

Notice of meetings of stockholders, noteholders and depositors and explanatory memorandum

2 December 2008

Strategic Finance Limited

This Notice of Meetings and Explanatory Memorandum is an important document and requires your immediate attention. It has been prepared to assist you in understanding the Extraordinary Resolutions to be put to Stockholders, Noteholders and Depositors for consideration at the Meetings. The Directors encourage you to read this Notice of Meetings and Explanatory Memorandum and exercise your right to vote.

The Extraordinary Resolutions will be voted on at the Meetings to be held on 22 December 2008, at the Michael Fowler Centre, Wellington Convention Centre, 111 Wakefield Street, Wellington, commencing at 10.00 am, or at any adjournment of any Meeting.

Letter from chairman and chief executive officer

2 December 2008

Dear investor

MORATORIUM PROPOSAL

We are writing to you as a Stockholder, Depositor or Noteholder ("Securityholder") in Strategic Finance Limited ("Strategic Finance").

This letter forms part of a Notice of Meetings and Explanatory Memorandum which is being sent to you to convene separate meetings of each class of Securityholder ("Meetings"). The Meetings are to be held at the same time at the Michael Fowler Centre, Wellington Convention Centre, 111 Wakefield Street, Wellington on 22 December 2008, commencing at 10.00 am.

The Meetings will consider important issues concerning the future of Strategic Finance, namely a proposal that each class of Securityholders approve a moratorium proposal ("Moratorium").

Stockholders, Depositors and Noteholders will vote at their respective Meeting on the relevant Extraordinary Resolutions. The Extraordinary Resolution reflect the changes to Strategic Finance's debenture trust deed required to give effect to the Moratorium.

The Moratorium is proposed by Strategic Finance because of the current state of the finance and property sectors, which has resulted in Strategic Finance suspending the repayment of principal and interest due to investors, in breach of Strategic Finance's debenture trust deed.

The global and local credit crisis, the systemic failure of finance companies and the dramatic slow down in the property market have impacted on the ability of Strategic Finance's borrowers to refinance or repay debt facilities provided to them.

The Moratorium proposal allows Strategic Finance the opportunity to work with borrowers, realising assets on an orderly basis to ensure value is preserved and investor's funds are repaid if and when funds are available.

We are aware that principal shareholders in some other finance companies who have proposed a moratorium have offered to provide financial support as part of a moratorium proposal. It is not possible for Strategic Finance's shareholder, Allco HIT Limited, to provide financial support to Strategic Finance as Allco HIT Limited is in receivership. However, as discussed below, this is countered by BOS International (Australia) Limited's ("BOSIAL") support for the Moratorium and benefits to Securityholders that flow from that support.

The Directors have considered the various options available to Strategic Finance. The Directors believe that if the Extraordinary Resolutions are not passed, then Strategic Finance will be placed in receivership. The Directors believe that, in light of current market conditions, the Moratorium would lead to a more favourable outcome for all Securityholders. Under a receivership, the Directors believe Securityholders will receive a lower return than under the Moratorium and there would be a greater risk that Depositors or Noteholders will not be repaid any principal or interest in a receivership scenario.

PricewaterhouseCoopers New Zealand ("PricewaterhouseCoopers") have been engaged by Perpetual Trust Limited ("Trustee") to independently assess the Moratorium for the Trustee. A copy of the report prepared by PricewaterhouseCoopers is attached as Appendix 4 to this Notice of Meetings and Explanatory Memorandum, starting at page 36¹. The PricewaterhouseCoopers report states that "the amount of cash that will be available for distribution to Securityholders under either the Moratorium or the receivership alternative is not certain. However, our assessment of the Moratorium is that it may produce a more favourable outcome than receivership if, and only if:

- (a) Strategic Finance's ongoing management is fully focused on maximising recoveries from the orderly realisation of the loan book.
- (b) Cost cutting measures are implemented to minimise operating and other expenditure.
- (c) Any further advances to Strategic Finance's borrowers are only made to maximise returns to Securityholders.
- (d) BOSIAL supports the Moratorium by extending the repayment date of the BOSIAL Priority Facility to 31 December 2009, limiting the interest rate on its \$75 million facility during the Moratorium Period and not immediately appointing a receiver.
- (e) Lenders with mortgage security ranking ahead of Strategic Finance do not take action that would be detrimental to Strategic Finance's position.

¹You should read PricewaterhouseCoopers' report to understand the limitations of the circumstances and basis for preparation of the report.

(f) Strategic Finance continues to ensure that the Trustee is in a position to undertake ongoing monitoring of Strategic Finance, including the ability to investigate any potential breaches of legislation prior to the Moratorium, for the benefit of the Securityholders. The Moratorium does not rule out receivership in the future and it is important that if the expected returns to Securityholders are not being met within reasonable tolerances, then the Trustee retains various rights, including the ability to appoint a receiver.

On balance, we believe the Moratorium has merit and should be put to Securityholders.

We note that each Securityholder's circumstances are different and it is therefore not possible to advise or prescribe what action individual Securityholders should take in response to the Moratorium".

The Directors also encourage you to read the letter from the Trustee set out on page 23.

BOSIAL is Strategic Finance's largest creditor, holding Stock in the form of Security Stock with a nominal amount of \$120 million that secures an aggregate principal amount of approximately \$100 million. This includes \$25 million (plus interest) which is also secured under a prior charge in respect of the BOSIAL Priority Facility. As a prior chargeholder, BOSIAL has the ability to appoint a receiver. BOSIAL, as a major security stockholder under Strategic Finance's debenture trust deed, also has the right to instruct the Trustee to appoint a receiver. However, BOSIAL has confirmed that it supports the Moratorium proposal on the basis that asset values are more likely to be greater if assets are realised in an orderly way.

Under the Moratorium, Strategic Finance will, subject to the availability of funds, make quarterly repayments to Securityholders of principal and interest through to 31 December 2013, in accordance with the existing priority arrangements, as the assets of Strategic Finance are realised.

Interest on investments will be re-set as at 7 August 2008 to 8.0% per annum across the board for all Securityholders, including BOSIAL (with the exception of interest that accrues on the BOSIAL Priority Facility, which will continue to accrue at the existing ordinary interest rate).

It is not possible to say with certainty when any payments will be made to Securityholders as that will depend upon a number of different factors, including the realisation of Strategic Finance's assets. However, it is expected that the first payment of principal under the Moratorium will be made in June 2009. This repayment will be made to BOSIAL in respect of the BOSIAL Priority Facility. The first payment is expected to be made to debenture stockholders in September 2009.

The overhead structure of Strategic Finance's business has been significantly reduced and will continue to be reviewed and reduced where appropriate to ensure the business is wound down in an orderly and efficient manner during the Moratorium Period.

PricewaterhouseCoopers is to be appointed as Monitoring Accountant and will monitor Strategic Finance's compliance with the terms of the Moratorium and provide periodic reports to the Trustee. The Trustee will continue to have a supervisory role under Strategic Finance's debenture trust deed.

We encourage all Securityholders to consider the other information provided in this Notice of Meetings and Explanatory Memorandum carefully, and to consult with their accountant, solicitor or financial adviser if they have any questions relating to the Moratorium.

The Moratorium has the unanimous support of the Directors of Strategic Finance who recommend that all Securityholders vote in favour of the Extraordinary Resolution(s) applicable to them.

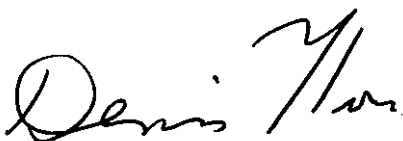
It is important that you vote on the Extraordinary Resolution(s) applicable to you as the Moratorium will not become effective if any of the Extraordinary Resolutions are not passed at the relevant Meeting (or at any adjournment of a Meeting).

As detailed in the Notice of Meetings and Explanatory Memorandum, you may elect to vote in person at the Meeting relevant to you or by proxy. You are urged to complete and return a Voting and Proxy Form as soon as possible if you do not plan to attend the relevant Meeting. The last date for the receipt of a Voting and Proxy Form is 10.00 am on 20 December 2008. There are strict meeting quorum requirements so it is very important that you or your proxy attend the Meeting relevant to you.

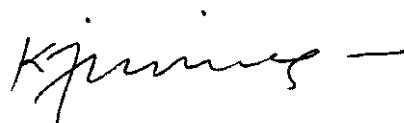
Should you have any queries, contact our Investors Relations team on (0800) 275 735.

Yours sincerely

STRATEGIC FINANCE LIMITED



Denis Thom
Chairman



Kerry Finnigan
Chief Executive Officer

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Voting and Proxy Forms accompany this Notice of Meetings and Explanatory Memorandum. Stockholders should use the white Voting and Proxy Form, Depositors should use the ivory Voting and Proxy Form and Noteholders should use the blue Voting and Proxy Form.

Important notes

Explanation of documents provided to Securityholders

This Notice of Meetings and Explanatory Memorandum has been sent to you as either a Stockholder, a Noteholder or a Depositor (a "Securityholder") in Strategic Finance. It has been prepared to assist you in understanding the Extraordinary Resolutions to be put to Securityholders for consideration at the Meetings.

The following information is set out in this Notice of Meetings and Explanatory Memorandum:

- (a) a letter from the chairman and the chief executive officer of Strategic Finance;
- (b) a Notice of Meetings to be held at the Michael Fowler Centre, Wellington Convention Centre, 111 Wakefield Street, Wellington on 22 December 2008 (commencing at 10.00 am);
- (c) an Explanatory Memorandum, which provides detailed information regarding the Extraordinary Resolutions and the Moratorium;
- (d) a letter from the Trustee dated 1 December 2008;
- (e) the text of each Extraordinary Resolution; and
- (f) PricewaterhouseCoopers' independent report dated 28 November 2008.

Accompanying this Notice of Meetings and Explanatory Memorandum is a Voting and Proxy Form for each class of Securityholder. Stockholders should use the white Voting and Proxy Form, Depositors should use the ivory Voting and Proxy Form and Noteholders should use the blue Voting and Proxy Form.

Defined terms

Capitalised terms used in this Notice of Meetings and Explanatory Memorandum are defined in the Glossary on pages 24 to 25.

Short form Prospectus

Strategic Finance has registered a short form prospectus dated 2 December 2008 in relation to the Moratorium, which contains, or is accompanied by, certain statutory information and a copy of the audited financial statements of Strategic Finance for the financial year ended 30 June 2008. The Prospectus has been prepared in reliance on the Securities Act (Renewals and Variations) Exemption Notice 2002 and regulation 4 of the Securities Regulations.

A copy of the Prospectus can be downloaded from the Companies Office website (www.companies.govt.nz) or may be obtained free of charge by contacting Strategic Finance at one of the company's addresses set out in the Directory on page 26.

PricewaterhouseCoopers' independent report

PricewaterhouseCoopers was engaged by the Trustee to undertake an independent assessment of the Moratorium and the assumptions under the Moratorium and receivership alternatives. PricewaterhouseCoopers' report, including the limitations surrounding the circumstances and the basis for its preparation, is set out in Appendix 4 to this Notice of Meetings and Explanatory Memorandum.

PricewaterhouseCoopers has given, and has not, before the distribution of this Notice of Meetings and Explanatory Memorandum, withdrawn its consent to the distribution of this Notice of Meetings and Explanatory Memorandum with the statements made by PricewaterhouseCoopers in the form and context in which they are included.

PricewaterhouseCoopers, of 113-119 The Terrace, Wellington, carries on business as chartered accountants and business advisers. Neither PricewaterhouseCoopers, nor any officer or employee of PricewaterhouseCoopers, is intended to be a director, officer or employee of Strategic Finance. It is intended that PricewaterhouseCoopers will act as Monitoring Accountant if the Moratorium is implemented. PricewaterhouseCoopers may provide professional advice to Strategic Finance in its capacity as the Monitoring Accountant and Strategic Finance will be responsible for payment of the fees of the Monitoring Accountant.

Investment decision

This Notice of Meetings and Explanatory Memorandum does not take into account the individual investment objectives, financial situation or particular needs of each Securityholder. You may wish to consult your financial or other professional adviser before deciding whether or not to vote in favour of the Extraordinary Resolution(s) applicable to you.

Forward-looking statements

This Notice of Meetings and Explanatory Memorandum includes certain forward-looking statements. As such statements relate to future matters, they are subject to inherent risks and uncertainties. These risks and uncertainties include factors specific to Strategic Finance or the property finance company sector within which Strategic Finance operates, as well as matters such as general economic and market conditions. Neither Strategic Finance, the Directors, the Trustee, BOSIAL, PricewaterhouseCoopers nor any other person can assure you that estimated or projected results will be achieved. In addition, under no circumstances should the inclusion of any forward-looking statements in this Notice of Meetings and Explanatory Memorandum be regarded as a representation or warranty by Strategic Finance, the Trustee or any other person as to the accuracy or likelihood of fulfilment of any forward-looking statements.

Risk factors

Securityholders should be aware that there are risks associated with the Moratorium and the business of the Group. In particular, returns to Securityholders under the Moratorium are dependant on a number of factors, including risks related to the business of the Group. A description of the principal factors which may, either individually or in combination, affect the performance of the Group during the Moratorium Period are set out in the section of the Prospectus entitled "Risk Factors". This Notice of Meetings and Explanatory Memorandum should be read in conjunction with that section of the Prospectus.

Securityholders should be aware that there is also a description of certain risk factors referred to in paragraphs 59 to 66 of PricewaterhouseCoopers' report attached to this Notice of Meetings and Explanatory Memorandum. Please read those risks carefully before deciding how to vote on the Extraordinary Resolutions.

A number of the risks to which the Group is exposed are beyond the control of the Group and its Board and management. Accordingly, Strategic Finance does not give any guarantee or promise as to the amounts (if any) that any class of Securityholders may receive under the Moratorium.

How do I obtain further information?

If you have any queries about the Extraordinary Resolutions or how to vote, please consult your accountant, solicitor or financial adviser immediately.

Notice of Meetings

Notice is given that Meetings of Stockholders, Noteholders and Depositors of Strategic Finance Limited will be held as detailed below.

Stockholders

A meeting of Stockholders of Strategic Finance Limited will be held at:

Time: 10.00 am

Date: 22 December 2008

Place: Michael Fowler Centre, Wellington Convention Centre, 111 Wakefield Street, Wellington

unless the Meeting does not proceed on that date because a quorum of Stockholders is not present (refer to the section below entitled "Quorum").

Noteholders

A meeting of Noteholders of Strategic Finance Limited will be held at:

Time: 10.00 am

Date: 22 December 2008

Place: Michael Fowler Centre, Wellington Convention Centre, 111 Wakefield Street, Wellington

unless the Meeting does not proceed on that date because a quorum of Noteholders is not present (refer to the section below entitled "Quorum").

Depositors

A meeting of Depositors of Strategic Finance Limited will be held at:

Time: 10.00 am

Date: 22 December 2008

Place: Michael Fowler Centre, Wellington Convention Centre, 111 Wakefield Street, Wellington

unless the Meeting does not proceed on that date because a quorum of Depositors is not present (refer to the section below entitled "Quorum").

Format of Meetings

Each Meeting will be held at the same time and venue (in each case subject to requisite quorum requirements). There will be a presentation to all Securityholders and then the Stockholders will vote on the Stockholder Extraordinary Resolution, followed immediately by the Depositors voting on the Depositor Extraordinary Resolution, and finally by the Noteholders voting on the Noteholder Extraordinary Resolution.

Agendas of Meetings

The business of each Meeting is to consider and, if thought fit, pass the relevant Extraordinary Resolution. The Meeting of Stockholders will consider the Stockholder Extraordinary Resolution (set out in Appendix 1). The Meeting of Noteholders will consider the Noteholder Extraordinary Resolution (set out in Appendix 2). The Meeting of Depositors will consider the Depositor Extraordinary Resolution (set out in Appendix 3).

Voting entitlement

You have received this Notice of Meetings because you are a registered holder of Stock, Notes and/or Deposits issued by Strategic Finance. In order to be entitled to vote on the relevant Extraordinary Resolution at a Meeting, you must be a registered holder of Stock, Notes or Deposits at 10.00 am on 20 December 2008. If you are a registered holder of Stock, Notes or Deposits at that time, you will be entitled to vote on:

- (a) the Stockholder Extraordinary Resolution proposed by Strategic Finance if you hold Stock;
- (b) the Noteholder Extraordinary Resolution proposed by Strategic Finance if you hold Notes;
- (c) the Depositor Extraordinary Resolution proposed by Strategic Finance if you hold Deposits.

If at that time you hold more than one class of the debt securities referred to above, then you may vote on each Extraordinary Resolution applicable to each class of debt security you hold.

BOSIAL is the holder of Security Stock issued pursuant to the Trust Deed. BOSIAL will be eligible to vote on the Stockholder Extraordinary Resolution if it continues to hold Security Stock on the date referred to above. The amendments to the Trust Deed proposed by the Extraordinary Resolutions must, insofar as they relate to Security Stock, be approved in writing by BOSIAL (as a holder of Security Stock) under the terms of the Trust Deed.

Required vote percentage

Voting at the Meetings on each Extraordinary Resolution will be determined by a poll of the relevant class of Securityholder.

The Moratorium will not proceed if any Extraordinary Resolution is not passed at the applicable Meeting (or at any adjournment thereof). Therefore, it is important that you vote on the Extraordinary Resolution(s) applicable to you.

Stockholder Extraordinary Resolution

To be passed, the Stockholder Extraordinary Resolution must be approved by a majority consisting of not less than 75% of the votes given on the poll by Stockholders. Each Stockholder (including any holder of Security Stock) who is present at the Meeting of Stockholders in person or by proxy, attorney or representative shall, on a poll, have one vote for every \$1.00 of nominal amount of Stock of which they are the Stockholder.

Noteholder Extraordinary Resolution

To be passed, the Noteholder Extraordinary Resolution must be approved by a majority consisting of not less than 75% of the votes given on the poll by Noteholders. Each Noteholder who is present at the Meeting of Noteholders in person or by proxy, attorney or representative shall, on a poll, have one vote for every \$1.00 of nominal amount of Notes of which they are the Noteholder.

Depositor Extraordinary Resolution

To be passed, the Depositor Extraordinary Resolution must be approved by a majority consisting of not less than 75% of the votes given on the poll by Depositors. Each Depositor who is present at the Meeting of Depositors in person or by proxy, attorney or representative shall, on a poll, have one vote for every \$1.00 of nominal amount of Deposits of which they are the Depositor.

Quorum

Stockholders

To constitute a quorum of Stockholders at the Meeting of Stockholders, Stockholders holding more than 50% in nominal amount of Stock must be present in person or by proxy, attorney or representative at such Meeting.

Noteholders

To constitute a quorum of Noteholders at the Meeting of Noteholders, Noteholders holding more than 50% in nominal amount of Notes must be present in person or by proxy, attorney or representative at such Meeting.

Depositors

To constitute a quorum of Depositors at the Meeting of Depositors, Depositors holding more than 50% in nominal amount of Deposits must be present in person or by proxy, attorney or representative at such Meeting.

Adjournment

If a quorum of the relevant class of Securityholders is not present in person or by proxy, attorney or representative within 15 minutes (or such longer time not exceeding 45 minutes as the Chairman of the relevant Meeting may decide) after the appointed time for commencement of a Meeting, that Meeting will be adjourned for at least 14 days and to such place as the Chairman of the Meeting determines. The Securityholders of the relevant class who attend the adjourned Meeting in person or by proxy, attorney or representative, whatever the nominal amount of Stock, Notes or Deposits (as the case may be) held by them will form a quorum for the transaction of business at the adjourned Meeting. Should it be necessary to adjourn a Meeting, notice of the adjourned Meeting will be given in the same manner as that of the original Meeting (except that only seven clear days notice will be required).

Casting your vote

A Stockholder, Noteholder or Depositor may vote personally (if an individual) or by representative (being a person appointed by a Voting and Proxy Form, by a power of attorney or, in the case of a company, by a person authorised pursuant to the Companies Act or the constitution of that Securityholder).

