



Nathans Finance NZ Limited (In Receivership) (“Nathans”) – Update to Investors

11 December 2013

Dear Investor

We write to inform you that we are making an interim distribution of 3 cents in the dollar to Nathans’ secured debenture investors and to provide an update on the progress of the receivership.

Background to this update

On 23 December 2008 the Securities Commission (now Financial Markets Authority) laid criminal charges and issued civil proceedings against Nathans’ directors John Hotchin, Donald Young, Kenneth Moses and Mervyn Doolan in relation to making untrue statements in the Company’s registered prospectus, investment statement and letters sent to members of the public advertising Nathans’ debenture stock offer documents in 2006 and 2007.

Prior to trial, John Hotchin pled guilty to three charges of making untrue statements in relation to Nathans’ bad debts and liquidity. He was sentenced to 11 months home detention and was ordered to pay \$200,000 to Nathans. This amount was paid into the receivership for the benefit of all creditors.

At trial, Donald Young, Kenneth Moses and Mervyn Doolan were all found guilty on five charges laid by the Securities Commission. They received the following sentences:

- Donald Young was sentenced to 9 months home detention and was ordered to pay reparations of \$310,000;
- Kenneth Moses was sentenced to 2 years and 2 months imprisonment and was ordered to pay \$425,000 in reparations; and
- Mervyn Doolan was sentenced to 2 years and 4 months imprisonment and was ordered to pay \$150,000 in reparations.

The Court deliberated on whether the reparations paid by Donald Young, Kenneth Moses and Mervyn Doolan should be distributed to investors who suffered loss from the misleading prospectus in question or whether the reparations should be transferred to the receivership for the benefit of all creditors. Eventually, the Court decided that the reparations will be better used if it was transferred to the receivership to allow the receivers to continue legal actions against the directors, a former director, and the auditors of Nathans.

Receivers’ legal action against Nathans’ directors and auditors

The Receivers have entered into a confidential settlement with the directors and auditors of Nathans. The agreement provides for full and final settlement of all claims available to the Receivers relating to the collapse of Nathans and, in the case of the auditors, is on the express basis that liability has not been admitted. This settlement has led to proceedings being issued against Nathans’ former D&O insurers.



The proceedings against the insurers are at an early stage. No hearing date has been set. The claims involve complex legal issues and we are unable to accurately predict a time frame for their resolution. It is clear, however, that the outcome of this legal action will have a material impact on the amount and timing of any dividends ultimately payable to Nathans' investors.

Distribution

As a result of the settlement with the directors and auditors we are making a third interim distribution of 3 cents in the dollar to secured debenture investors. Please refer to the Computershare letter enclosed for further details of the distribution.

We will continue to update investors on a regular basis. Should you wish to contact us, please do so via our website, telephone, facsimile, or private bag address, as follows:

Nathans Finance NZ Limited (In Receivership)
c/- PricewaterhouseCoopers
Private Bag 92-162
Auckland

Telephone: +64 9 355 8451
Facsimile: +64 9 355 8013
Website: www.pwc.co.nz/nathans-finance

We would like to take this opportunity to thank you for your ongoing patience and support.

Yours faithfully
Nathans Finance NZ Limited (In Receivership)

A handwritten signature in black ink, appearing to read 'Colin McCloy'.

Colin McCloy
Receiver