

20 May 2010

Dear Investor

**St Laurence Limited (in receivership) ('St Laurence')**

As you will now be aware, St Laurence was placed into receivership by Perpetual Trust on 29 April 2010. While it was not Perpetual's preference that investors become aware of this via the media it was the speediest and most effective method available to us at the time. We are now writing to you to provide a fuller explanation of the background to the receivership and to advise you of the process that the receivers will be following in the short term.

**Background and Appointment of Receivers**

In December 2008 St Laurence investors approved a Recapitalisation Plan ('the Plan') that the management of St Laurence proposed would enable them to repay investors over a period of years. The success of this Plan was dependent on St Laurence developing new initiatives to generate further income and value.

Regrettably this has not been possible and further Review Events under the Plan documentation (which could become Enforcement Events) occurred in early April 2010.

As at 1 April 2010 it had not been possible for St Laurence to sufficiently develop any further initiatives and the February 2010 monthly reporting to Perpetual indicated that St Laurence would have negative equity from April 2010 onwards. In addition the Managing Director of St Laurence, Kevin Podmore, advised Perpetual that St Laurence would not be able to meet its obligations in the future.

As trustee, Perpetual, had been in discussion with the management of St Laurence to determine what if anything could be achieved to prevent the Review Events becoming Enforcement Events.

During these discussions St Laurence put forward a proposal that was essentially premised on the investors swapping the debt owed to them and becoming shareholders of St Laurence. Perpetual and its advisors carefully considered the information presented to them on this proposal but subsequently advised St Laurence that we saw no advantage for investors in it. Indeed, even if that proposal had been adopted it would still have been necessary for St Laurence to borrow further funds in order to develop its assets in future. Under that proposal such borrowings would have ranked ahead of investors' shareholdings so investors' position might have deteriorated further under it.

Given this state of affairs Perpetual had two choices - either to appoint a receiver or leave current management to continue to run the business. As Perpetual saw no advantage to investors in allowing the current management to continue, we took the action of appointing receivers.

In taking that action it has been necessary to leave certain subsidiaries of the group out of the receivership. This has been done to preserve the value of the assets within those companies and not impinge on potential returns to investors at some future stage.

Also a number of companies associated with St Laurence are not affected by the appointment of a receiver, because they are not part of the St Laurence borrowing group – they include Irongate Property Limited, Direct Property Investments Limited No 6 ('DPI No 6') and St Laurence Property Development Fund ('SDF'). SDF is currently being wound down under management control while DPI No 6 was not able to make repayment to its Bondholders at the end of February 2010 and Perpetual awaits receipt of a proposal from DPI No 6 to extend the terms of the Bonds. If such a proposal is considered to have merit it will be put to Bondholders for consideration.

### **Next Steps**

Deloitte will be writing to you separately to confirm the amount of your investment with St Laurence. At this stage it may not be possible for them to indicate the likely level of return to investors.

We will ensure that you are kept updated on progress in the future, either by Deloitte or by Perpetual.

In the interim, Deloitte have established a website for investors. If you have access to the internet you may wish to check the website for updates, go to [www.deloitte.com/nz/stlaurenceltd](http://www.deloitte.com/nz/stlaurenceltd). Deloitte also have a phone number for investor enquiries - 0800 785 287 (0800 ST LAUR).

### **Conclusion**

We hope that this letter has explained the background to the events that have taken place in regard to St Laurence and also given an indication of the process going forward.

If there are aspects you would like to discuss with us please feel free to phone or write to us at the contact details below.

Yours sincerely



Louise Edwards  
Chief Executive

Email: [Stephanie.mcgreevy@perpetual.co.nz](mailto:Stephanie.mcgreevy@perpetual.co.nz)  
[Aliesia.gartrell@perpetual.co.nz](mailto:Aliesia.gartrell@perpetual.co.nz)

DDI: 04 901 4410  
DDI: 04 901 4412