Individuals

A Stockholder, Noteholder or Depositor who is an individual may vote at the relevant Meeting in person or by proxy or by a power of attorney. If you intend to attend a Meeting in person to cast your vote, you do not need to complete a Voting and Proxy Form. However, you should bring the Voting and Proxy Form to the Meeting as it constitutes your voting paper.

Trustees

If Stock, Deposits or Notes are held by individuals in their capacity as trustees of a trust, then all trustees should sign the relevant Voting and Proxy Form to appoint a proxy to attend the Meeting on behalf of the trustees.

Companies

A Stockholder, Noteholder or Depositor that is a company may vote by its representative (being a person appointed by the relevant Voting and Proxy Form or power of attorney, or a person authorised pursuant to the Companies Act or the constitution of that Securityholder).

What should I do if I hold more than one class of debt security in Strategic Finance (e.g. both Stock and Notes)?

If you wish to vote on the Extraordinary Resolutions, then you should cast a vote on each Extraordinary Resolution applicable to each class of debt security in Strategic Finance held by you.

How to vote by proxy

If you do not intend to attend the Meeting relevant to you, you may wish to appoint a proxy to represent your interests and/or vote on your behalf at that Meeting. To do this, you should complete and sign the relevant Voting and Proxy Form which accompanies this Notice of Meetings and Explanatory Memorandum and deposit it with Strategic Finance by:

- (a) posting it to Link Market Services Limited, PO Box 91976, Auckland Mail Centre 1142;
- (b) delivering it to Link Market Services Limited, Level 12, 120 Albert Street, Auckland;
- (c) faxing it to Link Market Services Limited on (09) 375 5990; or
- (d) emailing it to Link Market Services Limited on Lmsenquiries@linkmarketservices.com with the words "Strategic Finance Proxy" in the subject line,

in each case so as to be received by Link Market Services Limited no later than 10.00 am on 20 December 2008. If the Stock, Notes or Deposits are held jointly, all Stockholders, Noteholders or Depositors (as the case may be) should sign the relevant Voting and Proxy Form.

Stockholders should use the white Voting and Proxy Form, Depositors should use the ivory Voting and Proxy Form and Noteholders should use the blue Voting and Proxy Form.

If you have decided how you will vote, you should tick the "for" or "against" or "abstain" box on the relevant Voting and Proxy Form. If you wish to allow your proxy to decide how to vote, you should tick the "proxy discretion" box, and the proxy will be able to exercise your votes at his or her discretion. If you appoint your proxy with a discretion on how to vote, your proxy will need to vote at the Meeting in order to cast a vote.

If your proxy does not attend the Meeting, your vote will not be counted. You may therefore wish to appoint as an alternate to your proxy, the Chairman of the Meeting. You may name the "Chairman of the Meeting" as your sole proxy if you wish. If no direction is provided to the Chairman of the Meeting as to how to vote, the Chairman intends to vote in favour of the Extraordinary Resolutions.

If you sign and return a Voting and Proxy Form but omit to name a person as your proxy, you will be deemed to appoint "The Chairman of the Meeting" as your proxy.

A proxy, attorney or representative need not be a Securityholder.

If a company is to be represented at a Meeting by any person, that person will need to bring to that Meeting evidence that he or she is authorised to act on behalf of the company.

The Trustee may in its absolute discretion accept as valid any Voting and Proxy Form notwithstanding that it is received or produced at a place other than that specified above or out of time.

Defined terms

Capitalised terms used in this Notice of Meetings have the meaning given to them in the Glossary on page 24 to 25.

Explanatory Memorandum

Introduction

This Explanatory Memorandum accompanies a Notice of Meetings dated 2 December 2008 (set out on pages 8 to 22) for the Meetings to be held on 22 December 2008, commencing at 10.00 am (or at any adjournment). The Meetings have been convened to seek Securityholder approval to the proposed Moratorium.

This Explanatory Memorandum is important and has been prepared to assist Securityholders in considering the Extraordinary Resolutions set out in the Notice of Meetings. This Explanatory Memorandum outlines the Extraordinary Resolutions and provides details of what will occur should the Extraordinary Resolutions be passed.

Important dates

Last date for receipt of Voting and Proxy Forms from Securityholders	10.00 am on 20 December 2008
Meetings of Stockholders, Noteholders and Depositors	10.00 am on 22 December 2008

Overview of Extraordinary Resolutions

Strategic Finance is proposing Extraordinary Resolutions for Securityholders to consider. The Extraordinary Resolutions are set out in Appendix 1 (Stockholder Extraordinary Resolution), Appendix 2 (Noteholder Extraordinary Resolution) and Appendix 3 (Depositor Extraordinary Resolution) of this Notice of Meetings and Explanatory Memorandum. The Extraordinary Resolutions propose certain amendments to the Trust Deed which, if all the Extraordinary Resolutions are passed and the other conditions set out below are satisfied, will bind all Stockholders, Noteholders and Depositors. The Extraordinary Resolutions reflect the changes to the Trust Deed required to give effect to the Moratorium.

Conditions

The Trust Deed will be amended as provided for in the Extraordinary Resolutions and the Moratorium will become effective if the following conditions are satisfied:

- (a) all of the Extraordinary Resolutions are passed;
- (b) the Extraordinary Resolutions (insofar as they relate to Security Stock) are approved in writing by BOSIAL as a holder of Security Stock; and
- (c) Strategic Nominees Limited and Strategic Nominees Australia Limited, wholly owned subsidiaries of Strategic Finance, become Charging Companies in accordance with the Trust Deed.

It is intended that Strategic Nominees Limited and Strategic Nominees Australia Limited will become Charging Companies prior to the date of the Meetings.

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What is the proposed Moratorium?

Strategic Finance is proposing a Moratorium on Securityholder principal and interest payments from the Effective Date until 31 December 2013. The Moratorium is being proposed as the only realistic alternative to receivership. The Moratorium involves the Securityholders agreeing to a structured process by which Strategic Finance can conduct an orderly realisation of its loans over the course of the Moratorium Period. Stockholders, Depositors and Noteholders are being asked to pass Extraordinary Resolutions to amend the Trust Deed in order to implement the Moratorium.

Under the Moratorium, Strategic Finance will, subject to the availability of funds, make quarterly repayments to Securityholders of principal and interest in accordance with the existing priority arrangements as the assets of Strategic Finance are realised. BOSIAL, under its prior charge, is entitled to payment of the first \$25 million plus interest.

This Explanatory Memorandum outlines the Moratorium in more detail.

Why propose the Moratorium?

On 7 August 2008, Strategic Finance suspended repayment of principal amounts on Stock, Notes and Deposits. The decision to suspend repayments was made due to concerns about the liquidity of Strategic Finance and its ability to continue to meet its ongoing payment obligations to Securityholders and other creditors. Strategic Finance did not pay the quarterly interest on Stock, Notes and Deposits due on 15 September 2008.

As a result, Strategic Finance is currently in breach of the Trust Deed and is unable to remedy that breach. That breach entitles the Trustee to appoint a receiver to Strategic Finance and the Charging Companies. In addition, BOSIAL is also entitled to appoint a receiver or to instruct the Trustee to do so.

In the opinion of the Directors of Strategic Finance, the primary reasons for the liquidity pressure have been the impact of the New Zealand and global credit crisis, the systemic failure of a number of New Zealand finance companies and the dramatic slow down of the property market. This has materially impacted on both the confidence of Strategic Finance's investor base and the ability of Strategic Finance's borrowers to repay the debt facilities provided to them by Strategic Finance, either by refinancing or selling the assets provided as security.

Strategic Finance's Board, executives and staff worked hard to develop a strategy to deal with these liquidity issues and the ownership of Strategic Finance, and restructure the debt and capital base of Strategic Finance. On 29 August 2008, Allco HIT Limited, the ultimate parent company of Strategic Finance, entered into a sale and purchase agreement with a consortium comprising executives and management of Strategic Finance and an investment vehicle of BOSIAL, whereby Allco HIT Limited would sell Strategic Investment Group Limited, the immediate parent company of Strategic Finance, to that consortium. The consortium proposed a capital restructure of Strategic Finance in conjunction with the sale and purchase transaction. However, it was not possible to satisfy all conditions precedent for that proposal to proceed, and on 17 October 2008, the sale and purchase agreement was terminated by agreement of all parties.

Strategic Finance's parent company, Allco HIT Limited, has not been able to provide funding to assist Strategic Finance to overcome its liquidity issues in recent months. On 10 November 2008, partners from KordaMentha, Australia were appointed as receivers and managers of Allco HIT Limited and some of its subsidiaries. Those subsidiaries do not include Strategic Finance, Strategic Investment Group Limited (the sole shareholder in Strategic Finance) or Allco Strategic Holdings No. 3 Limited (the sole shareholder in Strategic Investment Group Limited).

The Board believe that there are now only two options facing Securityholders and Strategic Finance, being either the Moratorium or receivership.

What is BOSIAL's position in relation to the Moratorium?

Strategic Finance's single largest creditor is BOSIAL. The principal amount owed to BOSIAL as at the date of this Notice of Meetings and Explanatory Memorandum is approximately \$100 million. BOSIAL holds Stock in the form of Security Stock, with a nominal amount of \$120 million, as security for an aggregate principal amount of approximately \$100 million.

BOSIAL holds a prior charge in respect of the BOSIAL Priority Facility, which is limited to a principal amount of \$25 million (plus interest). BOSIAL is therefore entitled to payment of up to that sum (plus interest) in priority to other Stockholders and the Depositors and Noteholders. All Security Stock held by BOSIAL ranks equally with Stock issued by Strategic Finance as debenture Stock.

The amendments to the Trust Deed proposed by the Extraordinary Resolutions must, insofar as they relate to Security Stock, be approved in writing by BOSIAL under the Trust Deed.

BOSIAL has indicated it will support the Moratorium proposal on the basis that asset values are more likely to be greater if assets are realised in an orderly way. It has confirmed that for so long as Strategic Finance complies with its obligations under the

Moratorium and makes payments in respect of the BOSIAL Priority Facility when due, it will not charge default interest. BOSIAL has agreed to extend the repayment date of the BOSIAL Priority Facility to 31 December 2009, subject to the Extraordinary Resolutions being passed in accordance with this Notice of Meetings and Explanatory Memorandum and satisfaction of BOSIAL's conditions precedent.

What is Strategic Finance's current financial position?

Audited financial statements – 30 June 2008

In accordance with its statutory obligations, Strategic Finance prepared year end financial statements to 30 June 2008, which were audited by KPMG. A copy of those financial statements is attached to the Prospectus. Securityholders may also obtain a copy of those financial statements from Strategic Finance's public file which is available through the Companies Office website (www.companies.govt.nz) or by contacting the registered office of Strategic Finance at one of the addresses shown in the Directory.

The total assets of the Charging Group as at 30 June 2008 were \$533.0 million and the total liabilities of the Charging Group as at that date were \$459.7 million. As at 30 June 2008, Strategic Finance's assets predominantly comprised loan receivables of approximately \$500 million, which represented 94% of total assets.

Loan book, provisions and write-offs

The Prospectus contains detailed information in relation to Strategic Finance's loan book. Securityholders are encouraged to review that information before deciding how to vote on the Extraordinary Resolutions. Set out below is a brief overview of current loan provisions.

The trading performance of Strategic Finance for the financial year ended 30 June 2008 was impacted by the deterioration in the property sector which gave rise to the need for additional write offs and provisioning. As at 30 June 2008, Strategic Finance had raised specific and collective provisions of \$62.5 million and made bad debt write offs of \$18.7 million.

During the current financial year, the property sector and property finance sector in New Zealand have remained under pressure which continues to result in uncertainty over valuations and the realisation time frame for assets, giving added emphasis to the need for the Directors and management of Strategic Finance to continually review and assess the carrying value of the company's loans.

Strategic Finance's management have undertaken a further assessment of write offs and impairments for the current financial period. This assessment has resulted in additional bad debt write offs of \$1.8 million and a further increase in the specific and collective provisions of \$7.6 million.

BOSIAL facilities

Strategic Finance has credit facilities provided by BOSIAL. These credit facilities comprise a flexible term loan facility of up to \$75 million and the BOSIAL Priority Facility of up to \$25 million. The balance (including accrued interest) due to BOSIAL as at 31 October 2008 was \$98.8 million (based on exchange rates on that date). BOSIAL holds a prior charge limited to a principal amount of \$25 million (plus interest) and BOSIAL is therefore entitled to payment of up to that sum (plus interest) in priority to other Stockholders and the Depositors and Noteholders.

Debt securities

As at 31 October 2008:

- (a) Strategic Finance had Stock with an aggregate principal amount of \$410.2 million (including \$120 million of nominal amount of Security Stock held by BOSIAL as security for an aggregate principal amount of approximately \$100 million) on issue;
- (b) Strategic Finance had Deposits with an aggregate principal amount of \$3.1 million on issue;
- (c) Strategic Finance had Notes with an aggregate principal amount of \$21.6 million on issue.

Under the Trust Deed, Stock is secured by a security interest over the assets and undertaking of Strategic Finance and the Charging Companies in favour of the Trustee on behalf of Stockholders. The Deposits and the Notes are unsecured.

The Charging Companies (currently Strategic Advisory Limited and Strategic Mortgages Limited) jointly and severally guarantee the due and punctual payment of the Stock and Deposits (and interest thereon) by Strategic Finance in accordance with the Trust Deed and the performance and observance by Strategic Finance of all its obligations under the Trust Deed. The obligations of the Charging Companies are secured by a security interest granted over the assets and undertaking of the Charging Companies.

The amendments to the Trust Deed proposed by the Extraordinary Resolutions are conditional on Strategic Nominees Limited and Strategic Nominees Australia Limited becoming Charging Companies in accordance with the Trust Deed. It is intended that Strategic Nominees Limited and Strategic Nominees Australia Limited will become Charging Companies prior to the date of the Meetings.

Financial performance for current year

The trading results for the four months to 31 October 2008 have been impacted significantly by the continued slowdown in the property market and the New Zealand economy in general.

Set out below is a comparison of key financial performance indicators for the four months to 31 October 2008.

	Unaudited 4 Months 31 October 08 (000's)	Unaudited 4 Months 31 October 07 (000's)	Audited 12 Months 30 June 08 (000's)
Net interest income	13,599	12,862	63,490
Bad debts	1,849	-	18,716
Specific and collective provision	7,587	-	59,584
Net profit after tax	4,002	11,608	(15,701)

A deferred tax asset of \$19.1 million was carried on the balance sheet as at 30 June 2008. This deferred tax asset will be reviewed and tested for impairment as part of the 31 December 2008 interim audit and such review may result in a partial or full write off of this deferred tax asset.

The overhead structure of Strategic Finance is expected to reduce over the course of the Moratorium Period as assets are realised. Additional information in respect of the management and operation of Strategic Finance during the Moratorium Period is set out on pages 13 to 20.

Additional financial information

As noted above, the Prospectus contains additional financial information in relation to Strategic Finance and the Charging Group. Securityholders are encouraged to review that information, as well as the audited financial statements for the financial year ended 30 June 2008 attached to the Prospectus, before deciding how to vote on the Extraordinary Resolutions.

Important notice

Securityholders should be aware that the financial information referred to above for the current financial year has not been audited and there remains significant uncertainty over the values which will be able to be realised from Strategic Finance's loan book given the current state of the property and finance markets. If certain work out arrangements and strategies for recovery are not achieved, or market conditions do not improve, losses could result beyond the level of provisioning currently made or estimated.

What is the likely return to Securityholders if the Moratorium is implemented?

Under the Moratorium, Strategic Finance will, subject to availability of funds, make quarterly repayments of principal and payments of interest in the following order:

- (a) first, in payment of interest and then principal to BOSIAL in respect of its existing prior charge, up to a maximum principal amount of \$25 million (plus interest);
- (b) second, in payment of principal and then interest to Stockholders, *pari passu*;
- (c) third, in payment of principal and then interest to Depositors, *pari passu*; and
- (d) fourth, in payment of principal and then interest to Noteholders, *pari passu*.

Strategic Finance has estimated the amount that might be recovered from the realisation of all of its assets. That estimation was made having regard to a number of assumptions. These assumptions include the satisfactory completion of loan realisation strategies – which are likely to require debt restructuring, borrower co-operation, a stabilising of the finance and property markets and a collaborative approach to asset realisation with senior lenders.

Strategic Finance for the purposes of its estimates has assumed it will recover no less than \$100 million of a total amount of \$150 million, comprising \$135 million of non-accrual loans and a proposed investment asset of \$15 million. Non-accrual loans are loans where it is considered that it is prudent not to accrue fee or interest income. These loans are assessed for impairment and the appropriate write offs and provisioning for anticipated losses are made.

Strategic Finance's level of recovery assumption detailed above creates an effective further provision of \$50 million, offsetting the need to make further provisions beyond those already made.

Strategic Finance has in preparing its estimates allowed for \$27.4 million collective and specific provisioning and write offs for the period 1 July 2008 to 30 June 2009. This is in addition to the provisioning made in the year ended 30 June 2008 bringing the total collective and specific provision to \$89.9 million.

Strategic Finance has assumed that if there is any further loss or provisioning required beyond the \$89.9 million already provided for, that this will be more than offset against the interest and fee income which has not been taken into account on the non-accrual loans and the proposed investment asset over the Moratorium Period. In addition, there will effectively be a further provision of \$50 million as detailed above.

The PricewaterhouseCoopers Sensitivity Scenario 1 as detailed in PricewaterhouseCoopers' report in paragraph 12 assumes an amount equivalent to the value of non-accrual loans and the proposed investment asset will not be recovered. The PricewaterhouseCoopers Sensitivity Scenario 2, as detailed in PricewaterhouseCoopers' report in paragraph 12 is based on the same assumption as for Scenario 1 and a further specific loan provision.

The assumption over level of recovery is the difference between these two assumptions.

Based on the assumptions adopted by Strategic Finance in estimating the amounts that might be available to pay to Securityholders during the Moratorium Period, all Securityholders would be repaid all their principal moneys and paid their accrued interest during the Moratorium Period. **However, the Directors have formed the view that, due to the significant uncertainties that exist at present in relation to the property and finance markets, it is not possible for the Directors to advise Securityholders at this time that this outcome is likely to be achieved. Actual outcomes may differ materially from current estimates for the reasons described below. It may be that Stockholders do not receive full repayment of principal and interest and Depositors and Noteholders may not receive any repayments of principal or payments of interest under the Moratorium if returns from the realisation of Strategic Finance's assets are materially less than estimated.**

The aim of Strategic Finance is to repay all principal and pay accrued interest to Securityholders over the course of the Moratorium Period. The Directors of Strategic Finance believe that payments which Securityholders may receive in a receivership will be lower than under a Moratorium for the reasons set out in the section below entitled "Will Securityholders receive a lower return if a receiver is appointed to Strategic Finance?".

The actual amount that Securityholders may receive under the Moratorium may be affected as a result of:

- (a) changes in the property market, which will drive property values up or down, may have different impacts on different regions in New Zealand and in overseas locations where Strategic Finance has security, and consequently may change the amount available for repayment by borrowers;
- (b) changes in the lending markets, which may limit or improve the ability of borrowers to refinance their loans from Strategic Finance with another lender;
- (c) changes in the condition of the domestic economy and the global economy;
- (d) actions that prior-ranking lenders may take to collect their loans over properties on which Strategic Finance does not hold a first ranking mortgage. This factor has affected the realisations achieved by a number of finance companies;
- (e) the ability of each purchaser to complete settlement of any property which is subject to security granted in favour of Strategic Finance;
- (f) Strategic Finance being unable to adopt the strategies to manage its major loans that form part of the assumptions which it has applied to estimate loan recoveries over the course of the Moratorium Period.

The potential negative impact of these factors is significantly increased by the well publicised difficult current financial and economic conditions nationally and internationally. Over the past 12 months, and particularly in recent months, the New Zealand property and finance sectors, the New Zealand financial and credit markets and the New Zealand economy in general have been subject to a number of negative effects and influences. The New Zealand economy has entered a recession, there has been a significant downturn in the New Zealand property market, the "credit crunch" has resulted in a significantly more difficult environment for obtaining credit and there have been increasing levels of loan defaults in respect of property development loans. The economic environment for property finance companies such as Strategic Finance is expected to continue to be very challenging and it is difficult to predict when the economic environment will improve.

