



Name
Address

[] 2011

Five Star Consumer Finance Limited (In Receivership) (“Five Star or the Company”)

Dear

Investor Number <0000>

We last wrote to you on 15 December 2010 and now take this opportunity to update you on progress since that last update.

Distributions

All secured debenture investors (“Investors”) have received repayments totaling 22.5 cents in the dollar.

The Company made a significant loan to a Trust prior to receivership. We as receivers of the Company applied to the Court to have the Trust placed in receivership, which occurred in December 2007. During the course of that receivership funds were recovered by the Trust from a third party. The Company has recently received an interim distribution from the receivers of the Trust with a potential further (and final) distribution to be made in early 2012. The funds that will comprise the final distribution are subject to competing claims by third parties. We anticipate that the outcome of such claims, including whether the Company will receive a final distribution, will be known early next year.

Based on this additional recovery (including the potential final distribution), together with the funds already held, we estimate that Investors could receive up to a further 5 cents in the dollar of their outstanding investment, bringing the total possible repayment up to 27.5 cents in the dollar (excluding potential recoveries from the legal actions discussed below).

Investigations and Legal Actions

In November 2009 the Ministry of Economic Development laid criminal charges against the Company’s directors and an alleged shadow/de facto director for breaches of the Securities Act 1978 and Financial Reporting Act 1993. Guilty pleas were entered, and sentencing took place on 22 December 2010. Two directors had prison sentences imposed while another received a sentence of home detention. The alleged shadow/de facto director is seeking to have his early guilty plea vacated. At this stage it is not appropriate to comment further on the merits and likely outcome of this proceeding.

Meanwhile, in August 2009 the Serious Fraud Office also laid charges against those same individuals concerning related party lending that took place between 2003 and 2007. The two directors who had prison sentences imposed for the Ministry of Economic Development's prosecution were also sentenced on the Serious Fraud Office's charges (and received a prison sentence to be served concurrently with their prison sentences under the Ministry of Economic Development's prosecution)



on 22 December 2010 after pleading guilty. The third director and alleged shadow/de facto director have pleaded not guilty. A hearing date for this matter has been set down for 18 June 2012.

Given that the subject matter of the Ministry of Economic Development criminal proceedings was similar to the Company's civil proceedings, the Court exercised its discretion in the usual way and adjourned the Company's proceedings until after the criminal proceedings have been heard. At present the Court has rescheduled the Company's civil proceedings for a trial commencing on 12 March 2012. Even if the Ministry of Economic Development criminal proceedings are concluded before that time, similar issues arise with the Serious Fraud Office criminal proceedings, and as such a further adjournment of the Company's civil proceedings until after 18 June 2012 is likely.

Two of the directors and the alleged shadow/de facto director applied for bankruptcy in December 2010 and February 2011 and are now bankrupt. The receivers have been in regular contact with the Official Assignee and understand that there is little prospect of recovery in the bankruptcy of these directors and shadow/de facto director.

Prior to the end of 2011 we anticipate ascertaining more information about the solvency of the remaining director and a decision will be made about the civil proceedings moving forward. Such actions will only be pursued with ongoing assessment of the legal position and available remedies, including (but not limited to) any potential recoveries for Investors through Court action. Potential quantum of litigation costs, risks and timeframes will also be assessed.

We have considered the conduct of third party advisors to FSCF and in particular whether the criminal offending by the directors should have been detected. There is some potential to suggest that such offending should have been detected, however, the receivers' assessment (after taking legal advice) is that the extensive costs, risks and delays of litigation do not commercially justify an action by the Company or its receivers. We have, however, advised the FMA of the receivers' assessment for it to consider whether an action (or actions) might be available under Financial Markets Authority Act 2011.

Closure of the Receivership

With the progress made during 2011 we are working towards the closure of the receivership during 2012. We will provide you with a further update prior to 31 July 2012, or earlier should there be significant developments in the legal actions that may warrant an update. In the meantime, should you wish to contact us please do so via our website, telephone, facsimile, or private bag address, as detailed previously.

Yours faithfully

A handwritten signature in black ink, appearing to be 'R D Agnew'.

R D Agnew
Receiver

A handwritten signature in black ink, appearing to be 'C T McCloy'.

C T McCloy
Receiver