class B Notes from directing the Trustee to exercise its enforcement rights (Class B Note Holders can by extraordinary resolution at a properly convened meeting also direct the Trustee in this way). However, unless so directed, our current intention is not to exercise our enforcement rights at this point.

In reaching our decision, we have noted the latest advice we have received from the Manager that the expected delay in repayment of the Class B Notes is due to the need for the Company to proceed with court action against Lloyds Insurance to enforce its claims under its insurance policy. The directors of the Company believe that sufficient funds are available to cover the costs of these legal proceedings.

To pursue the acceptance and payout of the claims by Lloyds Insurance, the Company has engaged the services of lawyers Glaister Ennor and a Queen's Counsel.

At this stage we consider that the most appropriate course is to allow the Manager to continue to pursue the Lloyds insurance claims, with the objective of meeting the revised timetable for repayment of the Class B Notes set out above.

You should appreciate that there can be no guarantee that the revised repayment timetable set out above will be met and therefore, we reserve our right to exercise our enforcement powers at any time. However, for the reasons outlined above, our intention at this stage is not to exercise those enforcement powers but to allow the Company further time.

We will continue to monitor the position and reserve the right to reassess our decision at any time.

If you have any questions concerning this letter or your investment then please contact either the Manager (Stephen Maud: phone 09 309 0493) or the Trustee (Chris Lithgow: phone 09 927 9408).

Yours faithfully
Perpetual Trust Limited



Chris Lithgow
Regional Manager – Corporate Trust