PricewaterhouseCoopers has set out in its report a comparison of the total expected payments to Securityholders under a range of scenarios. PricewaterhouseCoopers comment as follows:

- "Based on our discussions with management and our own analysis and inquiries, at the present time we believe that management's view of expected loan recoveries is optimistic and that the level of provisioning may not be adequate. Projected recoveries may be dependant upon a significant improvement in the current market over the Moratorium Period" (paragraph 10);
- "Overall our high level analysis indicates a real prospect that Stockholders may not be fully repaid under the Moratorium and that Depositors and Noteholders may not receive any repayments. We note that similar analysis and conclusions would apply in the event of a receivership" (paragraph 11);

- “In considering the scenarios presented above [on pages 39 and 40 of this Notice of Meetings and Explanatory Memorandum], it must be recognised that while Strategic Finance considers it has taken a realistic approach to provisioning its loan book, recovering the outstanding loans within the timetable envisaged in the Moratorium and at the levels forecast will be challenging. Collection delays and further write-downs are a real possibility” (paragraph 13);
- “The benefits of the Moratorium include the support of BOSIAL by extending the repayment date of the BOSIAL Priority Facility to 31 December 2009, limiting the interest rate on its \$75 million facility and not immediately appointing a receiver. The other benefits offered by the Directors in the moratorium are largely unquantifiable. The ability of management to achieve results in line with their financial projections will not be known until tested. It is, however, clear that the Directors and management have expressed a strong willingness to support the Moratorium” (paragraph 14).

Many of the factors which are likely to affect returns to Securityholders are outside Strategic Finance’s control. However, the Directors believe that Strategic Finance will be better able to control its realisation strategies in a Moratorium, than a receiver in a receivership, so as to attempt to mitigate the impact these factors may have on the returns to Securityholders.

The section of the Prospectus entitled “Risk Factors” contains a more detailed description of the principal risk factors which might affect the ability of Strategic Finance to realise its assets during the Moratorium Period and the proceeds of realisation of those assets. Securityholders should also be aware that there is also a description of certain risk factors referred to in paragraphs 59 to 66 of PricewaterhouseCoopers’ report attached to this Notice of Meetings and Explanatory Memorandum. Securityholders are encouraged to read that information before deciding how to vote on the Extraordinary Resolutions.

Will Securityholders receive a lower return if a receiver is appointed to Strategic Finance?

While the amount of payments (if any) which Securityholders may receive under the Moratorium or a receivership are subject to a number of uncertainties (as noted above), the Directors believe that a receivership will result in Securityholders receiving less than under the Moratorium, for the following reasons:

- (a) Strategic Finance has very experienced executives and staff with specialist skills and an in-depth knowledge of all of Strategic Finance’s key loans. The Directors believe that, if Strategic Finance is able to retain key executives and staff over the course of the Moratorium Period, the expertise and experience of those executives and staff are likely to assist in the realisation of Strategic Finance’s assets over the course of the Moratorium Period, which the Directors also believe is likely to result in higher returns to Securityholders than in a receivership scenario. It may not be possible to retain these employees if Strategic Finance is placed in receivership with the consequential loss of corporate memory, especially in the area of specific loan knowledge;
- (b) there will be negative implications associated with receivership on the value of Strategic Finance’s assets and borrower behaviour;
- (c) Strategic Finance has an extensive relationship with BOSIAL through BOSIAL’s direct banking support to Strategic Finance and through a number of loan exposures where it is the senior lender or a participant with Strategic Finance on various loans. If Strategic Finance is placed in receivership, BOSIAL may seek to charge default interest on the BOSIAL Priority Facility. As a senior lender and under its prior charge, BOSIAL has the ability to appoint a receiver, and if BOSIAL appoints a receiver, it will result in additional costs. BOSIAL supports the Moratorium proposal on the basis that asset values are more likely to be greater if assets are realised in an orderly way.

PricewaterhouseCoopers has, in paragraphs 17 to 19 of its report, commented on the circumstances in which, in PricewaterhouseCoopers’ view, the Moratorium may produce a more favourable outcome than receivership. Those circumstances are set out in pages 1 and 2 of this Notice of Meetings and Explanatory Memorandum. Table 1 of PricewaterhouseCoopers’ report contains a summary of the characteristics of the receivership alternative as compared with the Moratorium. This table contains important information regarding the alternatives and Securityholders should review that table before deciding how to vote on the Extraordinary Resolutions.

How will the Moratorium operate?

Management of Strategic Finance

For so long as the Moratorium continues, Strategic Finance would remain under the control of the Board, which would operate Strategic Finance under the supervision of the Trustee and PricewaterhouseCoopers (as Monitoring Accountant) and in accordance with the restrictions imposed under the terms of the Moratorium.

Strategic Finance’s focus during the Moratorium Period will be upon repaying the principal owed to Securityholders and paying interest accrued over that period. Strategic Finance intends to realise its assets in an orderly way.

The Board

The Board of Strategic Finance consists of six directors; four executive Directors and two non-executive Directors. The chairman of the Board, Mr Denis Thom, is a non-executive Director. If the Moratorium is implemented, Jock Hobbs will cease his current executive role and become a non-executive Director.

Strategic Finance's Directors bring a range of experience and expertise to the Board based on their respective backgrounds in the financial, legal, business and property sectors. A brief biography of each Director is set out below.

Denis Thom

Chairman

Non-Executive (Independent) Director, LLB, ADFInstD

Denis is a lawyer and professional company director. He is a former Executive Chairman of Phillips Fox New Zealand and a former Chairman of the New Zealand Stock Exchange Market Surveillance Panel. He has been a director of a number of private and public companies and Chairman of Wellington International Airport Limited, Shortland Properties Limited, Rembrandt Suits Limited and Urbus Properties Limited. He is currently Chairman of Webby Holdings Limited and Kirkcaldie & Stains Limited and a Director of British American Tobacco (Australasia Holdings) Pty Limited, Lumley General Insurance (NZ) Limited and Wellington International Airport Limited. Denis is an Accredited Distinguished Fellow of the New Zealand Institute of Directors.

Kerry Finnigan

Chief Executive and Managing Director, ACA

Kerry has a strong background in property, corporate finance, mergers and acquisitions and business management. He was an Executive Director/shareholder in Bayleys Real Estate Limited for 10 years and Chief Executive/Director of Hanover Finance Group and related companies for six years. Kerry is a member of the New Zealand Institute of Chartered Accountants, New Zealand Institute of Directors and the Financial Services Institute of Australia.

Jock Hobbs

Non-Executive Director, LLB, MBA, CNZM

Jock has a law degree from Canterbury University and an MBA from Henley College in England. He has considerable legal and business experience and is a former All Black captain. In 1996 he was made a Member of the New Zealand Order of Merit and in 2006 a Companion of the New Zealand Order of Merit. Jock holds a number of directorships and is a member of the New Zealand Institute of Directors.

Graham Jackson

Executive Director, BCom, CA

Graham has a commerce degree from the University of Auckland and is a member of the Institute of Chartered Accountants of New Zealand. He has significant corporate finance, capital markets and corporate advisory experience. Graham was Executive Director of the corporate advisory division of Countrywide Banking Corporation before establishing Austin Hill as a boutique corporate advisory firm in 1992. He is a director of a number of private companies.

Marc Lindale

Executive Director

Marc has significant experience in the banking and finance industry. Marc joined Austin Hill in 1994 after spending three years as the Associate Director of Finance Operations for Foster's Brewing Group. Previous employment included four years merchant banking with Elderbank and seven years with the National Bank of New Zealand. Marc joined Strategic Finance in 2000 following the merger with Salisbury Group. Since that time, Marc has been involved in the structuring and arrangement of numerous significant property financing transactions.

David Wolfenden

Non-Executive (Independent) Director, AAIB, FNZIM, FInstD

David has considerable experience in the banking sector in New Zealand and overseas, having held senior management positions with Westpac Banking Corporation, Postbank, ANZ Banking Group and ASB Bank. In 1992 he was appointed Managing Director of Countrywide Bank, a position he held until its sale to Lloyds Bank in 1998. Since 1998, David has undertaken a number of assignments for the Asian Development Bank, the World Bank and the International Monetary Fund in the Asia/Pacific region. He is a former Chairman of Provenco Group Limited and a Director of a number of companies, including AMI Insurance Limited. David is a Fellow of the New Zealand Institute of Management and a Fellow of the New Zealand Institute of Directors.

Each Director has indicated that he is willing to continue as a Director if the Moratorium is implemented and that he will focus his efforts on delivering the best outcome to Securityholders during the Moratorium Period.

During the Moratorium Period:

- (a) the non-executive Directors will continue to be entitled to be paid Directors' fees (although the amount of fees payable to each non-executive Director will be capped at current levels);
- (b) Jock Hobbs will be paid a reduced Director's fee (equal to the fees the other non-executive Directors receive) as he has terminated his management agreement with Strategic Finance;
- (c) the executive Directors of Strategic Finance will not be paid any Directors' fees (although they will be entitled to continue to be

paid salaries and/or consulting fees over the Moratorium Period). Such payments are expected to be less than the amounts which each executive Director has received in the past because there will be a reduction in entitlements as well as in time requirements placed on executive Directors during the Moratorium Period. The existing remuneration arrangements in respect of Kerry Finnigan, Strategic Finance's Chief Executive Officer, will not be altered upon implementation of the Moratorium.

The Board structure will be reviewed by Strategic Finance at six monthly intervals during the Moratorium Period to ensure its composition and the costs associated with Directors' fees, salaries and consulting fees are at an appropriate level as the Moratorium progresses.

Chief Executive Officer

Kerry Finnigan, Strategic Finance's Chief Executive Officer, has committed to remain with Strategic Finance for the next 12 months if the Moratorium is implemented. A review of the Chief Executive Officer position will be carried out on the first anniversary of the Effective Date and the Monitoring Accountant will assist with that review. Mr Finnigan's employment contract is currently for a fixed term until 16 March 2010, and after that date it may be terminated on six months' notice by either party. If the Moratorium is implemented, Mr Finnigan's employment contract will be varied to provide that Strategic Finance or Mr Finnigan may terminate the contract at any time after the first anniversary of the Effective Date on six months' notice.

Personnel

Strategic Finance has experienced staff with specialist skills and an in-depth knowledge of all of Strategic Finance's key loans. The Directors believe these skills and the existing knowledge base of Strategic Finance's staff are important to ensuring the timely repayment and realisation of Strategic Finance's loans. The Directors believe that a third party, such as a receiver, could not replicate the knowledge base of Strategic Finance's staff in a timely and cost efficient manner.

Strategic Finance intends to seek a commitment from approximately 13 key employees that they will remain with the business for the first year of the Moratorium Period. In recognition of that commitment, Strategic Finance is proposing to make retention payments to each of those employees on the Effective Date and the date which is six months after the Effective Date. Current remuneration arrangements provide for these employees to receive a base salary (at below market levels) with performance based incentive arrangements which can enable these employees to earn 2-3 times their base salary. These incentive arrangements will not apply during the Moratorium Period. However, these key employees will continue to be entitled to receive their base salary at current levels. The retention payments will require Board approval and will be paid subject to each employee remaining in the employment of Strategic Finance for the first year of the Moratorium Period. The aggregate amount of these retention payments is expected to be approximately \$590,000.

In addition, the Chief Executive Officer may, with the prior written approval of the Board, pay discretionary performance bonuses to an individual employee if he considers that they have contributed to the prompt repayment of loans and recovery against provisions during the Moratorium Period.

The management and staffing structure of Strategic Finance will continue to be reviewed throughout the Moratorium Period and adjusted to reflect progress made on the recovery of loans and to maintain the appropriate level of resources required to effectively manage Strategic Finance's loans and operate its business at any particular time.

Moratorium Period

The Moratorium will become effective from the date on which all of the following conditions have been satisfied:

- (a) all of the Extraordinary Resolutions have been passed;
- (b) BOSIAL has provided its approval in respect of the Extraordinary Resolutions (insofar as they relate to Security Stock); and
- (c) Strategic Nominees Limited and Strategic Nominees Australia Limited, wholly owned subsidiaries of Strategic Finance, become Charging Companies in accordance with the Trust Deed.

It is intended that Strategic Nominees Limited and Strategic Nominees Australia Limited will become Charging Companies prior to the date of the Meetings.

The Moratorium provides for a Moratorium Period through to 31 December 2013. The Moratorium Period may be extended with the approval of Stockholders, Noteholders and Depositors by extraordinary resolutions. The Moratorium Period may have to be extended for a number of reasons, including delays in the realisation of Strategic Finance's assets.

Limitation of rights

During the Moratorium Period, no Securityholder (other than BOSIAL in respect of the BOSIAL Priority Facility) will be entitled to demand payment of principal or interest, and the Trustee will not be entitled to appoint a receiver in respect of a pre-moratorium event or as a result of any failure by Strategic Finance to repay principal or pay interest in accordance with the terms of issue of Stock, Deposits or Notes (as the case may be) which were in effect prior to the Moratorium becoming effective.

Distributions during Moratorium Period

The amount available each quarter for distribution by Strategic Finance to Securityholders will be determined after deducting:

- (a) the amount estimated to be required to meet the costs of the Monitoring Accountant and other professional advisers;
- (b) the amount estimated to be required by Strategic Finance to fund any lending permitted under the Moratorium;
- (c) any interest payable to BOSIAL in respect of the BOSIAL Priority Facility; and
- (d) the amount estimated to be required to fund operating costs of Strategic Finance.

In addition, Strategic Finance is entitled to retain a liquidity reserve of up to \$10 million. This liquidity reserve is maintained to ensure that Strategic Finance retains sufficient cash reserves for any unexpected contingency.

The liquidity reserve, as well as funds to meet forecast obligations, are required to retain sufficient funds to operate Strategic Finance's business, to meet Strategic Finance's obligations under future committed facilities and to ensure that the company is able to advance further funds in situations where the company considers it necessary to protect its debt position and ensure the best outcome upon ultimate exit from a loan position.

Priority of payments to Securityholders

The Extraordinary Resolutions provide for the funds that become available for payment to Securityholders during or after the Moratorium Period to be paid in the following order of priority:

- (a) first, in payment of interest and then principal to BOSIAL in respect of the BOSIAL Priority Facility, up to a maximum principal amount of \$25 million (plus interest);
- (b) second, in payment of principal and then interest to Stockholders, *pari passu*;
- (c) third, in payment of principal and then interest to Depositors, *pari passu*; and
- (d) fourth, in payment of principal and then interest to Noteholders, *pari passu*.

Interest

It is proposed that during the Moratorium Period interest on Stock, Deposits and Notes will accrue daily at a rate of 8.0% per annum effective from 7 August 2008, although this will not apply to interest in respect of the BOSIAL Priority Facility. Amendments will be made to the terms of the instruments (including Security Stock held by BOSIAL) to allow interest to accrue on this basis. All interest accrued in respect of Stock, Deposits or Notes since the interest payment date on 15 June 2008, which remains unpaid on the Effective Date, will form part of the interest which, subject to available funds, may be paid to the relevant Securityholders during the Moratorium Period in the order of priority as described above. Interest on the BOSIAL Priority Facility will continue to accrue and be paid over the Moratorium Period in accordance with the terms of the BOSIAL Priority Facility.

Expected repayment dates

It is not possible to say with certainty when Securityholders will receive any repayments of principal or any interest payments during the Moratorium Period. The timing, and quantum of payments made by Strategic Finance, will depend upon a number of different factors, including the realisation of Strategic Finance's assets during the Moratorium Period.

However, it is expected that the first payment of principal under the Moratorium will be made in June 2009. It is anticipated that this payment will be limited to a payment to BOSIAL in respect of the BOSIAL Priority Facility. The first payment is expected to be made to holders of debenture Stock in September 2009. Based on Strategic Finance's estimates of loan recoveries, Depositors and Noteholders are not expected to receive any payments under the Moratorium until 2013.

Paragraph 41 of PricewaterhouseCoopers' report contains a graph showing the proposed schedule of payments in respect of principal to Stockholders (including in respect of the BOSIAL Priority Facility) based on Strategic Finance's financial estimates. Securityholders are encouraged to review that information. That graph in the PricewaterhouseCoopers report also shows the minimum principal repayments which would need to be made at intervals during the Moratorium Period in order to not trigger a Review Event under paragraph (i) of the definition "Review Event" in the proposed clause 138K of the Trust Deed (set out on page 32).

How will Strategic Finance be managed during the Moratorium?

During the Moratorium Period, the sole focus of Strategic Finance will be the repayment of principal and the payment of accrued interest to Securityholders.

The proposed amendments to the Trust Deed will mean that during the Moratorium Period:

- (a) Strategic Finance will not create, or otherwise allow to exist, any new security interest over its assets (other than as part of any loan restructure permitted in accordance with paragraph (b) under the heading "Overhead structure" below or any security interest taken to secure an obligation to pay for collateral purchased in the ordinary course of business). BOSIAL will be entitled to retain the benefit of the security interest created by Strategic Finance prior to the Effective Date in respect of the BOSIAL Priority Facility;

- (b) no dividends or other distributions will be paid to Strategic Finance's ordinary shareholders;
- (c) no new lending will be undertaken (except as set out below);
- (d) Strategic Finance will not enter into any arrangements that materially increase its liabilities except where those arrangements arise pursuant to the Moratorium;
- (e) Strategic Finance will manage its loan book strictly in accordance with the Lending Policies;
- (f) no new securities will be issued, reissued or repurchased and no other funds will be borrowed or raised by Strategic Finance;
- (g) no guarantees, indemnities or underwriting arrangements will be entered into by Strategic Finance (except in relation to any loan restructure permitted in accordance with paragraph (b) under the heading "Overhead structure" below).

PricewaterhouseCoopers state in paragraph 62 of its report that "Under the Moratorium, further lending on existing loans can occur where Strategic Finance is contractually obliged to do so or to protect existing loans. Further lending will involve risk and, if the further lending is material, could place the Securityholders in a worse position than under the receivership option if the new loans do not perform and are not collectible".

Overhead structure

The overhead structure of Strategic Finance's business has been significantly reduced in recent months and will continue to be reviewed and reduced where appropriate to ensure the business is wound down in an orderly and efficient manner over the Moratorium Period. Strategic Finance's largest cost will be salaries and wages, which are expected to reduce significantly over the Moratorium Period as loans are repaid and the need for staff reduces. Rental costs will also reduce significantly, for the reasons described further below.

In particular:

- (a) Strategic Finance will only be permitted to advance funds to borrowers where it is, at the commencement of the Moratorium Period, already contractually obliged to do so, or where such lending is, in the opinion of the Directors, desirable to assist the realisation of existing loans and in accordance with the Lending Policies. There is however a risk that where such advances are made, a borrower will still default under its facility to the detriment of Strategic Finance;
- (b) Strategic Finance may not restructure any loan existing as at the Effective Date to an equity interest (a "loan restructure") unless the Board has resolved that such loan restructure is desirable to assist in the realisation of such loan and the Trustee has confirmed that it is satisfied that:
 - (i) either:
 - A. Strategic Finance is in no different economic position immediately after the completion of the loan restructure than the economic position of the company immediately before completion of that loan restructure; or
 - B. if the loan restructure did not proceed and the underlying borrower was to default in its obligations to a senior financier, there is a material risk of material loss to Strategic Finance; and
 - (ii) to the extent that, in connection with a loan restructure, Strategic Finance is required to grant security to a senior financier over any equity issued to the company as part of that loan restructure (the "issued equity"), that security is limited in recourse to the issued equity (and, for the avoidance of doubt, such security may rank in priority to the charge created by the Trust Deed); and
 - (iii) to the extent that, in connection with a loan restructure, Strategic Finance is required to grant a guarantee to a senior financier in support of the security referred to at (ii) above, the recourse of the senior financier pursuant to that guarantee is limited to the proceeds of sale of the issued equity;
- (c) Strategic Finance will continue to employ the staff it needs to operate its business during the Moratorium Period, which will be a significantly lower number than Strategic Finance has historically required. It is expected that further staff reductions will be made over the course of the Moratorium Period;
- (d) Strategic Finance will cease operating its corporate advisory business;
- (e) Strategic Finance will close its Australian and Christchurch offices;
- (f) Strategic Finance's lease of its Wellington office premises will expire on 30 June 2009 and, at that time, Wellington based staff will relocate to smaller premises;
- (g) following recent staff reductions in the Auckland Office, Strategic Finance does not require all of its current Auckland leased premises. Strategic Finance intends to sublet part of the premises to a related party of Strategic Finance to reduce rental costs. As the need for office space further reduces, Strategic Finance will look to sublease or assign the remainder of its Auckland leased premises.

