

29 December 2010

Dear Investor

Bridgecorp Limited (In Receivership & In Liquidation)
BFSL 2007 Limited (In Receivership)
BNL 2007 Limited (In Receivership)
B2B Brokers Limited (In Receivership)
Monice Properties Limited (In Receivership)
Bridgecorp Capital Limited (In Receivership);
together “Bridgecorp”

1. Introduction

Our last report to secured debenture investors was dated 22 December 2009. We take this opportunity to provide you with a further update on the progress of the receiverships and our investigations into events leading up to the receivership of Bridgecorp.

2. Returns to Secured Debenture Investors

In our previous update we advised that we would update investors further should any material developments occur in respect of remaining activities. A key development in respect of likely returns to secured debenture investors relates to a potential claim from Inland Revenue (“IRD”), detailed below. Whilst we have insufficient information at the date of this letter to enable assessment of the likely impact of this claim, the receivers did not wish to further delay providing an update.

Unfortunately, whilst we continue to vigorously pursue all possible avenues of recovery and ensure both that the interests of Bridgecorp’s investors are protected as much as is possible and that those parties responsible for the substantial losses suffered are held to account, we remain of the view that recoveries to secured debenture holders will be less than ten cents in the dollar. We set out below an update on the various key aspects of the Bridgecorp receiverships.

Overseas Loan Assets

In our prior updates, we noted that the majority of remaining material recoveries from Bridgecorp’s assets were dependent upon high value loans over properties located in Australia and Fiji.

- Bridgecorp’s largest loan exposure (in excess of NZD100m) relates to the Momi Resort development in Fiji, over which a prior mortgagee had asserted control. In June 2010 a decree was issued by the Government of Fiji purporting to vest the land in the name of the prior mortgagee and prohibit any further legal action in respect to the transfer to that mortgagee and related issues. Accordingly, whilst we continue to investigate potential actions available to Bridgecorp, the outcome remains uncertain and it is likely that a complete loss will be suffered on this loan exposure.
- In respect of Bridgecorp’s loan exposure to hotel assets in Australia (totalling approximately \$50m), all of the hotel assets have now been sold and we are in discussions with the receivers/liquidators of the associated entities in respect of disbursement of the surplus proceeds to various creditors, including Bridgecorp. However, based upon the figures provided to us, a substantial shortfall on Bridgecorp’s loan is anticipated.

New Zealand Loan Assets

The majority of physical assets subject to security held by Bridgecorp have now been realised and the Bridgecorp offices have now been closed. We continue to pursue guarantors and other available avenues for recovery of outstanding monies where analysis indicates a potential net benefit for the investors of Bridgecorp.

Other

Potential recoveries are being sought in respect of actions taken against directors and other third parties, including possible claims on various insurance policies held by Bridgecorp. These claims involve complex legal issues and we are unable to accurately predict a timeframe for their resolution.

3. Inland Revenue Claim

Background

Prior to the receivership of Bridgecorp, IRD had commenced an investigation into various property transactions involving Bridgecorp and other entities. Discussions have been held with IRD and correspondence exchanged regarding these investigations during the course of the receivership. In mid-2010 IRD advised that they intended to issue a Notice of Proposed Adjustment ("NOPA") to a related party relating to GST which may impact upon the preferential creditor position of Bridgecorp.

Impact upon Interim Distributions to Secured Debenture Investors

As at the date of our most recent statutory report, funds on hand in the Bridgecorp receiverships totalled \$15.4m. By law these funds are subject to preferential claims which may be submitted by IRD for certain taxes, including GST. Once verified these claims must be paid in priority to distributions to secured debenture investors. An expected claim of \$3.9m has been received to date from IRD and we had hoped to be able to make an interim distribution to investors from the remaining funds. Unfortunately, as IRD has notified the receivers that a further claim may be forthcoming, no funds may be disbursed until such time as that claim is received and assessed for validity as a preferential claim.

Until such time as the NOPA is received and the quantum and basis of any claim is known we cannot estimate the likely impact for investors. We continue to follow up the matter with IRD and advise them of the urgency of the position.

4. Investigations

We continue to actively pursue a number of potential actions against certain of Bridgecorp's directors and other parties in respect of their conduct prior to receivership, and we are working with legal counsel and various Government Authorities to co-ordinate action in this regard. We also continue to work with the Official Assignee to quantify claims to be made in the bankruptcies of Messrs Petricevic and Roest, and to identify any further potential assets which may be recovered to meet such claims.

The criminal proceedings brought against all five Bridgecorp directors are ongoing, with a trial date for charges brought by the NZ Securities Commission set down for July 2011. We understand the current charges being addressed in that trial carry a maximum penalty of five years imprisonment and/or fines up to \$300,000.

5. Concluding Remarks

We regret that we are unable to provide investors with an amount and date for any interim distribution due to the potential of a further preferential claim. We will continue to seek the details of the claim and once sufficient clarification is received from IRD we will immediately provide a further update to investors.

Should you wish to contact us with regard to the receiverships, please do so via our website, telephone, facsimile, or private bag address, as follows:

Bridgecorp Limited (In Receivership & In Liquidation)
c/- PricewaterhouseCoopers
Private Bag 92-162
AUCKLAND
Telephone: +64 9 355 8800
Facsimile: +64 9 355 8013
Website: www.pwc.com/nz/Bridgecorp

Please be advised that our offices will be closed over the Christmas period, reopening on Monday, 17 January 2011 and we will respond to any queries during that period following our return.

Once again we thank you for your ongoing support and patience through this difficult process.

Yours faithfully



Colin McCloy
Receiver