

Finance Company Update – December 2008

Boston Finance

Since successfully enacting its moratorium proposal on 14 March this year, Boston Finance has made distributions back to debenture holders totaling 13.5c in the dollar.

We telephoned the company early last week to obtain a feel for the size and timing of future payments. The company representative stated that a number of loans were due for repayment in mid-December 2008 and that a 5-10c distribution should be available to debenture holders soon after.

St Laurence

The proposal to vote to amend the Trust Deed for St Laurence Limited (SLL) has been approved by SLL Secured Debenture Stock (SDS) and Capital Note holders, with the significant majority voting in favour of the Plan.

The proposal was complex and the timeline for a decision very tight. To satisfy its duty of care requirements, the Investment Committee needed as much time as possible to fully evaluate the transaction on its merits. In order to ensure adequate time was given to analyse the proposal we used the delegated authority to vote on the clients' behalf. A letter was sent to all affected clients advising this would occur and giving them the option to vote themselves.

As part of its process, the Investment Committee consulted with the trustee, PriceWaterhouseCoopers and other Investment Advisory groups. At the end of its deliberations the decision was made to support the proposal.

The decision to support the proposal was based primarily on three factors. The committee felt the proposal offered a higher probable return outcome than the alternative option as it allowed more time for St Laurence to restructure its assets in an orderly fashion and secondly, the integrity of St Laurence management gave confidence that they would work in the best interests of debenture holders. Finally SLL is more than just a finance company in that it holds management contracts in respect to St Laurence Property and Finance and National Property Trust both of which provide substantial revenue and potentially value which may have been compromised under receivership.

Capital & Merchant

There have been public statements by both receivers involved in the C+M receivership (Grant Thornton and KordaMentha) which project a nil return from C+M company assets. Accordingly the value of C+M has been reduced to 1c in the dollar within client portfolios.

Both receivers have suggested that there are possible avenues for litigation. We have made contact with various parties to discuss the possibilities and will update you further in the New Year.

Diversified Mortgage Trust (DMT)

The DMT "A" notes have been repaid in full and on time. Clients that held this security should now see the capital in their cash and call accounts.

However due to the difficult trading conditions for property backed investments, there is likely to be a delay in the full repayment of the B Notes.

DMT anticipate being able to repay B Noteholders in full, (both principal and interest) , with the goal of repaying 100% of monies owed by 31 March 2009. At this stage a cash payment in the order of 20c will be available for distribution on the maturity date being 31 December 2008.

OPI Pacific Finance

To date OPI Pacific have repaid 19.74c in the dollar. A further distribution is being considered for the December quarter from available cash. If a distribution is possible it will be in the vicinity of 1c in the dollar to secured debenture stockholders.

The ultimate owner of OPI Pacific, Octaviar, has recently presented a draft Deed of Company Arrangement (DOCA) to its creditors which they believe will produce a better outcome for creditors than liquidation. Octaviar is now working to finalise their DOCA proposal in time for the mid-December creditors committee meeting.

OPI New Zealand Limited (OPI NZ), the ultimate parent of PAC, was recently placed into liquidation. Please note that this event, or any future liquidation of the subsidiaries of OPI NZ, will have no effect on OPI Pacific Finance Limited or its moratorium.

IMP

On 28 November 2008 the management of IMP held a meeting for debenture holders to address a breach in the IMP Trust Deed and to enable a non-cash distribution to be made to debenture holders.

The impairment of one of the IMP loans had placed the fund in breach of its total assets to total liabilities ratio as documented in its Trust Deed. This event required IMP management to come back to debenture holders for approval to amend the Trust Deed in order for the moratorium to continue. This vote was successfully passed.

In addition to this, the firm will also distribute its shareholding in NZX listed IRG group. The distribution will be the equivalent of a 3c in the dollar capital repayment which increases the amount IMP have returned to debenture holders to 40c in the dollar.

IMP Diversified Income Fund

The most recent accounts for the IMP Diversified Income Fund show a position of negative equity of (\$637K). This has triggered a revaluation of the capital equity stock to 1c. Please note this update does not affect the Secured Debenture Holders; only Capital Stock Holders.

Propertyfinance Securities Limited (PFSL)

As part of the Extraordinary Resolution that enabled PFSL to be removed from receivership on 18 February this year, PFSL was required to pay on or before 21 December 2008 no less than \$15million in secured debenture stock principal. At the date of this announcement PFSL has repaid \$7.2million or 9c in the dollar has been repaid to investors.

PFSL have released a statement indicating that that the balance will now only be paid in the first quarter of 2009. They cite market conditions as the cause of the delay and have met with their trustee to advise of their position. PFSL are currently working with the trustee to hold a meeting of stockholders early next year to ratify this non-compliance.

We will continue to post updates on our website www.gouldwealth.co.nz as they are received.