Strategic Finance's other creditors

Strategic Finance's single largest unsecured creditor (excluding Depositors and Noteholders) is the Inland Revenue Department. Liabilities to creditors, other than Securityholders, including the Inland Revenue Department, incurred both before and during the Moratorium Period will continue to be payable under the Moratorium.

In a receivership of Strategic Finance, certain unsecured creditors will have a statutory preference, which means that they are entitled to be paid in priority to Securityholders – these include the Inland Revenue Department for PAYE, GST and resident withholding tax and employees for certain payments. The existing income tax liability of Strategic Finance does not have any statutory preference. Unsecured creditors who do not have a statutory preference will rank behind Stockholders, equally with Depositors and ahead of Noteholders in a receivership of Strategic Finance.

Security position

As at 31 October 2008, approximately 58.5% of the total dollar value of Strategic Finance's outstanding loans was secured by second ranking mortgages, with 41.3% secured by first ranking mortgages. Approximately \$770 million of mortgages held by third parties ranks in priority to mortgages held by Strategic Finance. As such, Strategic Finance's recovery of a large portion of its loans is dependent on prior mortgagees' management of those situations. If the Moratorium is implemented, Strategic Finance management will continue to endeavour to mitigate this risk in the same way they have in the past by maintaining good relationships with most prior ranking securityholders. Strategic Finance's relationship with other lenders spans many years and has resulted in many instances of Strategic Finance working in a collaborative approach with prior ranking securityholders. Strategic Finance believes that a receiver will not have the same relationships. Co-operation from other lenders is imperative in many cases given the complex nature of security that is held.

Related party lending

There will be no new related party lending during the Moratorium Period. Currently, Strategic Finance has only one outstanding loan to a related party. That loan has been advanced to Pioneer Finance Limited, a company which is controlled by Brian Fitzgerald, who is a consultant engaged by Strategic Finance. The loan balance, as at 30 June 2008, net of allowances for credit impairment, was \$601,041 (30 June 2007, \$1,729,088). The loan balance, net of allowances for credit impairment, as at 31 October 2008 was \$525,053.

Credit underwrites

There is currently one credit risk loan underwriting arrangement entered into with a related party of Strategic Finance. Under this arrangement, an entity controlled by Marc Lindale and Brian Fitzgerald, a director and consultant of Strategic Finance respectively, has undertaken to underwrite \$1.0 million of the underlying loan. This loan is on arms' length commercial terms and is secured by a charge over the borrower's assets. Strategic Finance's lending policies require that the related party is not involved in any decisions made by Strategic Finance relating to the underlying loan. The underwriting party will be entitled to additional fees from the borrower if the underwriting arrangement is extended beyond its current term. Strategic Finance has no obligation to fund, and it will not fund, the underwriter if the underwrite is called.

Property pre-sale underwrites

Entities controlled by directors and officers of Strategic Finance have entered into pre-sale underwrites for completed apartments over which Strategic Finance has security. These underwrites have been put in place for the benefit of prior ranking security holders as well as Strategic Finance and the purchasing entities have been approved by those security holders as appropriate parties to assume the underwritten risk. In the developments which have underwrites in place, with the exception of one, the prior ranking security holders are the only parties who may call the underwrites. Related parties who have provided these underwrites are not involved in any decisions made by Strategic Finance relating to the underlying loans. Strategic Finance has no obligation to fund, and it will not fund, the underwriters if an underwrite is called.

Strategic Nominees Limited and Strategic Nominees Australia Limited

Strategic Nominees Limited is a wholly owned subsidiary of Strategic Finance. Strategic Nominees Limited is a loan and security agent for lenders. Parties participate by way of co-investment in loans through Strategic Nominees Limited, and, in most instances, Strategic Finance is also a participant in those loans. In some instances, parties associated with the Directors and officers of Strategic Finance are also participants. Strategic Nominees Limited delegates the management of these loans to Strategic Finance, creating the alignment of the objective to optimise the recovery of monies outstanding.

It is likely that if a receiver is appointed, the receiver may, depending on the strategy adopted, lose the support of these participants that is necessary to make decisions to achieve maximum asset realisation values. The reason for this is because the arrangements between Strategic Nominees Limited and Strategic Nominees Australia Limited and these participants is that participants holding the majority or 75% (depending upon the relevant documentation in place) in value of commitments relative to the total loan may direct Strategic Nominees Limited or Strategic Nominees Australia Limited to act in a particular way in relation to that facility (or the relevant security). If the Moratorium is implemented, it will not be a breach of the Trust Deed solely because Strategic Nominees

Limited or Strategic Nominees Australia Limited acts on such directions of these participants (provided that Strategic Finance has exercised its rights as a lender consistent with the terms of the Moratorium).

Strategic Nominees Australia Limited is a wholly owned subsidiary of Strategic Finance and it operates in a similar manner as Strategic Nominees Limited in respect of loans made to Australian borrowers.

As at 31 October 2008, Strategic Finance had investments of approximately \$370 million in outstanding loans made by Strategic Nominees Limited or Strategic Nominees Australia Limited.

The amendments to the Trust Deed proposed by the Extraordinary Resolutions are conditional on Strategic Nominees Limited and Strategic Nominees Australia Limited becoming Charging Companies in accordance with the Trust Deed. It is intended that Strategic Nominees Limited and Strategic Nominees Australia Limited will become Charging Companies prior to the date of the Meetings.

How will Strategic Finance be supervised during the Moratorium?

Role of Trustee

The Trustee will continue to have supervisory powers under the Trust Deed (as amended by the Extraordinary Resolutions) and the Securities Regulations.

Role of Monitoring Accountant

Under the Moratorium, Strategic Finance will appoint PricewaterhouseCoopers, as the Monitoring Accountant, to monitor Strategic Finance's compliance with the terms of the Moratorium. In particular, PricewaterhouseCoopers will:

- (a) advise the Trustee immediately if it becomes aware that Strategic Finance has breached any terms of the Trust Deed (including the terms of the Moratorium) or the terms of issue of any Stock, Deposits or Notes in any material respect;
- (b) have power to investigate any matter concerning the affairs of Strategic Finance and the Charging Companies that the Trustee may request;
- (c) be entitled to attend all Board meetings of Strategic Finance as an observer;
- (d) provide professional advice with respect to strategies for the collection of Strategic Finance's loan book as and when required;
- (e) confirm to the Trustee the amount of the funds available for distribution in respect of the BOSIAL Priority Facility and to Securityholders at the end of each quarter; and
- (f) provide monthly reports to the Trustee on progress during the Moratorium Period (described below).

PricewaterhouseCoopers' fees (and those of Strategic Finance's other advisors) will be paid by Strategic Finance in priority to any payments to Securityholders. If Strategic Finance is placed in receivership, the receiver would be entitled to payment of its fees in priority to payments to Securityholders.

Reporting to the Trustee

Strategic Finance will provide monthly reports to the Trustee and the Monitoring Accountant during the Moratorium Period. These reports will provide information concerning progress in realising Strategic Finance's assets during the Moratorium Period. This information will include monthly management accounts, monthly cash flow forecasts covering the period to the end of the Moratorium Period, details of any loan recoveries and outstanding loan balances, a summary of operational expenses and such other information as may be requested by the Trustee.

These monthly reports are in addition to the other reports or information which Strategic Finance is required to supply to the Trustee under other provisions of the Trust Deed or otherwise.

The Monitoring Accountant will provide monthly reports to the Trustee that will include commentary on the following matters:

- (a) analysis of information provided by Strategic Finance under its reporting obligations during the Moratorium Period;
- (b) identification of other potential risks in respect of the recovery of Strategic Finance's loans and the realisation of its other assets of which the Monitoring Accountant becomes aware, including any actual or potential claims against Strategic Finance of which the Monitoring Accountant becomes aware;
- (c) comment on any material changes in the reported financial position of the Charging Group from that shown in previous reporting by Strategic Finance;
- (d) comment on the basis on which Strategic Finance has made any new advances to borrowers, and any material situations in which loan securities have been released for less than the full amount secured by them;
- (e) any recommendations resulting from the Monitoring Accountant's analysis of Strategic Finance's reports or from other information available to the Monitoring Accountant; and
- (f) any other matter likely to be of relevance to the Trustee in the performance of its duties and powers under the Trust Deed or at law and of which the Monitoring Accountant becomes aware.

Review Events

In addition to the monitoring described above, the terms of the Moratorium include a “Review Event” mechanism. A Review Event is defined as:

- (a) the resignation of the Monitoring Accountant;
- (b) the resignation or removal of two or more executive Directors of Strategic Finance at any time or times following the Effective Date, except where the Trustee considers that the Moratorium has progressed to the stage at which the continued commitment of those executive Directors is no longer essential to the Moratorium;
- (c) Strategic Finance ceasing to have at least one independent director at any time the company has less than four directors or at least two independent directors at any time the company has four or more directors;
- (d) Strategic Finance failing to make a payment of principal moneys or interest from the funds available in accordance with the terms of the Moratorium;
- (e) the identification of any material liabilities that were not known to the Trustee at the commencement of the Moratorium Period and which may materially and adversely affect the financial position of Strategic Finance or the Charging Group assessed as a whole and the returns to Stockholders, Depositors and Noteholders;
- (f) the total loan book value, net of provisions, of the Charging Group as shown in any monthly financial statements falls below 75% of the aggregate outstanding amount of the BOSIAL Priority Facility and the outstanding principal moneys of Stock, Deposits and Notes (refer to the definition of “Review Event” in the Stockholder Extraordinary Resolution for a description of how this is measured in terms of loans made by Strategic Nominees Limited and Strategic Nominees Australia Limited);
- (g) the BOSIAL Priority Facility and all interest on it is not repaid in full by 31 December 2009;
- (h) on 7 January 2010, total repayments of principal moneys (including repayments in respect of the BOSIAL Priority Facility) by Strategic Finance to Stockholders on or before that date are less than 9% of total principal moneys owed by Strategic Finance to Stockholders (including principal in respect of the BOSIAL Priority Facility) at the Effective Date;
- (i) on any of the following dates, total repayments of principal moneys (excluding repayments in respect of the BOSIAL Priority Facility) by Strategic Finance to Stockholders on or before that date are less than the percentage shown opposite that date of principal moneys owed by Strategic Finance to Stockholders (excluding principal in respect of the BOSIAL Priority Facility) at the Effective Date:

(i) 7 July 2010	20%
(ii) 7 January 2011	50%
(iii) 7 January 2012	65%
(iv) 7 January 2013	80%;
- (j) an existing or likely future event, occurrence, state of affairs or development which, in the opinion of the Trustee, has or will have a material adverse effect on the financial condition or business of the Charging Group (taken as a whole) or the ability of the Charging Group (taken as a whole) fully to perform its obligations under the Trust Deed in respect of the Moratorium.

If any Review Event should occur during the Moratorium Period, then Strategic Finance must notify the Trustee and the Monitoring Accountant. After negotiating with Strategic Finance in good faith for a period of not less than 14 days immediately following receipt of that notice (this period can be reduced with Strategic Finance’s consent) as to how the Review Event can be remedied, the Trustee is entitled to serve a notice on Strategic Finance and treat such event as an event of default under the Trust Deed (unless Strategic Finance has remedied the default prior to the end of the review period), allowing the Trustee to enforce its security and exercise its other rights under the Trust Deed upon the occurrence of an event of default. The Trustee will be obliged to serve such default notice upon being directed to do so by any holder of Security Stock of 12.5% or more in nominal amount of the Stock or by the holder or holders of at least 20% in nominal amount of the Stock or by an extraordinary resolution passed by Stockholders.

A Review Event may occur during the Moratorium Period due to unforeseen circumstances or events outside of Strategic Finance’s control. Therefore, Strategic Finance cannot give any guarantee that no Review Event will occur during the Moratorium Period. If a Review Event does occur, and the Trustee decides to enforce its security under the Trust Deed, it is likely that the Trustee will appoint a receiver to Strategic Finance.

What happens if the Moratorium is not implemented?

If Securityholders do not pass all of the Extraordinary Resolutions, then the Moratorium will not be implemented.

If the Moratorium is not implemented, Strategic Finance would remain in breach of the Trust Deed and would be unable to meet its obligations to Stockholders, Noteholders or Depositors (or its other creditors) on an ongoing basis. In these circumstances, it is expected that Strategic Finance will be placed into receivership by the Trustee or by BOSIAL. However, if a receiver is not appointed, the Directors may consider the appointment of a voluntary administrator.

If appointed, a receiver would take over management of Strategic Finance. The receiver's task would be to realise all of Strategic Finance's assets and to pay Strategic Finance's liabilities. First, the receiver's fees would be paid and then certain other debts such as staff wages and some taxes would be paid to the extent that they have statutory priority. The receiver would then repay the remaining funds to Securityholders in the order of their contractual priority – first to BOSIAL in respect of its prior charge, then Stockholders, then Depositors and, after payment of all other unsecured creditors, then Noteholders (and then shareholders).

The amount received by each class of Securityholders in a receivership would depend on the amount recovered by the receiver and the amounts to be paid in priority to other Securityholders. The receiver would determine the timing of any payments to be made to Securityholders.

The receiver's fees would be likely to be substantial in the event of a receivership. The Directors believe that the costs of a receivership are likely to be higher than the costs which are expected to be incurred under the Moratorium.

Table 1 of PricewaterhouseCoopers' report contains a summary of the characteristics of the receivership alternative as compared with the Moratorium. It is important that Securityholders review that table before deciding how to vote on the Extraordinary Resolutions.

BOSIAL has specific enforcement powers under its prior charge in respect of the BOSIAL Priority Facility. BOSIAL may enforce its rights under its prior charge, including appointing its own receiver. This is likely to result in further costs.

In addition, the fact that Strategic Finance was in receivership would be likely to make some of its debts more difficult to recover. Third parties and counterparties may look to take advantage of the fact Strategic Finance is in receivership and may not fully co-operate with a receiver. Also, it is likely that the services of certain key Strategic Finance staff would be lost if a receiver was appointed.

Receivership will also be likely to rule out the possibility of any future capital restructure proposal being put to Securityholders.

Taxation

Taxes may affect returns to Securityholders. The notes below are based on applicable tax legislation current as at the date of this Notice of Meetings and Explanatory Memorandum, and are provided for guidance. Securityholders should seek their own tax advice specific to their particular circumstances.

For tax purposes, the Stock, Deposits and Notes issued to Securityholders constitute "Financial Arrangements" such that taxable income is calculated having regard to the overall cash flows (both principal and interest). In essence, this requires the overall cash "surplus" or "shortfall" to be spread for tax purposes over the term of the financial arrangement. Any loss of principal (including capitalised interest) is unlikely to be tax deductible to Securityholders unless they are in the business of holding or dealing in such financial arrangements.

Securityholders who are "cash basis persons" are not required to spread their income from financial arrangements on an accruals basis. Instead they are able, for tax purposes, to return their income from financial arrangements (such as the Stock, Deposits and Notes) as and when the amounts described as interest in this Notice of Meetings and Explanatory Memorandum are received in cash or are credited to Securityholders' accounts. Under current tax legislation, a "cash basis person" broadly means a natural person who holds financial arrangements that in aggregate:

- (a) do not generate income or expenditure in the income year greater than \$100,000; or
- (b) have a face value not exceeding \$1,000,000 at any time during the income year; and
- (c) the difference between income or expenditure calculated under the cash basis versus the accrual basis is not greater than \$40,000 for that year.

Draft tax legislation proposes to remove from 1 April 2009 the requirement for "cash basis persons" to be a natural person (e.g. companies and trusts).

Securityholders who are not "cash basis persons" are required to adopt a spreading method for their financial arrangements (e.g. a yield to maturity method, financial reporting method, or straight line method, depending on the circumstances) to spread their income. Such Securityholders who are not "cash basis persons" may be required to recalculate any income arising from the changes in the terms of the Stock, Deposits and Notes, having regard to Determination G25 issued by the Inland Revenue Department. Such changes may be required to effectively respread the interest from the Stock, Deposits and Notes, taking account of the variations in terms under the Moratorium for Securityholders who are not "cash basis persons". However, such changes should only affect the timing of when any income is returned for tax. The overall quantum of taxable income should not be affected.

When the Stock, Deposits and Notes mature or are disposed of, the investor will be required to perform a tax wash-up calculation called a "base price adjustment". This is a calculation of income or expenditure relating to the Stock, Deposits and Notes that has not previously been recognised for tax purposes. The variations to the terms of the Stock, Deposits and Notes in the proposed Moratorium do not create a maturity of the investments and Securityholders should not be required to calculate a base price adjustment as a result of the proposed variations in the terms.

Withholding tax and approved issuer levy

New Zealand resident withholding tax will be deducted from all payments of interest for persons resident in New Zealand for income tax purposes, unless those persons supply a copy of their certificate of exemption for New Zealand resident withholding tax purposes issued under Section RE 27 of the Income Tax Act 2007.

The current rate of resident withholding tax can be selected by the investor as either 39%, 33% or 19.5%.

If Securityholders do not provide Strategic Finance with their IRD number, then the rate of resident withholding tax that Strategic Finance is required to deduct from all payments or reinvestments of interest is 39%.

A deduction for New Zealand non-resident withholding tax will be made from all payments of interest for an investor who is not resident in New Zealand for income tax purposes. The rate of non-resident withholding tax is currently 15% or such lower rate as is applicable under any double tax agreements to which New Zealand and the country of residence of the investor are parties.

Strategic Finance is an approved issuer for the purposes of the Income Tax Act 2007. The approved issuer levy is currently 2%.

How will the Moratorium affect Perpetual Preference Shareholders?

The Moratorium is not subject to the approval of Perpetual Preference Shareholders. No changes are proposed to the terms of issue of the Perpetual Preference Shares under the Moratorium.

The Directors expect that they will issue a dividend cancellation notice after the Extraordinary Resolutions are passed cancelling all future dividends on the Perpetual Preference Shares during the Moratorium Period. Payment of dividends on the Perpetual Preference Shares is not expected to resume (if at all) until all principal has been repaid and accrued interest has been paid to all Securityholders and the Moratorium Period has expired.

Summary

In summary, the Directors believe that, in the context of the current circumstances, the Moratorium is the best way forward for Securityholders and that it will result in higher repayments to all Securityholders than would be available in a receivership.

The Directors encourage you to vote at the Meeting relevant to you, which will be held on 22 December 2008, commencing at 10.00 am, or at any adjournment of those Meetings.

1 December 2008



Stockholders, Noteholders and Depositors
Strategic Finance Limited
Level 10, Guardian Trust House
15 Willeston Street
WELLINGTON.

Dear Securityholder

Strategic Finance Limited – moratorium proposal

As you are aware, Perpetual Trust Limited ('Perpetual') is trustee for Strategic Finance Limited ('Strategic Finance') pursuant to its Debenture Trust Deed dated 28 July 1999 as amended.

This letter has been prepared for inclusion with a Notice of Meetings and Explanatory Memorandum dated 2 December 2008 which is to be sent, together with a Prospectus dated 2 December 2008 to stockholders, subordinated noteholders and depositors in Strategic Finance ('Securityholders') detailing the Extraordinary Resolutions to be put to Securityholders in Strategic Finance at meetings to be held on 22 December 2008.

