

**MEDIA RELEASE – 14 May 2010**

## **DORCHESTER CAPITAL RECONSTRUCTION GETTING CLOSE**

Perpetual Trust today announced it is well advanced in negotiations with Dorchester Finance in relation to their proposed Capital Reconstruction Plan. Perpetual Trust is the trustee for the debenture holders in Dorchester Finance. The debenture holders approved a moratorium for the company in December 2008.

“We expect that a final decision on the proposed plan will be made within the next 2-3 weeks. It is a long process working through the detail and negotiating a plan which is in the best interests of investors”, said Matthew Lancaster of Perpetual Trust.

“The plan was first announced to the market before Christmas. We have received the final report from the independent expert, PricewaterhouseCoopers, which we have commissioned for the debenture holders.

“We are also undertaking the final review of the meeting documents to ensure that they contain sufficient information to enable debenture holders to make an informed decision,” said Mr Lancaster.

The plan which is to be put to debenture holders for their consideration is conditional on Dorchester Pacific Ltd (Dorchester Finance’s parent) raising a minimum of \$8 million new capital from a proposed rights issue of \$10 million (100 million shares at 10 cents per share). It is also conditional on shareholder approval and subordinated noteholder approval.

Under the Capital Reconstruction Plan it is likely Dorchester Finance debenture holders will be offered four different securities in exchange for their outstanding Debenture Stock, of which 50 cents of the principal amount has already been re-paid.

The four securities which would be allocated amongst debenture holders in proportion to their holdings consist of units in a Property which will hold \$33 million of hotel properties, \$20 million of Interest Bearing Secured Notes; 36.5 million shares in Dorchester Pacific, the same number as currently on issue, and so representing 50% ownership prior to any further capital raising, and finally, options to purchase Dorchester Pacific Shares in 3 years at a set price.

“These types of reconstructions are complex and take a lot of time to fully assess to determine that they are in the interests of debenture holders, and also to ensure that the process complies with applicable securities legislation. We are almost there,” concluded Mr Lancaster.

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