

Dear Investor,

Recently you may have noted media reports regarding loan arrears at a local mortgage trust.

All lenders deal with default loans from time to time.

At present conditions effecting property markets make it extremely difficult for borrowers to sell property or refinance where required. These conditions impact all lenders.

Our business is no different in this regard. As disclosed on our website we do have some loans in arrears. We are continuing to work with our borrowers in relation to those loans.

While we cannot discuss specific details we can confirm that East Coast Mortgage Trust remains strong.

Since our move to restructure our investment options we have had 11 withdrawal offers to eligible investors. The last 6 of those offers have been undersubscribed. Our strategy is working.

However we cannot ignore market conditions or recent events in relation to other mortgage trusts. While we take time to assess the current situation the Board wishes to ensure all investors are treated equally.

Accordingly the Board has resolved that it is in the best interests of all investors to temporarily postpone further withdrawal offers. With respect to interest distribution rates from today until further notice Advantage investors will be treated the same as Premium investors. It is our intention to continue paying monthly distributions.

The Board continues to monitor this situation closely. In addition to regular analysis we are completing a detailed review of the loan portfolio. We intend to update all our investors once that review is completed.

At this stage we do not anticipate any affect on your capital investment.



Christopher G R Lomax  
Chairman



Scott Collis  
Chief Executive Officer

1<sup>st</sup> June 2011