The purpose of the meetings is to enable Securityholders to consider the rationale for a moratorium proposal put forward by the directors of Strategic Finance and to vote on the Extraordinary Resolutions that arise out of it. For the moratorium proposal to be implemented the Extraordinary Resolutions must be passed by not less than 75% of each class of the Securityholders that vote on them.

Perpetual has taken independent legal advice on the moratorium proposal and drafts of the Extraordinary Resolutions, and as well, independent advice from PricewaterhouseCoopers ('PwC'). A copy of PwC's report forms part of the attached Explanatory Memorandum as Appendix 4. As a result of the conclusions reached by PwC, Perpetual considers the moratorium proposal is an appropriate matter to be placed before you for decision.

Strategic Finance directors consider that the moratorium proposal has the potential to produce greater returns for Securityholders than the alternative of placing Strategic Finance into receivership. The decision as to whether or not you accept the rationale put forward by Strategic Finance's directors for the proposed moratorium is a matter for you to decide in light of your own circumstances.

Perpetual draws your attention to the comments made by PwC on the proposal (see appendix 4 of the Notice of Meetings and Explanatory Memorandum) that the returns from the moratorium proposal or under a receivership are ultimately uncertain.

Perpetual strongly recommends that you read the material in both this Explanatory Memorandum and the Prospectus very carefully and seek independent advice from your lawyer, accountant or financial advisor, before exercising your vote on the proposal or instructing your proxy to do so on your behalf.

In making that recommendation, Perpetual stresses that it has relied on the information supplied to it by Strategic Finance and so cannot accept responsibility for the accuracy of the information provided to Securityholders or the opinions that Strategic Finance and its directors have expressed in respect of it.

Yours faithfully

A handwritten signature in black ink, appearing to read "S. McGreevy".

Stephanie McGreevy
Regional Manager – Corporate Trust

Glossary

Board	The Directors of Strategic Finance who number not less than the required quorum, acting together as a board of Directors;
BOSIAL	BOS International (Australia) Limited;
BOSIAL Priority Facility	The facilities for an aggregate principal amount of \$25 million made available to Strategic Finance by BOSIAL and secured by a charge for such amount (plus interest) ranking in priority to the charge created by the Trust Deed;
Charging Company	Any wholly owned subsidiary of Strategic Finance which is or becomes a guarantor pursuant to the Trust Deed and, as at the date of this Notice of Meetings and Explanatory Memorandum, means Strategic Advisory Limited and Strategic Mortgages Limited (although the Extraordinary Resolutions are conditional on Strategic Nominees Limited and Strategic Nominees Australia Limited becoming Charging Companies);
Charging Group	Strategic Finance and the Charging Companies;
Companies Act	The Companies Act 1993;
Deposit	Each unsecured deposit issued by Strategic Finance under the Trust Deed;
Depositor	The holder of a Deposit;
Depositor Extraordinary Resolution	The extraordinary resolution to be considered by the Depositors at the relevant Meeting, as set out in Appendix 3 to this Notice of Meetings and Explanatory Memorandum;
Directors	The directors of Strategic Finance;
Effective Date	The date by which all of the Extraordinary Resolutions have been passed by the relevant Securityholders, BOSIAL has provided its approval in respect of the Extraordinary Resolutions (insofar as they relate to Security Stock) and Strategic Nominees Limited and Strategic Nominees Australia Limited have become Charging Companies;
Explanatory Memorandum	The section of this Notice of Meetings and Explanatory Memorandum entitled "Explanatory Memorandum" set out on pages 8 to 22;
Extraordinary Resolutions	The Stockholder Extraordinary Resolution, the Noteholder Extraordinary Resolution and the Depositor Extraordinary Resolution;
Group	Strategic Finance and its subsidiaries;
Lending Policies	The documented lending policies and procedures of Strategic Finance at the Effective Date as they may be varied from time to time with the approval of the Trustee;
Meetings	The meetings of Stockholders, Noteholders and Depositors in respect of which the Notice of Meetings has been prepared (or any adjournment of any such meeting);
Monitoring Accountant	PricewaterhouseCoopers (or any firm appointed in replacement of a monitoring accountant appointed in respect of the Moratorium);
Moratorium	The proposed moratorium on interest payments and repayments of principal in relation to Stock, Notes and Deposits described in the Explanatory Memorandum and to be provided for in clause 138 of the Trust Deed;

Moratorium Period	The period from the Effective Date to 31 December 2013, as it may be extended in accordance with the amendments to the Trust Deed proposed by the Extraordinary Resolutions;
Note	A subordinated note issued by Strategic Finance under the Trust Deed;
Noteholder	The holder of a Note;
Noteholder Extraordinary Resolution	The extraordinary resolution to be considered by the Noteholders at the relevant Meeting, as set out in Appendix 2 to this Notice of Meetings and Explanatory Memorandum;
Notice of Meetings	The section of this Notice of Meetings and Explanatory Memorandum entitled "Notice of Meetings" set out on pages 5 to 7 and appendices 1, 2 and 3 (which set out the Extraordinary Resolutions);
Notice of Meetings and Explanatory Memorandum	This notice of meetings of Stockholders, Noteholders and Depositors, and explanatory memorandum dated 2 December 2008;
Perpetual Preference Shareholder	A holder for the time being of Perpetual Preference Shares;
Perpetual Preference Shares	The perpetual preference shares in Strategic Finance issued under the terms set out in the investment statement and prospectus dated 30 May 2007;
Prospectus	The short form prospectus dated 2 December 2008 relating to the offer of securities made by Strategic Finance in respect of the Moratorium;
Securities Regulations	The Securities Regulations 1983;
Securityholder	A Stockholder, Noteholder or Depositor;
Security Stock	The security stock issued by Strategic Finance as security for the payment or satisfaction of any present or future loans to, or liabilities, or other obligations of, Strategic Finance or any Charging Company pursuant to the Trust Deed (BOSIAL holds Security Stock with a nominal amount of \$120 million that secures an aggregate principal amount of approximately \$100 million as at the date of this Notice of Meetings and Explanatory Memorandum);
Stock	Stock (including debenture stock and Security Stock) issued by Strategic Finance pursuant to the Trust Deed;
Stockholder	A holder of Stock (and includes BOSIAL as a holder of Security Stock);
Stockholder Extraordinary Resolution	The extraordinary resolution to be considered by Stockholders at the relevant Meeting, as set out in Appendix 1 to this Notice of Meetings and Explanatory Memorandum;
Strategic Finance	Strategic Finance Limited, registered number 951477;
Trust Deed	The trust deed dated 28 July 1999, and as amended on 20 September 2000, 12 September 2001 and 17 December 2002, made between Strategic Finance and the Trustee;
Trustee	Perpetual Trust Limited;
Voting and Proxy Form	A form which accompanies this Notice of Meetings and Explanatory Memorandum and can be used by Stockholders, Noteholders or Depositors, as applicable, to appoint a proxy to attend the relevant Meeting and vote on their behalf.

Directory

Strategic Finance

Wellington (registered office)

Level 10
Guardian Trust House
15 Willeston Street
PO Box 24 042
Wellington

Ph: (04) 499 9411
Fax: (04) 499 9412

Auckland

Level 2, Shed 22
Princes Wharf
147 Quay Street
PO Box 105 408
Auckland

Ph: (09) 307 0759
Fax: (09) 307 0285

Solicitors to Strategic Finance

Bell Gully
Vero Centre
48 Shortland Street
PO Box 4199
Auckland

Trustee

Perpetual Trust Limited
Level 6, AMP Chambers
187 Featherston Street
PO Box 3845
Wellington

Ph: (04) 470 9610
Fax: (04) 472 3190

Address for Voting and Proxy Forms

Link Market Services Limited
Level 12
120 Albert Street
PO Box 91976
Auckland Mail Centre 1142

Ph: (09) 375 5999
Fax: (09) 375 5990

Appendix 1: Stockholder Extraordinary Resolution

It is hereby resolved, by way of Extraordinary Resolution pursuant to clause 45 of Schedule 3 to the trust deed dated 28 July 1999 between Strategic Finance Limited and Perpetual Trust Limited (as amended) ("Trust Deed"), that (subject to the Depositor Extraordinary Resolution and the Noteholder Extraordinary Resolution (as defined in the Notice of Meetings and Explanatory Memorandum dated 2 December 2008 issued by Strategic Finance Limited) being passed at meetings to be held at the Michael Fowler Centre, Wellington Convention Centre, 111 Wakefield Street, Wellington on 22 December 2008, commencing at 10.00 am, or at any adjournment of any of those meetings):

- (a) the Trust Deed be amended by inserting a new clause 138 as follows:

"138 Moratorium

138A Moratorium: Notwithstanding clause 97 of this deed, any other clause of this deed or any stock certificate, security stock certificate, deposit certificate or subordinated note certificate, the trustee shall not enforce the security constituted by this deed or exercise any of the other rights under clause 35, clause 36, clause 76.1, clause 76.5, clause 98, clause 101 or clause 102 of this deed:

- (a) for any failure by the company during the Moratorium Period to pay any principal moneys or interest on the due dates for such payments which were applicable prior to the Extraordinary Resolutions being passed;
- (b) for any breach before or during the Moratorium Period of any of the covenants set out at clauses 90.1, 90.2 and 90.3 of this deed;
- (c) as a consequence of an Event of Default:
- (i) having occurred before the Moratorium Period under any of clauses 35.1, 35.5, 97.1, 97.2, 97.5, 97.7, 97.9, 97.14 or 97.17; or
- (ii) occurring during the Moratorium Period under any of clauses 35.1, 97.1, 97.2, 97.7 (other than insofar as it applies to clause 90.5), 97.9 or 97.12 (as a result of the Moratorium),

provided that this provision does not prejudice any of the other rights or obligations of the trustee to enforce the security, or exercise any of the other rights under clause 35, clause 36, clause 76.1, clause 76.5, clause 98, clause 101 or clause 102 of this deed, as a consequence of:

- (a) an Event of Default, other than those specified in clause 138A(c)(ii), occurring during the Moratorium Period; or
- (b) an Event of Default being deemed to have occurred pursuant to clause 138F during the Moratorium Period.

138B Terms of issue: The terms of issue applicable to any stock, deposits or subordinated notes outstanding as at the Effective Date (other than the security stock held by BOSIAL as collateral security for the BOSIAL Priority Debt) shall be amended in the following manner:

- (a) the maturity date will be the Final Repayment Date (and, for the avoidance of doubt, and subject to the trustee exercising any of its powers of enforcement, the principal moneys and any interest shall not fall due until such date (or, if it is not a business day, on the first business day after such date));
- (b) interest which has accrued from the last date on which interest was paid until, and including, 6 August 2008 (and which remains unpaid) shall, as of the Effective Date, be deemed to form part or to have formed part of the Moratorium Interest;
- (c) as from 7 August 2008, interest will accrue (or be deemed to accrue) at the Moratorium Interest Rate on a daily basis until the expiry of the Moratorium Period on the amount of principal moneys outstanding from time to time ("Moratorium Interest"), and will be paid in accordance with, including the order set out in, clause 138C, provided that this clause shall not affect the interest rate applicable to stock, deposits or subordinated notes (as the case may be) prior to 7 August 2008.

138C Payments during Moratorium Period: Notwithstanding the terms of issue of any stock, deposits or subordinated notes:

- (a) during the Moratorium Period, the company will maintain a proceeds account into which any receipts received by the company or any charging company (other than Strategic Nominees Limited or Strategic Nominees Australia Limited to the extent that either company receives funds not for its own account or the account of another charging company) will be held ("Proceeds Account"). Payments from that account will require the approval of at least two directors of the company (or the sole director if at the relevant time only one director is in office) and until such time as all amounts in respect of the BOSIAL Priority Debt, Moratorium Principal Moneys and Moratorium Interest have been paid in full, shall be applied solely:

- (i) to meet the actual and anticipated operating costs of the company and of the Moratorium (including amounts payable to the trustee and to the Monitoring Accountant and permitted advances or payments made for the protection or realisation of the company's assets);
 - (ii) to make advances to borrowers where the company is permitted by clause 138G(h) to do so; and
 - (iii) in making payments in respect of the BOSIAL Priority Debt (including interest and fees) and to the stockholders, depositors or holders of subordinated notes as contemplated by this clause 138;
- (b) commencing with the quarter ending 30 June 2009, the company will apply all Available Cash (as at the last day of each quarter), to make partial repayments of principal moneys and payments of interest within seven days after the end of each quarter in respect of the BOSIAL Priority Debt and to stockholders, depositors or holders of subordinated notes (to be applied, as between stockholders, depositors or holders of subordinated notes, in accordance with this clause 138C(b)) until such time as all Moratorium Principal Moneys and Moratorium Interest have been paid in full, with payments being made:
- (i) first, of all interest in respect of the BOSIAL Priority Debt to BOSIAL until such time as all such interest in respect of the BOSIAL Priority Debt has been paid to BOSIAL in full;
 - (ii) secondly, towards repayment of all BOSIAL Priority Debt to BOSIAL, until such time as the BOSIAL Priority Debt has been repaid to BOSIAL in full;
 - (iii) thirdly, towards repayment of all Moratorium Principal Moneys in respect of stock to stockholders (to be paid pari passu between the stockholders) until such time as all such Moratorium Principal Moneys in respect of stock have been repaid to stockholders in full;
 - (iv) fourthly, of all Moratorium Interest in respect of stock to stockholders (to be paid pari passu between the stockholders) until such time as all such Moratorium Interest in respect of stock has been paid to stockholders in full;
 - (v) fifthly, towards repayment of all Moratorium Principal Moneys in respect of deposits to depositors (to be paid pari passu between the depositors) until such time as all such Moratorium Principal Moneys in respect of deposits have been repaid to depositors in full;
 - (vi) sixthly, of all Moratorium Interest in respect of deposits to depositors (to be paid pari passu between the depositors) until such time as all such Moratorium Interest in respect of deposits has been paid to depositors in full;
 - (vii) seventhly, towards repayment of all Moratorium Principal Moneys in respect of subordinated notes to holders of subordinated notes (to be paid pari passu between the holders of subordinated notes) until such time as all such Moratorium Principal Moneys in respect of subordinated notes have been repaid to holders of subordinated notes in full;
 - (viii) eighthly, of all Moratorium Interest in respect of subordinated notes to holders of subordinated notes (to be paid pari passu between the holders of subordinated notes) until such time as all such Moratorium Interest in respect of subordinated notes has been paid to holders of subordinated notes in full;
- (c) any Moratorium Principal Moneys and Moratorium Interest that remains unpaid at the end of the Moratorium Period shall be payable in full in accordance with the priority set out in clause 138C(b) on the Final Repayment Date (or, if it is not a business day, the first business day immediately following that date),

provided that the company shall not be obliged to make any payments pursuant to this clause 138C in respect of any quarter if at the end of that quarter the amount of Available Cash held by the company is less than \$10 million. This proviso will not apply in respect of the quarter ending 31 December 2013 (unless the Moratorium Period has been extended prior to that date, in which case, this proviso will not apply to the final quarter of the extended Moratorium Period).

138D Monitoring Accountant: With effect from the Effective Date, the company shall, at its own cost, appoint and at all times during the Moratorium Period maintain the appointment of, a Monitoring Accountant. The Monitoring Accountant will prepare a monthly report to the trustee that is to include commentary on the following matters:

- (a) analysis of information provided by the company in accordance with the company's reporting requirements set out in clause 138E;
- (b) identification of other potential risks in respect of the recovery of the company's loans and realisation of the company's other assets of which the Monitoring Accountant becomes aware, including any actual or potential claims against the company apparent from the information referred to in (a) above or of which the Monitoring Accountant becomes aware;

- (c) comment on any material changes in the reported financial position of the charging group from that shown in previous reporting by the company;
- (d) comment on the basis on which Strategic Finance has made any new advances to borrowers, and any material situations in which loan securities have been released for less than the full amount secured by them;
- (e) any recommendations resulting from the Monitoring Accountant's analysis of the company's reports or from other information available to the Monitoring Accountant; and
- (f) any other matter likely to be of relevance to the trustee in the performance of its duties and powers under this deed or at law and of which the Monitoring Accountant becomes aware.

In addition, the Monitoring Accountant shall:

- (a) be entitled to receive notice of, and to attend as an observer, all meetings of the board of directors of the company and to receive the board papers for all such meetings;
- (b) be entitled to receive copies of all credit memoranda approved by the credit directors of the company (and those credit memoranda will be provided to the Monitoring Accountant at the same time as they are provided to those credit directors initially for a period of three months after the Effective Date and thereafter if determined by the Monitoring Accountant, after consultation with the company);
- (c) be entitled to report to the trustee on all matters discussed at meetings of the board of directors of the company;
- (d) provide professional advice with respect to strategies for the collection of the company's loan book as and when required;
- (e) have the power to undertake and report to the trustee on any investigations into the affairs of the company and the charging companies that the trustee may request;
- (f) advise the trustee immediately if it becomes aware that the company has breached any terms of this deed or of the terms of issue of any stock, deposits or subordinated notes in any material respect; and
- (g) confirm to the trustee the amount of Available Cash for distribution to stockholders, depositors or holders of subordinated notes at the end of each quarter.

138E Company reporting to the trustee: The company will, within 14 days after the end of each month, provide a report to the trustee and the Monitoring Accountant, signed by two directors, on progress during the Moratorium Period, setting out:

- (a) monthly management accounts on an individual and consolidated basis for the charging group;
- (b) bank account reconciliations;
- (c) updated monthly cash flow forecasts covering the period to 31 December 2013 (with a reconciliation to the previous month's cash flows);
- (d) any loan recoveries and outstanding loan balances;
- (e) a summary of operational expenses;
- (f) the status of any enforcement actions on loan files (including any statutory notices served on the borrower);
- (g) details of any event that has occurred since the previous monthly report which is a "Review Event" under this deed or which has caused or could, if the trustee was aware of the event, cause the trustee to declare that a "Review Event" has occurred under clause 138F; and
- (h) such other information as may be requested by the trustee.

In addition, the company will, prior to payment of any amounts to stockholders, depositors or holders of subordinated notes under clause 138C, provide to the Monitoring Accountant a report including confirmation of the amount of Available Cash, and of the total amount to be paid, with supporting calculations showing how the amount to be paid is calculated.

The company's obligations under this clause 138E will not limit any other legal obligation to report, or to provide information, to the trustee to which the company may be subject, whether under this deed or otherwise.

138F Review Event: If a Review Event should occur during the Moratorium Period, then the company shall notify the trustee and the Monitoring Accountant of the occurrence of such Review Event. The trustee shall negotiate with the company in good faith for a period of not less than 14 days immediately following the receipt of such notification as to how the Review Event can be remedied. Following such negotiation, or earlier with the agreement of the company, the trustee

may (and shall forthwith upon being directed to do so by any major security stockholder or by the holder or holders of at least 20% in nominal amount of the stock or by an extraordinary resolution of stockholders) serve a default notice on the company (unless the event giving rise to the Review Event has already been remedied by the company). If such a default notice is served by the trustee on the company pursuant to this clause 138F, then an Event of Default shall be deemed to have occurred on the date of service on the company of such notice.

138G Conduct during Moratorium: With effect from the Effective Date, and until expiry of the Moratorium Period:

- (a) the number of directors will be reviewed by the company at six monthly intervals;
- (b) the company shall realise its assets in an orderly way so as to obtain, what the directors believe in good faith, to be the best outcome that is reasonably obtainable given market conditions and all other relevant circumstances at the relevant time;
- (c) executive directors of the company shall not be paid any director's fees, but such executive directors may be paid salaries and/or consulting fees in accordance with their entitlements as at the Effective Date;
- (d) employee remuneration shall be set on an arms length commercial basis;
- (e) the company shall maintain written delegated authorities and consult from time to time (but at least quarterly) with the trustee and the Monitoring Accountant regarding the terms of those delegated authorities (and such delegated authorities shall include requirements for all material decisions (with the materiality guidelines to be determined by the board of the company in consultation with the trustee and the Monitoring Accountant) to be taken by the board of directors of the company);
- (f) no new stock, deposits or subordinated notes shall be issued, reissued or repurchased, and no other funds shall be borrowed or raised by the company in any form;
- (g) no Distribution (including the payment of any dividend) shall be made in respect of any ordinary shares in the company;
- (h) no new lending shall be undertaken by the company, provided that the company shall be permitted to advance funds where:
 - (i) it is, as at the Effective Date, contractually obliged to do so; or
 - (ii) such lending is:
 - (A) in the opinion of the directors desirable to assist the realisation of any loan made by the company prior to the Effective Date; and
 - (B) within the terms of the Lending Policies;
- (i) the company shall not restructure any loan existing as at the Effective Date to an equity interest (a "loan restructure") unless the board of the company has resolved that such loan restructure is desirable to assist in the realisation of such loan and the trustee has confirmed that it is satisfied that:
 - (i) either:
 - (A) the company is in no different economic position immediately after the completion of the loan restructure than the economic position of the company immediately before completion of that loan restructure; or
 - (B) if the loan restructure did not proceed and the underlying borrower was to default in its obligations to a senior financier, there is a material risk of material loss to the company; and
 - (ii) to the extent that, in connection with a loan restructure, the company is required to grant security to a senior financier over any equity issued to the company as part of that loan restructure (the "issued equity"), that security is limited in recourse to the issued equity (and, for the avoidance of doubt, such security may rank in priority to the charge created by this deed); and
 - (iii) to the extent that, in connection with a loan restructure, the company is required to grant a guarantee to a senior financier in support of the security referred to at paragraph (ii) above, the recourse of the senior financier pursuant to that guarantee is limited to the proceeds of sale of the issued equity;
- (j) the company shall not enter into any arrangements that materially increase its liabilities except where those arrangements arise pursuant to the Moratorium;
- (k) the company shall manage its loan book strictly in accordance with the Lending Policies (including in relation to any loan extensions or alterations to security arrangements);

- (l) the company shall not create, or otherwise allow to exist, any new security interest, other than as part of and to the extent contemplated by any loan restructure permitted in accordance with clause 138G(i) above (provided that, nothing in this clause, shall apply to any security interest created by the company prior to the Effective Date in respect of the BOSIAL Priority Debt);
- (m) no guarantees, indemnities or underwriting arrangements shall be entered into by the company (except as part of any loan restructure permitted in accordance with clause 138G(i) above);
- (n) the company shall not make or propose to make any cash payment other than as permitted by clause 138C(a) or clause 138C(b) (without the prior written approval of the Monitoring Accountant);
- (o) the company shall comply with clauses 4 to 11 (inclusive) of schedule 5 of the Securities Regulations 1983 and the trustee shall have the rights and powers given to trustees by those clauses, regardless of whether those clauses would otherwise apply to the company and the company shall comply with all other applicable laws to which it is subject at the relevant time; and
- (p) the company shall procure that each charging company complies with clauses 138G(b) to (o) inclusive (as if references to the “company” were to each charging company), provided that nothing in clause 138G(f) shall exclude a Distribution to the company, provided that:
 - (i) nothing in clause 138G(g) shall exclude a Distribution to the company;
 - (ii) nothing in clause 138G(n) shall apply to Strategic Nominees Limited or Strategic Nominees Australia Limited to the extent that the cash is held by it for the account of any person other than a charging company; or
 - (iii) nothing in clause 138G(n) shall limit any charging company from making any payment to the company.

138H Extraordinary Resolutions not an enforcement event: Notwithstanding clause 35, clause 36, clause 76.1, clause 76.5 or clause 97 of this deed, neither the Extraordinary Resolutions, nor the events and process that led to the Extraordinary Resolutions, nor the amendment of provisions of this deed pursuant to the Extraordinary Resolutions, constitutes an Event of Default, such that would enable the trustee to enforce this deed.

138I Certificates: This clause 138 shall be deemed to be incorporated into, and shall prevail over the terms of, all stock certificates, security stock certificates (other than the security stock certificate held by BOSIAL as collateral security for the BOSIAL Priority Debt, to the extent it relates to the BOSIAL Priority Debt), deposit certificates or certificates in respect of subordinated notes currently on issue.

138J Interest on Security Stock: Clause 61.1 shall be deleted from this deed as from the Effective Date and each outstanding security stock certificate shall be deemed to be amended accordingly as from the Effective Date.

138K Definitions: For the purposes of this clause 138:

“Available Cash” means the amount in the Proceeds Account on the relevant date less:

- (a) the amount, at the relevant date, forecast by the company to be required to fund the costs of the Monitoring Accountant and other professional advisors;
- (b) the amount, at the relevant date, forecast by the company to be required to fund lending under clause 138G(h);
- (c) any interest payable to BOSIAL in respect of the BOSIAL Priority Debt;
- (d) the amount, at the relevant date, forecast by the company to be required to fund operating costs (taking into account amounts that are expected to be received by the company);

“BOSIAL” means BOS International (Australia) Limited;

“BOSIAL Priority Debt” means an amount of NZ\$25,000,000 due and owing to BOSIAL on the Effective Date as reduced by any payments of principal pursuant to this clause 138 or otherwise;

“Distribution” has the meaning set out in section 2(1) of the Companies Act 1993;

“Effective Date” means the date by which all of the Extraordinary Resolutions have been passed, BOSIAL has provided its approval in respect of the Extraordinary Resolutions (insofar as they relate to Security Stock) and Strategic Nominees Limited and Strategic Nominees Australia Limited have become charging companies in accordance with this deed;

“Event of Default” means any of the events specified in clause 35 or clause 97 of this deed;

“Extraordinary Resolutions” means the extraordinary resolutions whereby this clause 138 was approved;

“Final Repayment Date” means the later of:

- (a) 31 December 2013;
- (b) any date (or dates) as may be approved by further extraordinary resolutions of the stockholders, depositors and holders of subordinated notes;

“Lending Policies” means the documented lending policies and procedures of the company at the Effective Date as they may be varied from time to time with the approval of the trustee;

“Material Adverse Change” means an existing or likely future event, occurrence, state of affairs or development which, in the opinion of the trustee, formed following consultation with the Monitoring Accountant, has or will have a material adverse effect on:

- (a) the financial condition or business of the charging group (taken as a whole); and
- (b) the ability of the charging group (taken as a whole) fully to perform its obligations under this clause 138;

“Monitoring Accountant” means PricewaterhouseCoopers or such replacement firm of moratorium specialists as agreed by the trustee and the company;

“Moratorium” means the moratorium of the company in place during the Moratorium Period pursuant to the terms of this clause 138;

“Moratorium Interest” has the meaning given to that term in clause 138B(c);

“Moratorium Interest Rate” means 8.0% per annum;

“Moratorium Principal Moneys” means relevant principal moneys (not being amounts in respect of the BOSIAL Priority Debt) unpaid at the Effective Date less, as the context requires, the amount of any payments of principal moneys made from time to time to stockholders, depositors or holders of subordinated notes (as the case may be) under clause 138C;

“Moratorium Period” means the period from the Effective Date until the Final Repayment Date (both inclusive);

“Proceeds Account” has the meaning given to that term in clause 138C(a);

“Review Event” means any of the following occurring:

- (a) the resignation of the Monitoring Accountant;
- (b) the resignation or removal of two or more executive directors of the company at any time or times following the Effective Date, except where the trustee considers that the Moratorium has progressed to the stage at which the continued commitment of those executive directors is no longer essential to the Moratorium;
- (c) the company ceases to have at least one independent director at any time when the company has a total of less than four directors or at least two independent directors at any time when the company has a total of four or more directors;
- (d) the company failing to make a payment from Available Cash on a relevant date in accordance with clause 138C;
- (e) the identification of any material liabilities that were not known to the trustee at the commencement of the Moratorium and which may materially and adversely affect the financial position of the company or the charging group assessed as a whole and the returns to stockholders, depositors and holders of subordinated notes;
- (f) the total loan book value, net of provisions, of the charging group as shown in any monthly financial statements falls below 75% of the aggregate outstanding principal moneys of the BOSIAL Priority Debt, stock, deposits and subordinated notes (provided that, for purposes of this clause, the total loan book value of Strategic Nominees Limited and Strategic Nominees Australia Limited shall be deemed to be the proportionate book value of any loans made by Strategic Nominees Limited or Strategic Nominees Australia Limited which are attributable to the participation made by the company in such loans (net of provisions calculated on the same basis));
- (g) the BOSIAL Priority Debt and all interest on it is not repaid in full by 31 December 2009;
- (h) on 7 January 2010, total repayments of principal moneys (including repayments in respect of the BOSIAL Priority Debt) by the company to stockholders on or before that date are less than 9% of total principal moneys owed by the company to stockholders (including principal in respect of the BOSIAL Priority Debt) at the Effective Date;
- (i) on any of the following dates, total repayments of principal moneys (excluding repayments in respect of the BOSIAL Priority Debt) by the company to stockholders on or before that date are less than the percentage shown opposite

that date of total principal moneys owed by the company to stockholders (excluding principal in respect of the BOSIAL Priority Debt) at the Effective Date:

- (i) 7 July 2010 20%
- (ii) 7 January 2011 50%
- (iii) 7 January 2012 65%
- (iv) 7 January 2013 80%;

(j) a Material Adverse Change occurs;

“security interest” has the same meaning as in the Personal Property Securities Act 1999, but includes anything which would be a security interest for the purposes of that Act if that Act applied to all kinds of property, not only to personal property, but excluding a security interest taken in collateral by a seller to the extent that it secures the obligation to pay for that collateral, where that collateral is purchased in the ordinary course of business of the buyer and the purchase price is paid within 60 days of supply.

138L Retention of priority order: The order of priority with respect to payments made or to be made to the stockholders, depositors and holders of subordinated notes set out in clause 138C shall apply at all times following commencement of the Moratorium Period notwithstanding the Moratorium Period coming to an end or any earlier termination of the Moratorium and for the avoidance of doubt shall continue to apply if the company is placed in liquidation or fails to pay its debts as they fall due. This clause 138L is without prejudice to the rights of BOSIAL in respect of the BOSIAL Priority Debt.

138M Rights of security stockholder: Nothing in this clause 138 shall affect the rights of any security stockholder for the purposes of the proviso to clause 129 of this deed, or any rights of any security stockholder or major security stockholder to give instructions to the trustee in the circumstances contemplated by this deed. Holders of security stock on the Effective Date will, for the avoidance of doubt, continue to be holders of security stock.

138N Lender instructions: Notwithstanding any other term of this deed to the contrary, it shall not be a breach of this deed (nor shall any enforcement rights arise under this deed) if a breach of this deed occurs solely by reason of Strategic Nominees Limited or Strategic Nominees Australia Limited acting in accordance with instructions from lenders (other than the company) in a manner that is contrary to any provision of this deed provided that:

- (a) Strategic Nominees Limited or Strategic Nominees Australia Limited (as the case may be) is contractually obligated to act in accordance with those instructions; and
- (b) the company has exercised any rights that it has as a lender pursuant to any loan where Strategic Nominees Limited or Strategic Nominees Australia Limited acts as its agent in a manner consistent with this deed.

In addition (notwithstanding clause 85), the trustee will, at the request and expense of the company, execute all documents which may be necessary to effectuate a release or discharge of any part of the charged assets of Strategic Nominees Limited or Strategic Nominees Australia Limited in any circumstances where Strategic Nominees Limited or Strategic Nominees Australia Limited is contractually obligated to dispose of the relevant charged assets in accordance with instructions from the lenders it represents (and subject to compliance with the proviso to this clause 138N).

138O No minimum number of non-executive directors: Clause 91.11 of this deed shall cease to apply with effect from the Effective Date.

138P Moratorium terms to prevail: To the extent there is any conflict or inconsistency between this clause 138 and any other term of this deed, the terms of this clause 138 shall prevail.

138Q Condition: This clause 138 shall not become effective unless Strategic Nominees Limited and Strategic Nominees Australia Limited have become charging companies as provided by this deed and BOSIAL has provided its approval in respect of the Extraordinary Resolutions (insofar as they relate to security stock).”

- (b) the trustee be authorised and directed to enter into a deed of amendment of the Trust Deed in respect of the amendments set out at part (a) of this resolution; and
- (c) the taking by the trustee of all actions necessary or desirable to give effect to the above matters be ratified, confirmed and approved.

Appendix 2: Noteholder Extraordinary Resolution

It is hereby resolved, by way of Extraordinary Resolution pursuant to clause 119.14 and clause 48 of Schedule 2 to the trust deed dated 28 July 1999 between Strategic Finance Limited and Perpetual Trust Limited (as amended) that (subject to the Stockholder Extraordinary Resolution and the Depositor Extraordinary Resolution (as defined in the Notice of Meetings and Explanatory Memorandum dated 2 December 2008 issued by Strategic Finance Limited) being passed at meetings to be held at the Michael Fowler Centre, Wellington Convention Centre, 111 Wakefield Street, Wellington on 22 December 2008, commencing at 10.00 am, or at any adjournment of any of those meetings), the Stockholder Extraordinary Resolution, the text of which is set out in pages 27 to 33 of this Notice of Meetings and Explanatory Memorandum, be approved.

Appendix 3: Depositor Extraordinary Resolution

It is hereby resolved, by way of Extraordinary Resolution pursuant to clause 48 of Schedule 2 to the trust deed dated 28 July 1999 between Strategic Finance Limited and Perpetual Trust Limited (as amended) that (subject to the Stockholder Extraordinary Resolution and the Noteholder Extraordinary Resolution (as defined in the Notice of Meetings and Explanatory Memorandum dated 2 December 2008 issued by Strategic Finance Limited) being passed at meetings to be held at the Michael Fowler Centre, Wellington Convention Centre, 111 Wakefield Street, Wellington on 22 December 2008, commencing at 10.00 am, or at any adjournment of any of those meetings) the Stockholder Extraordinary Resolution, the text of which is set out in pages 27 to 33 of this Notice of Meetings and Explanatory Memorandum, be approved.

Appendix 4: PricewaterhouseCoopers' independent report



PricewaterhouseCoopers
113-119 The Terrace
PO Box 243
Wellington, New Zealand
www.pwc.com/nz
Telephone +64 4 462 7000
Facsimile +64 4 462 7001

The Directors
Perpetual Trust Limited
PO Box 3845
WELLINGTON

Attention: Stephanie McGreevy

28 November 2008

ASSESSMENT OF A MORATORIUM PROPOSED BY STRATEGIC FINANCE LIMITED

Introduction

1. PricewaterhouseCoopers New Zealand ("PwC") has been retained by Perpetual Trust Limited ("the Trustee") to assess the Moratorium for Strategic Finance Limited ("Strategic Finance") and its subsidiaries (collectively "the Group"). The Moratorium affects holders of Stock, Notes and Deposits issued by Strategic Finance under a debenture trust deed ("the Trust Deed"), in respect of which Perpetual Trust Limited acts as Trustee.
2. All monetary amounts in this report are expressed in New Zealand dollars and stated exclusive of GST. Capitalised terms in this report have the same definitions and meanings as stated in the Explanatory Memorandum and Notice of Meeting. Reference to "Securityholders" means holders of Stock, Notes and Deposits collectively.
3. Due to the short timeframe we have had since being engaged to carry out our assessment, we have relied upon work undertaken by Strategic Finance, which included their:
 - a) Proposed wind down plan which reflects the current status of the key loans and proposed action plans; and
 - b) The wind down financial model to 30 June 2013.
4. We consent to this summary report being distributed to Strategic Finance's Securityholders. This summary report is being sent to Securityholders with the Notice of Meeting. This report should be read in conjunction with the statements and declarations set out in Appendix A regarding our independence, disclaimer, restrictions on the use of this report, limitation of liability and our indemnity.

Assessment of the Moratorium

5. The Directors of Strategic Finance are asking Securityholders to vote in favour of the Moratorium to allow Strategic Finance to wind down the property loan book and repay Securityholders over the Moratorium Period. If the Moratorium is not approved, Strategic Finance is likely to be placed into receivership. In effect, the Securityholders have a choice:
- a) allow existing management to continue to operate Strategic Finance under the Moratorium, or
 - b) not support the Moratorium, in which case Strategic Finance is likely to be placed into receivership.

Position of BOS International (Australia) Limited ("BOSIAL")

6. BOSIAL is a major stakeholder in the Strategic Finance business as follows:
- \$25 million advanced to Strategic Finance and secured by way of Security Stock. BOSIAL holds a prior charge in respect of the \$25 million ("BOSIAL Priority Facility") and BOSIAL is therefore entitled to payment of up to that sum (plus interest) in priority to other Stockholders and the Depositors and Noteholders;
 - Approximately \$75 million advanced to Strategic Finance and secured by way of Security Stock (ranks *pari passu* with other Stockholders) ("75 million facility"); and
 - Approximately \$392 million first mortgage advances to borrowers to whom Strategic Finance has also made advances.
7. BOSIAL has indicated it will support the Moratorium on the basis that asset values are more likely to be greater if assets are realised in an orderly way and provided that Strategic Finance complies with its obligations under the Moratorium. This support, which we understand would not be provided under a receivership, is as follows:
- If the Moratorium is implemented, BOSIAL has agreed to extend the repayment date of the BOSIAL Priority Facility to 31 December 2009. Provided that the terms of the Moratorium are met for this period, then penalty interest on the BOSIAL Priority Facility will not be payable. Based on the proposed repayment schedule this will result in an interest cost saving to Strategic Finance of \$0.3 million. Given the priority status of the BOSIAL Priority Facility, this cost saving is of benefit to all Securityholders.
 - Under the terms of its \$75 million facility BOSIAL is entitled to an interest rate higher than 8% per annum, however, if the Moratorium is implemented, BOSIAL has agreed to limit its interest rate to 8% per annum. Based on the proposed repayment schedule this will equate to interest cost savings of \$9.9 million, compared to what BOSIAL could have charged. As interest on BOSIAL's security stock is only payable after all Stockholders' principal is repaid, the savings in interest payable is primarily for the benefit of the Depositors and Noteholders.
 - BOSIAL has reserved all its rights in respect of its mortgage advances to borrowers to whom Strategic Finance has also made advances.

8. Under the BOSIAL Priority Facility, BOSIAL has the ability to appoint its own receiver. In the event that a receiver is appointed, this would result in extra costs and delays for other Securityholders represented by the Trustee's appointed receiver (if different receivers are appointed).
9. The relationship with BOSIAL to date has been significant and largely supportive. A co-operative relationship between Strategic Finance and BOSIAL under the Moratorium is expected by the Directors to result in better recoveries for all Securityholders. In our view this is a positive component of the Moratorium.

Assessment of the Moratorium

10. Based on Strategic Finance's financial projections and certain assumptions set out in the Explanatory Memorandum, Securityholders might receive full repayment of their principal and interest entitlements under the Moratorium ("Strategic Finance Base Case"). However, the Directors have noted that due to uncertainties that exist at present in relation to the property and finance markets it is not possible for them to advise Securityholders at this time that full repayment is likely to be achieved.

Reflecting the uncertainty in the current market, management's financial projections classify loans into three categories:

- \$135 million of loans which will not accrue fee or interest income (the "non-accrual loans");
- \$15 million of loans that are proposed to be converted to investment assets on which fee and interest income will not be accrued;
- balance of the loan book as loans on which fee and interest income will accrue (the "accrual loans").

Critical to Strategic Finance's ability to repay interest to Stockholders and principal and interest to Depositors and Noteholders is:

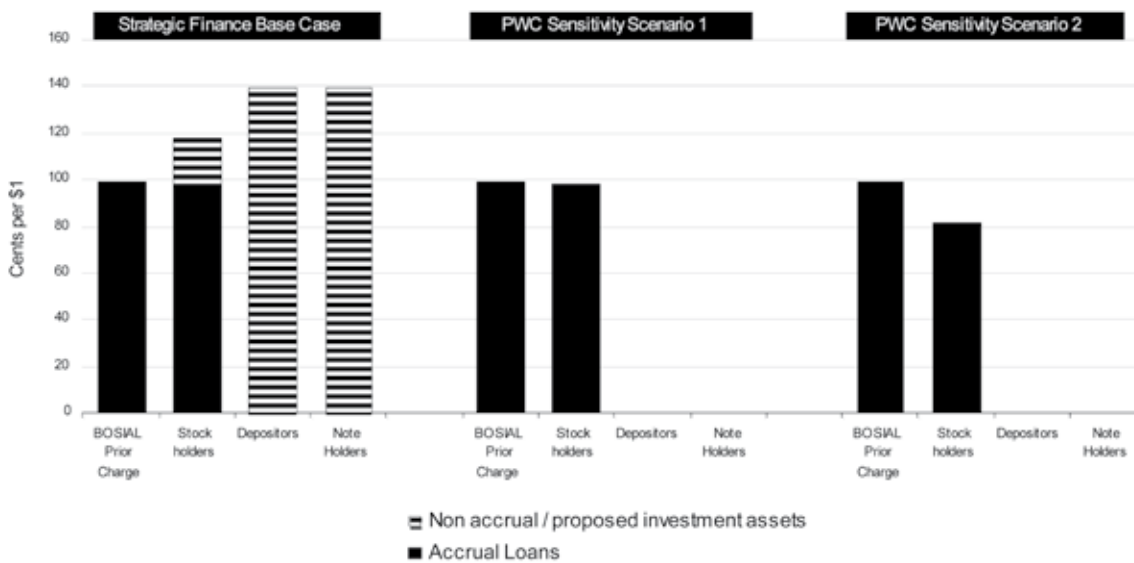
- First, no further provisioning on loans identified as accrual loans as at 31 October 2008 (except as provided for by Strategic Finance – refer to the Explanatory Memorandum at page 10). This assumes that all fee and interest income and any further advances on these loans over the Moratorium Period will be recoverable.
- Secondly, management have assumed that, overall, an amount equivalent to \$100 million of the \$150 million loans identified as either non-accrual or proposed investment assets will be recovered in 2013. Details of the loan book and provisioning are set out on page 10 to 11 of the Explanatory Memorandum.

Strategic Finance has identified several key loan exposures which require additional funding and/or the co-operation of senior lenders. In our view, if further funding is not obtained or senior lenders take aggressive recovery action, then losses on these key loan exposures could be significant and could result in losses beyond the level of provisioning currently made or included in the financial projections.

Based on our discussions with management and our own analysis and inquiries, at the present time we believe that management's view of expected loan recoveries is optimistic and that the level of provisioning may not be adequate. Projected recoveries may be dependant upon a significant improvement in the current market over the Moratorium Period.

11. Overall our high level analysis indicates a real prospect that Stockholders may not be fully repaid under the Moratorium and that Depositors and Noteholders may not receive any repayments. We note that similar analysis and conclusions would apply in the event of a receivership.
12. We have compared the total distributions to Securityholders under a range of scenarios. The scenarios utilise Strategic Finance’s Financial Projections and then have been amended by us as detailed below.

Estimated Distributions - Moratorium



Source: Unaudited management accounts and Financial Projections prepared by management.

Strategic Finance Base Case: – full repayment to all Securityholders of principal and interest. This indicates:

- repayment in full of BOSIAL Prior Charge
- repayment of 118 cents per dollar of principal to Stockholders (being 100 cents of principal and 18 cents of interest)
- repayment of 140 cents per dollar of Principal to Depositors and Noteholders (being 100 cents of principal and 40 cents of interest).

The different returns for the different classes of Securityholders reflect the difference in timing of repayment on an undiscounted basis.

As can be seen in the graph above, repayment of interest to Stockholders and principal and interest to Depositors and Noteholders is reliant on the recovery of an amount equivalent to \$100 million of the non-accrual loans and no further provisioning on accrual loans.

PwC Sensitivity Scenario 1: - based on the Strategic Finance Base Case as well as the assumption that an amount equivalent to \$100 million of the non-accrual loans will not be recovered. This indicates:

- repayment in full of BOSIAL Prior Charge
- repayment of 99 cents per dollar of principal (and no interest) to Stockholders
- no repayment to Depositors and Noteholders.

PwC Sensitivity Scenario 2: - based on the same assumptions as for Scenario 1 and a further specific key loan provision. This indicates:

- repayment in full of BOSIAL Prior Charge
- repayment of 82 cents per dollar of principal (and no interest) to Stockholders
- no repayment to Depositors and Noteholders.

13. In considering the scenarios presented above, it must be recognised that while Strategic Finance considers it has taken a realistic approach to provisioning its loan book, recovering the outstanding loans within the timetable envisaged in the Moratorium and at the levels forecast will be challenging. Collection delays and further write-downs are a real possibility.
14. The benefits of the Moratorium include the support of BOSIAL by extending the repayment date of the BOSIAL Priority Facility to 31 December 2009, limiting the interest rate on its \$75 million facility and not immediately appointing a receiver. The other benefits offered by the Directors in the moratorium are largely unquantifiable. The ability of management to achieve results in line with their financial projections will not be known until tested. It is, however, clear that the Directors and management have expressed a strong willingness to support the Moratorium.
15. In our view, the real decision facing Securityholders is whether they have confidence that Strategic Finance's Directors and management will be able to use the time that the Moratorium will provide to prudently manage Strategic Finance's assets so as to enhance the amount of cash that will ultimately be available to Securityholders, or whether the receivership option is preferable.
16. We consider that the extent to which there is likely to be any recovery from the non-accrual loans, as assumed in the Moratorium, will depend upon whether the property market generally improves over the Moratorium Period or conversely continues to deteriorate.

Conclusions on Assessment of the Moratorium

17. The amount of cash that will be available for distribution to Securityholders under either the Moratorium or the receivership alternative is not certain. However, our assessment of the Moratorium is that it may produce a more favourable outcome than receivership if, and only if:
- a) Strategic Finance's ongoing management is fully focused on maximising recoveries from the orderly realisation of the loan book.
 - b) Cost cutting measures are implemented to minimise operating and other expenditure.
 - c) Any further advances to Strategic Finance's borrowers are only made to maximise returns to Securityholders.
 - d) BOSIAL supports the Moratorium by extending the repayment date of the BOSIAL Priority Facility to 31 December 2009, limiting the interest rate on its \$75 million facility during the Moratorium Period and not immediately appointing a receiver.
 - e) Lenders with mortgage security ranking ahead of Strategic Finance do not take action that would be detrimental to Strategic Finance's position.
 - f) Strategic Finance continues to ensure that the Trustee is in a position to undertake ongoing monitoring of Strategic Finance, including the ability to investigate any potential breaches of legislation prior to the Moratorium, for the benefit of the Securityholders. The Moratorium does not rule out receivership in the future and it is important that if the expected returns to Securityholders are not being met within reasonable tolerances, then the Trustee retains various rights, including the ability to appoint a receiver.
18. On balance, we believe the Moratorium has merit and should be put to Securityholders.
19. We note that each Securityholder's circumstances are different and it is therefore not possible to advise or prescribe what action individual Securityholders should take in response to the Moratorium.

Scope of this Report

20. We have been engaged by the Trustee to prepare a report assessing the relative merits of:
- The Moratorium; or
 - Receivership of Strategic Finance.
21. The purpose of this report is to inform Securityholders regarding the details of the Moratorium and its likely manner of operation, and to assist Securityholders evaluate whether they wish to approve the Moratorium for Strategic Finance. This report should not be used for any other purpose. We note that each Securityholders' circumstances are different and it is therefore not possible to advise or prescribe what action individual Securityholders should take in response to the Moratorium.

22. In reporting our findings, we expressly draw attention to the fact that the timing of recovery of loan balances is inherently and highly uncertain. This uncertainty is heightened by the market conditions currently prevailing and the specific adverse conditions being experienced by Strategic Finance. There are also a number of factors beyond the control of management which will impact on the timing and ultimate level of cash generated from loan recoveries and other asset realisations. Our views and analysis are provided subject to this and to the other caveats noted elsewhere in this report, reflecting the level of uncertainty about the outcome for Securityholders.
23. The remainder of this report is set out under the following heading:

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Background

24. Strategic Finance is a specialist property financier, with lending exposures in New Zealand, Australia and the Pacific Islands. Strategic Finance's business has been mainly funded by debentures raised publicly from Securityholders. On 7 August 2008 Strategic Finance withdrew its prospectus and subsequently suspended all payments to Securityholders.
25. Strategic Finance's decision to cease accepting new investments and to suspend payments to Securityholders stemmed from a general deterioration in market conditions, weakness in the debenture-funded finance sector following a succession of finance company failures, declining property value; and difficulties experienced by Strategic Finance's borrowers with securing re-financings. These matters have led to concerns about the deterioration in the profile of Strategic Finance's loan portfolio and the liquidity required to meet repayments to the Securityholders as they fall due.
26. On 28 August 2008, Allco HIT Limited (ultimate parent company of Strategic Finance) entered into a sale and purchase agreement with a consortium comprising executives and management of Strategic Finance and an investment vehicle of BOSIAL, whereby Allco HIT Limited would sell Strategic Investment Group Limited, the immediate parent company of Strategic Finance, to that consortium. The consortium proposed a capital restructure of Strategic Finance in conjunction with the sale and purchase agreement. However, it was not possible to satisfy all conditions precedent for the proposal to proceed and on 17 October 2008 the sale and purchase agreement was terminated by agreement of all parties.

27. Allco HIT Limited has been unable to provide funding to assist Strategic Finance to overcome its liquidity issues in recent months. On 10 November 2008, partners from KordaMentha Australia were appointed as receivers and managers of Allco HIT Limited and some of its subsidiaries.
28. Strategic Finance's directors, management, and advisors have now prepared the Moratorium proposal that, inter alia, reschedules principal payments to Securityholders over an approximately five year period ending 31 December 2013, and introduces some new governance, lending and reporting covenants. The Moratorium is targeted at allowing time for an orderly and optimised realisation of assets, with the objective of thereby maximising returns to Securityholders.

Securityholders' Funds

29. As at 31 October 2008, Strategic Finance has approximately 12,800 Stockholders representing Stock with an aggregate principal amount of \$410.2 million (including \$120 million of nominal amount of Security Stock held by BOSIAL as security for an aggregate principal amount of approximately \$100 million). In addition Strategic Finance has approximately 1,000 Noteholders and 190 Depositors representing \$21.6 million of Notes and \$3.1 million of Deposits respectively.
30. Strategic Finance has also issued perpetual preference shares. The perpetual preference shares are fully subordinated to the amounts outstanding to the Securityholders and are not subject to the Moratorium. This report does not address the position of the perpetual preference share holders.

Property Loan Portfolio

31. Strategic Finance had total assets of \$516.7 million as at 31 October 2008, including a loan portfolio with a net book value after provisions of \$478.2 million. The loan portfolio comprises approximately 100 individual loans.
32. Strategic Finance has specialised in property funding including first mortgage and mezzanine financing. The majority of Strategic Finance's advances are secured behind prior ranking securities held by banks and other financiers. Consistent with the nature of its property funding, interest charges on many of Strategic Finance's loans are capitalised and are only due for payment upon maturity of the loan. Also consistent with the nature of Strategic Finance's lending and its relative risk profile, interest and fees charged on its property loans typically range between 12% and 26% per annum.
33. Strategic Finance's loan portfolio is highly concentrated within a small number of very large loans that together comprise a substantial majority of its total lending book. Its top 10 loans by borrower group account for 67% of the total portfolio. As at 31 October 2008, Strategic Finance had two lending exposures exceeding \$50 million each and a further seven lending exposures each exceeding \$20 million.
34. As at 31 October 2008, approximately 60% of Strategic Finance's loan portfolio was in default, as the loans had passed their due date for repayment and had yet to be repaid. A further 7% of loans would have been in default had their maturity dates not been extended.

35. This indicates that a number of Strategic Finance's borrowers are currently unable to meet their repayment obligations in accordance with the originally agreed terms of their lending agreements. The most common exit strategy for Strategic Finance on its lending positions has historically been by way of a refinancing by a bank or sale of the development. However, due initially to the tightening economic conditions and limitations on liquidity locally, and more recently at a global level, funding from banks or alternative funding providers for refinancing or purchasing developments has become difficult to obtain.

Loan Security Concentration

36. As at 31 October 2008, 41.3% of Strategic Finance's loan book is secured by first ranking mortgages. 58.5% of Strategic Finance's loans are secured by second ranking mortgages, ranking behind first mortgages totalling \$770 million.
37. Given the current state of the property market this second ranking may significantly impair the recoverability of some loans due to escalating first mortgage exposures (including imposition of penalty interest where borrowers are in default with their first mortgage lender), coupled with the potential lack of control that Strategic Finance as a second mortgagee has over the eventual realisation process.

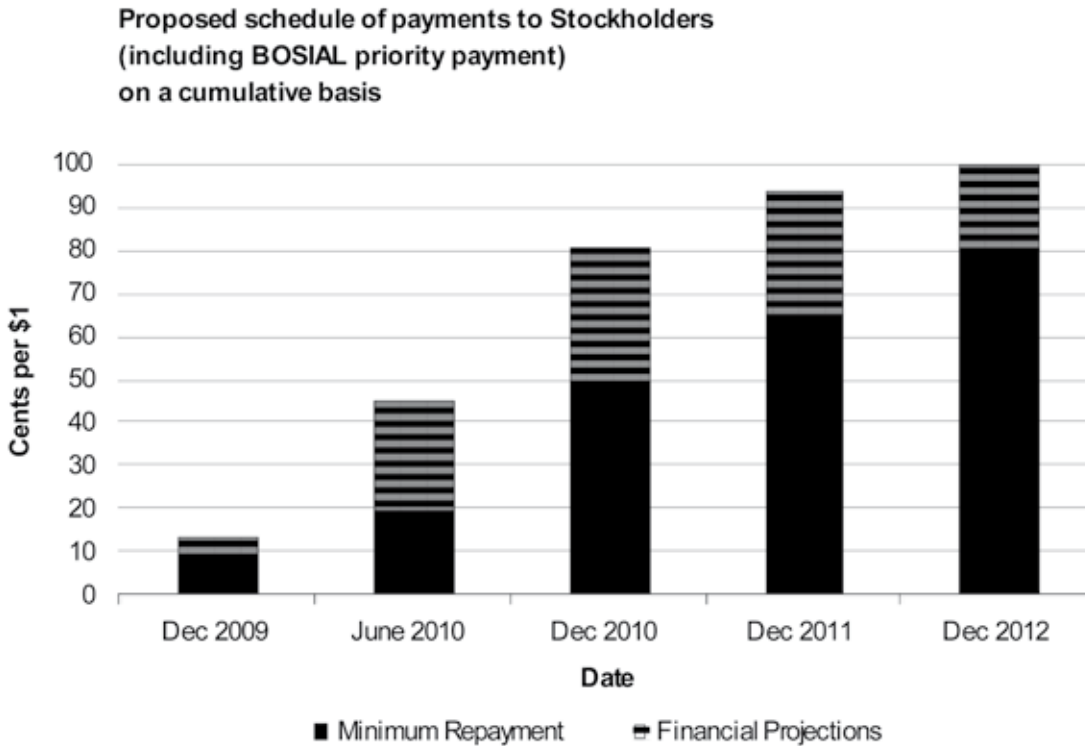
Governance and management

38. Strategic Finance is currently governed by a Board comprising four executive Directors and two non-executive Directors. Given that the Moratorium is based on a wind down proposal, it is likely that a number of the Directors will no longer be required if the Moratorium is implemented. It is envisaged that the composition of the Board will be reviewed within six months of the commencement of the Moratorium and is likely to result in a number of the Board retiring.

Repayment plan

39. The Extraordinary Resolutions provide for the funds that become available for payment to Securityholders during the Moratorium Period to be paid in the following order of priority:
- First, in payment of interest and then principal to BOSIAL in respect of the BOSIAL Priority Facility, up to a maximum principal amount of \$25 million (plus interest). Under the Moratorium, interest at 9.6% is payable each month in arrears, with the principal scheduled to be repaid by 30 June 2009 (although BOSIAL will extend the facility to 31 December 2009 if the Moratorium is approved).
 - Second, in payment of principal and then interest to Stockholders, *pari passu*.
 - Third, in payment of principal and then interest to Depositors, *pari passu*.
 - Fourth, in payment of principal and then interest to Noteholders, *pari passu*.
40. The Directors of Strategic Finance expect that the first repayment of principal under the Moratorium will be made in June 2009 in respect of the BOSIAL Priority Facility. The first payment to Stockholders is expected to be made in September 2009 and thereafter on a quarterly basis, over the Moratorium Period.

41. Based on Strategic Finance’s financial projections, the proposed schedule of payments in respect of principal to Stockholders (including the BOSIAL Priority Facility) is set out in the graph below. **This graph sets out the proposed schedule of repayments to Stockholders only and not Depositors or Noteholders.**



Source: Unaudited management accounts and Financial Projections prepared by management.

42. The black fill on the graph represents the minimum principal repayment to Stockholders and the grey lines on the graph represents the projected repayments under Strategic Finance’s financial projections (both on a cumulative basis).
43. Under the proposed changes to the Trust Deed, a Review Event will occur if Strategic Finance does not meet the minimum repayment (black fill on graph) required by 31 December 2009 and on a cumulative basis for each following year. It should be noted that in the year ended 31 December 2009 any repayment will first be used to repay the BOSIAL Priority Facility (\$25 million or 6.4 cents per dollar of principal) with the balance available to the other Stockholders.
44. It is not possible to say with certainty when Securityholders will receive any repayments of principal or any interest payments during the Moratorium Period. The timing and quantum of payments made by Strategic Finance will depend upon the realisation of Strategic Finance’s assets during the Moratorium Period.
45. Payment of principal and interest to Noteholders and Depositors is expected to be made in June 2013, but will only be made after full repayment of principal and interest in respect of the BOSIAL Priority Facility and to Stockholders.

Important Features of the Moratorium

46. There are a number of important features of the Moratorium that Securityholders should consider when deciding whether or not to vote in favour of the resolutions:
- Both the Moratorium and a receivership will involve a wind down of the business. We believe that a receiver would adopt a similar realisation process and timeframe to that assumed under the Moratorium.
 - Under the Moratorium, Strategic Finance will continue to be run by the existing management and Directors. Under a receivership, the receiver, with the assistance of management that may be retained, will have responsibility for realising Strategic Finance's assets and repaying Securityholders over time as assets are sold.
 - The Moratorium provides for some flexibility, should the market improve or other opportunities arise that could produce a better outcome for Securityholders. This could include a restructure of Strategic Finance's business that may not be available to a receiver.
 - Under the Moratorium BOSIAL will extend the term of the BOSIAL Priority Facility and waive its entitlement to penalty interest in respect of its \$75 million facility. A co-operative relationship between Strategic Finance and BOSIAL is expected to result in better recoveries for all Securityholders.
 - There is a high risk that management's forecasts of the amount and timing of cash inflows from realisation of the existing loan book will not be achieved under either the Moratorium or receivership.
 - Current conditions in global financial markets and the property development and lending sectors are extremely difficult and these conditions may persist for some time.
 - Realising Strategic Finance's loan book in the current environment will be challenging; a challenge that will be faced either by management if the Moratorium is adopted or by a receiver – it is not a feature that distinguishes either the Moratorium or receivership.
 - The Moratorium appropriately includes enhanced monitoring and review of Strategic Finance by the Trustee. Strategic Finance has proposed changes to the Trust Deed covenants to assist in ongoing monitoring and ensure that the Securityholders interests are not compromised.

Comparison of the Moratorium and Receivership

47. Should Securityholders not approve the Moratorium, then the only realistic alternative is that the Trustee and/or BOSIAL would in all likelihood move to appoint a receiver to protect their respective interests. A receiver's role would be to realise the assets of Strategic Finance in an orderly manner for the benefit of the Securityholders.
48. We summarise the characteristics of the receivership alternative as compared with the Moratorium in the following table:

Table 1 Moratorium and Receivership Comparison

Moratorium	Receivership
What are the expected loan and asset recoveries?	
<p>Strategic Finance's financial projections assume that the Moratorium is approved by Securityholders and therefore provides management with approximately a five year period during which Strategic Finance can work towards an orderly recovery of its loan assets, with a view to maximising the return from these loans, and therefore the cash able to be returned to Securityholders.</p> <p>One of the key assumptions implicit in the Moratorium is that a five year time period will allow Strategic Finance to manage its exposures through the current depressed period so that loan recoveries can occur when market conditions and Securityholder confidence improve.</p> <p>The objective under the Moratorium is to return to all Securityholders 100 cents per dollar of principal and also pay interest. Based on Strategic Finance's financial projections this will amount to a total of 118 cents per dollar of principal for Stockholders (being 100 cents of principal and 18 cents of interest) and 140 cents per dollar of principal for Noteholders and Depositors (being 100 cents of principal and 40 cents of interest). (All amounts are undiscounted for the time value of money).</p> <p>Strategic Finance intends to make quarterly payments of principal to Securityholders. Full and final payment of principal and accrued interest is dependent on:</p> <ul style="list-style-type: none"> the recovery of an amount equivalent to \$100 million of loans that have been identified at 31 October 2008 as non-accrual/proposed restructuring assets and no further provisioning (except as provided for in the forecast) on loans that are identified at 31 October 2008 as accrual. <p>Strategic Finance considers it has taken a realistic approach to provisioning its loan book but recovering the outstanding loans within the timetable envisaged in the Moratorium and at the levels forecast will be challenging given current market conditions and the number of second mortgage loans Strategic Finance has. Collection delays and further write-downs are a real possibility, which would erode the projected returns to Securityholders.</p>	<p>In our view a receiver will endeavour to avoid "fire sale" prices and will not be motivated to realise Strategic Finance's assets in a short timeframe if the recoveries available in the short-term are substantially below the recoveries that could reasonably be expected over a longer period. Accordingly, the period of recovery could be greater or less than five years, depending upon what the receiver considers appropriate.</p> <p>A receiver would consider engaging in lending on or restructuring of, existing loans to the extent that it enhances Strategic Finance's position or improves Strategic Finance's security and thereby maximises realisations. A receiver would prudently assess the risks and rewards of any such lending and would need to be convinced that such lending was likely to enhance recoveries for Securityholders.</p> <p>Overall, we conclude that there should be little difference between the Moratorium and receivership in terms of the final amount of the realisation of Strategic Finance's assets.</p>

Moratorium	Receivership
<p>What is the likely timing of distributions to Strategic Finance's Securityholders?</p>	
<p>Strategic Finance is proposing to make quarterly payments to Securityholders commencing 30 September 2009.</p> <p>We note that the quantum and timing of each payment to Securityholders will be dependent upon the timing of loan recoveries and levels of surplus cash held by Strategic Finance.</p> <p>In our view we consider that the likely level of loan recoveries will be lower than those forecast by management and the recovery of the loans will take longer than forecast.</p>	<p>The quantum and timing of each payment to Securityholders will be dependent upon the timing of loan recoveries and levels of surplus cash held by the receiver. We expect a receiver would seek to make distributions on a progressive basis as cash is recovered. Given the nature of Strategic Finance's loan book with a number of large loans, it is likely that the quantum and timing of each distribution would fluctuate significantly dependent upon actual collections.</p>
<p>What will be Strategic Finance's business operations?</p>	
<p>Strategic Finance's business operations will be wound down as assets are realised. Strategic Finance would not engage in any new lending other than to protect existing loans.</p> <p>Strategic Finance will maintain a cash buffer of up to \$10 million for operating costs, committed facilities and further advances on existing loans.</p> <p>The Moratorium provides for some flexibility, should the market improve or other opportunities arise that could produce a better outcome for Securityholders. This could include a restructure of Strategic Finance's business.</p>	<p>Strategic Finance's business operations will be wound down as assets are realised. A receiver will not engage in any new lending other than to protect existing loans.</p> <p>Once a receiver is appointed it is less likely that a restructure of Strategic Finance will occur.</p>
<p>How will Securityholders be repaid?</p>	
<p>Securityholders will be repaid from the proceeds realised from the orderly realisation of all Strategic Finance assets.</p>	<p>Securityholders will be repaid from the proceeds realised from the orderly realisation of all Strategic Finance assets.</p>
<p>Who will manage the process?</p>	
<p>The Directors and management team will remain in place and continue to operate the business albeit that there will be reductions in the size of the management team, staffing and overhead costs generally.</p> <p>Strategic Finance will appoint a Monitoring Accountant to both monitor Strategic Finance's compliance with the terms of the Moratorium and to review the progress of the Moratorium generally.</p> <p>The Monitoring Accountant will have the ability to investigate the business activities of Strategic Finance prior to the Moratorium and report its findings to the Trustee.</p>	<p>A receiver operating in conjunction with some or all of the existing management team.</p> <p>A receiver will not be influenced by past decisions when acting to realise Strategic Finance's assets.</p> <p>A receiver would have a duty under the Receiverships Act 1993 to report to the Registrar of Companies any offences that the Receiver considered had been committed against the Companies Act 1993, the Crimes Act 1961, the Securities Act 1978, the Financial Reporting Act 1993 or the Takeovers Act 1995.</p> <p>A receiver's powers are considerably less than those of a liquidator. A liquidator has a statutory obligation to review the actions of directors and management and has wide powers to void certain company transactions which could include the payment of dividends and related party loans where those transactions were entered into at a time when the company was unable to pay its debts as they fall due. In certain circumstances a liquidator can also apply to the Court for orders against past or present promoters, directors and managers of a company seeking repayment or other compensation.</p>

<p>What will the operating costs be?</p> <p>Management estimate that the total annual operating costs under the Moratorium will be approximately \$6 million in 2010 and reducing to \$3.4 million by 2013.</p> <p>Approximately \$8 - \$9 million will be paid under the Moratorium which would be unsecured claims in a receivership. These costs primarily relate to income tax and contracts that would be terminated under a receivership. In a receivership these costs would not be paid ahead of Stockholders as proposed by the Moratorium. In a receivership these costs would be paid pari passu with Depositors and ahead of Noteholders.</p>	<p>We consider that the appointment of a receiver to Strategic Finance would result in a cost of approximately \$1 to \$2 million per annum in addition to management's forecast annual operating costs.</p> <p>On balance, and taking into account, unsecured creditors and receivers' fees, we consider that the total operating costs under receivership are expected to be in line with those forecast under the Moratorium.</p> <p>This operating cost analysis does not take into account the penalty interest on the BOSIAL facilities which would be payable in a receivership. Details of BOSIAL's support under the Moratorium is set out below under "What support will other parties provide?"</p>
<p>What will the shareholders provide?</p> <p>The ultimate shareholder of Strategic Finance has been placed into receivership and accordingly will be unable to provide any additional support to Strategic Finance.</p>	<p>The shareholders will not provide any additional support to Strategic Finance.</p>
<p>What support will other parties provide?</p> <p>BOSIAL has advised that it supports the Moratorium on the basis that asset values are more likely to be greater if assets are realised in an orderly way and provided that Strategic Finance complies with its obligations under the Moratorium. This support, which we understand would not be provided under a receivership, is as follows:</p> <ul style="list-style-type: none"> • If the Moratorium is implemented, BOSIAL will extend the repayment date of the BOSIAL Priority Facility to 31 December 2009. Provided that the terms of the Moratorium are met for this period, then penalty interest will not be payable. Based on the proposed repayment schedule this will result in an interest cost saving to Strategic Finance of \$0.3 million. Given the priority status of the BOSIAL Priority Facility, this cost saving is of benefit to all Securityholders. • If the Moratorium is implemented, BOSIAL has agreed to limit its interest rate in respect of its Security Stock to 8% per annum. Based on the Moratorium proposed repayment schedule this will equate to interest cost savings of \$9.9 million, compared to what BOSIAL could have charged. As interest on BOSIAL's security stock is only payable after all Stockholders' principal is repaid, the savings in interest payable is primarily for the benefit of the Depositors and Noteholders. • Not appoint a receiver under the terms of the BOSIAL Priority Facility if the terms of the Moratorium are being met. • BOSIAL has reserved all its rights in respect of its mortgage advances to borrowers to whom Strategic Finance has also made advances. 	<p>No support is anticipated from other parties.</p> <p>BOSIAL is entitled to appoint its own receiver pursuant to its prior charge of \$25 million, which could result in further costs and delays for other Securityholders represented by a different receiver appointed by the Trustee.</p>

<p>What changes will there be to the Trust Deed covenants?</p>	
<p>The Trust Deed covenants have been changed to reflect the change in Strategic Finance's circumstances.</p>	<p>The Trust Deed covenants will not change with the appointment of a receiver.</p>
<p>What monitoring of Strategic Finance will be undertaken by the Trustee?</p>	
<p>In order to protect the interests of Securityholders a number of amendments are to be made to the Trust Deed under which the Debenture Stock has been issued. The principal amendments to the Trust Deed are:</p> <ul style="list-style-type: none"> • Enhancements to the reporting requirements and enforcement rights available to the Trustee; • Changes to the financial covenants imposed on Strategic Finance. <p>There will be monthly monitoring of Strategic Finance by the Trustee, through the appointment of a Monitoring Accountant who will be an observer at Strategic Finance's Board meetings as well as reporting on progress in the Moratorium. Also, there are specific Review Events set out under clause 138K of the Extraordinary Resolutions.</p> <p>The Trustee has the right to determine the action it will take following a review.</p>	<p>A receiver will report regularly to both the Trustee and the Securityholders.</p>

49. If the resolutions are not approved by the Securityholders, it is expected that Strategic Finance will be placed into receivership by the Trustee and/or by BOSIAL. A receiver will be appointed to realise the assets of Strategic Finance for the benefit of the respective interests of BOSIAL and Securityholders in an orderly manner over time.
50. In the event of receivership and subsequent liquidation of Strategic Finance, a liquidator has wide powers to investigate the conduct of the Directors and challenge transactions that a liquidator considers voidable.

Commentary on the Alternatives

What proportion of their investment will Securityholders get back?

51. The objective under the Moratorium is to return to all Securityholders 100 cents per dollar of principal and also pay interest.
52. Strategic Finance has undertaken detailed financial projections to quantify the potential cash flows to the Securityholders under the Moratorium. In our view the financial projections are subject to a high level of estimation error because of the inherent uncertainty about a number of the modelling assumptions, particularly the timing and amount of cash realised from Strategic Finance's existing loan book. The key message the Directors are signalling is that the Moratorium provides a better financial outcome for the Securityholders than receivership, albeit that the outcomes are uncertain under both alternatives.

53. While the Moratorium provides a timetable for potential repayment of principal and payment of interest, it cannot be taken for granted that payments will occur as planned. The general market conditions and the specific trading conditions being experienced by Strategic Finance mean that there is risk that under either a Moratorium or a receivership, cash available to the Securityholders will be less than current expectations. This risk has increased recently because of the continuing difficulties being experienced in financial markets.
54. The issue facing the Securityholders is whether, given the risks specific to each alternative, one alternative is likely to yield a more favourable outcome than the other. In this respect, our view on what distinguishes the two alternatives is:
- Confidence or otherwise that Strategic Finance Directors and management will be able to use the time that the Moratorium will provide to prudently manage Strategic Finance's assets to enhance the amount of cash that will ultimately be available to the Securityholders.
 - The position of BOSIAL under the Moratorium as outlined on page 37 of our report.
 - Unsecured creditor costs of \$8 to \$9 million that would be paid under the Moratorium in priority to Stockholders. Most of these unsecured creditor costs would not be paid in a receivership.

How and when will the Securityholders be repaid?

55. The existing assets of Strategic Finance comprise the existing loan book. Under both the Moratorium and receivership, cash for payment to Securityholders will depend on the orderly wind down of the loan book.
56. In our view, there should be little difference between the Moratorium and receivership in terms of realising the existing loan book. A receiver will act in the best interests of BOSIAL and the Securityholders respectively and will seek to maximise the cash from realising the loans in an orderly manner. A receiver will try to avoid having to accept "fire sale" prices when realising these assets.
57. Five years is a long time and there could be significant changes in Strategic Finance's circumstances, both positive and negative over that time. The value of Strategic Finance in 2013 cannot be forecast with any reasonable certainty.
58. An issue for Securityholders to consider is to what extent loans identified as non-accrual will in fact be recoverable and that no further provisioning (except as provided for in the forecast) is required on loans that are currently identified as performing. These are key management assumptions that will need to be proved correct if Stockholders are to receive interest over the Moratorium period and Noteholders and Depositors are to recover any principal or interest.

Risk Factors

The following risk factors should be considered by Securityholders before voting on the Moratorium.

Existing loans may not be realised at their projected value or there may be a delay in receipt of proceeds from realisation of the existing loans

59. Strategic Finance considers it has taken a realistic approach to provisioning its loan book but recovering the outstanding loans within the timetable envisaged in the Moratorium and at the levels forecast will be challenging. Collection delays and further write-downs are a real possibility. However, this will affect both the Moratorium and receivership – cash available under either alternative will be reduced.
60. Management believe they have an advantage over a receiver because of the detailed knowledge they currently have of the loan files and relationships they have with the various borrowers. Further, management consider that under the Moratorium it will have options to manage the available cash and the loan realisation process that will not be available to a receiver. Whilst that may be so, this needs to be balanced against a number of exposures where senior debt holders will dictate the approach to any recovery, particularly if property values continue to fall in the market.
61. Also, receivership is not foregone under the Moratorium. The option to place Strategic Finance into receivership at some time in the future is still available. The process and timing for triggering the appointment of a receiver will be determined by the proposed amendments to the Trust Deed under the Moratorium.

Cash may be invested in non-performing assets

62. Under the Moratorium, further lending on existing loans can occur where Strategic Finance is contractually obliged to do so or to protect existing loans. Further lending will involve risk and, if the further lending is material, could place the Securityholders in a worse position than under the receivership option if the new loans do not perform and are not collectible.
63. The extent of this risk depends on the ability of Strategic Finance's Directors and management to manage Strategic Finance's assets prudently and in a manner that does not disadvantage Securityholders. Also of importance is effective and timely monitoring of performance – the Monitoring Accountant and Trustee will be monitoring Strategic Finance monthly and there are specific Review Events set out under clause 138K of the Extraordinary Resolutions.
64. The Trustee has discretion as to the outcome of a Review Event. This could include the Trustee taking no further action or placing Strategic Finance into receivership.

Strategic Finance may not be able to retain key members of the management team

65. Under both the Moratorium and receivership alternatives Strategic Finance will need to ensure it retains key staff. To this end the Directors are proposing retention payments and bonuses to key staff. Any bonuses will need to be justified based on agreed performance criteria and approved by the Board.
66. It is possible that a receiver would propose discretionary bonuses based on agreed performance criteria.

Conclusions

Without the on-going support of its Securityholders, Strategic Finance is unable to meet its debts as they fall due. We consider there are two options available to Securityholders being either a Moratorium or the appointment of receivers to Strategic Finance.

The benefits of the Moratorium is the support of BOSIAL by extending the repayment date of the BOSIAL Priority Facility to 31 December 2009, limiting the interest rate on its \$75 million facility and not immediately appointing a receiver. The other benefits offered by the Directors in the moratorium are largely unquantifiable. The ability of management to achieve results in line with their financial projections will not be known until tested. It is, however, clear that the Directors and management have expressed a strong willingness to support the Moratorium.

In our view, the real decision facing Securityholders is whether they have confidence that Strategic Finance's Directors and management will be able to use the time that the Moratorium will provide to prudently manage Strategic Finance's assets so as to enhance the amount of cash that will ultimately be available to Securityholders, or whether the receivership option is preferable.

Yours faithfully

PricewaterhouseCoopers



John Fisk
Partner

Appendix A

Statement of Independence, Disclaimer, Restrictions, Limitation of Liability and Indemnity

Independence

PricewaterhouseCoopers considers itself independent of Strategic Finance and its related entities in relation to the Moratorium. We confirm that:

- We have not been responsible for formulation of the Moratorium, although we have provided advice to the Trustee on various matters.
- Our fees for preparation of this Report are based on the time required for its completion, and are not contingent on the success or implementation of the Moratorium; and
- We are not, and do not intend to be, a director, officer, or employee of Strategic Finance or any associated entity; however, PwC may be requested to undertake an ongoing monitoring role on behalf of the Trustee if the Moratorium is approved.
- In addition to the provision of this Report, we have carried out the following work during the last three years for Strategic Finance or parties associated with it:
 - PwC Australia acted as auditors of Allco HIT Limited and resigned in January 2008. PwC Australia still provides audit services to Allco Hybrid Investment Trust which has no operations in NZ and has no direct involvement with Strategic in NZ.
 - PwC Australia undertook due diligence on Strategic Finance for Allco HIT Limited in 2005 and 2006. Assistance was provided by PwC NZ for some of this work.
 - PwC NZ, for the 2007 financial year only, undertook a restricted review of the Strategic audit (auditors for Strategic were BDO Spicers and are now KPMG).
 - PwC was engaged to provide tax due diligence and tax structuring advice to the consortium that had been formed to acquire Strategic under a capital restructure plan:
 - Tax advice has been provided to Allco HIT Limited in respect of the Strategic business. PwC also acts as tax agents for one of the NZ holding companies. PwC Australia continues to perform limited tax services for Allco HIT Limited.
 - PwC acts for one of the directors of Strategic Finance in respect of his family and personal affairs.
- We believe that the independence of PricewaterhouseCoopers asserted in relation to the conduct of this assignment is not impaired by our other work undertaken for Strategic Finance or any of its related parties.

Consent

We consent to this letter being distributed to Strategic Finance's Securityholders.

Disclaimer and restrictions on the scope of our work

The statements and opinions expressed in this Report are based on information available as at the date of the Report.

In preparing our Report, we have not independently verified the accuracy of information provided to us, and have not conducted any form of audit in respect of Strategic Finance or any of its related entities. Accordingly, we express no opinion on the reliability, accuracy, or completeness of the information provided to us and upon which we have relied.

In forming our opinions, we have relied on forecasts and assumptions prepared by Strategic Finance about future events which by their nature are not able to be independently verified. Inevitably, some assumptions may not materialise and unanticipated events and circumstances are likely to occur. Therefore, actual results in the future will vary from the forecasts upon which we have relied. These variations may be material.

The statements and opinions expressed in this letter and our Report have been made in good faith and on the basis that all relevant information for the purposes of preparing our Report has been provided by Strategic Finance and / or its directors and advisors, and that all such information is true and accurate in all material aspects and not misleading by reason of omission or otherwise. Accordingly, neither PricewaterhouseCoopers nor its partners, employees or agents, accept any responsibility or liability for any such information being inaccurate, incomplete, unreliable or not soundly based or for any errors in the analysis, statements and opinions provided in our Report resulting directly or indirectly from any such circumstances or from any assumptions upon which our Report is based proving unjustified.

Our opinions have been arrived at based on economic, market and other conditions prevailing at the date of our Report. Such conditions may change significantly over relatively short periods of time.

We reserve the right, but will be under no obligation, to review or amend our Report, if any additional information, which was in existence on the date of our Report, was not brought to our attention, or subsequently comes to light.

Limitation of Liability

PricewaterhouseCoopers will accept liability to pay damages for losses arising as a direct result of breach of contract or negligence on our part in respect of services provided in connection with, or arising out of, this engagement but, to the extent permitted by law, any liability of PricewaterhouseCoopers, its partners and staff (whether in contract, negligence or otherwise) shall in no circumstances exceed the greater of \$500,000 or five times the fees paid in aggregate in respect of all such services.

Indemnity

Perpetual Trust and Strategic Finance have agreed to indemnify us against claims brought by any third party (which includes but is not limited to Strategic Finance and the Investors). The indemnity covers PricewaterhouseCoopers for any loss or liability suffered or incurred as a result of or in connection with the preparation of our Report. The indemnity will not apply to the extent that it has been determined by a Court that there is negligence or misconduct on our part. The extent of the indemnity from the Trustee is limited to the realisable value of the asset to which Perpetual Trust has recourse under the Trust Deed between itself and Strategic Finance.

