



27 June 2014

Dear Investor

**Subject: Strategic Finance Limited (In Receivership and In Liquidation) (“SFL”)
Strategic Nominees Limited (In Receivership)
Strategic Nominees Australia Limited (In Receivership)
Strategic Advisory Limited (In Receivership)
Strategic Mortgages Limited (In Receivership)
(Collectively, “Strategic”)**

1. Introduction

We refer to our last update to secured debenture investors dated 31 March 2014. We take this opportunity to provide you with a further update on the progress of the receiverships.

This report is subject to the restrictions set out at Appendix I.

2. Legal claims against third parties

Directors and Auditors

Attached as Appendix II is our media release regarding the settlement agreement reached with the directors and auditors.

We expect the agreement to become unconditional by 8 August 2014 with the first instalment due under the settlement in August 2014. A final instalment is due in November 2014.

3. Revised overall expected return to secured debenture investors

In our March update, our estimated range of recoveries to secured debenture investors was 12% to 20% of the principal amount outstanding as at the date of receivership.

Assuming the settlement concludes as expected, we now expect the range of recoveries to be between 17% - 21% of the principal amount outstanding as at the date of receivership. To date distributions have amounted to 10%.

Assuming the settlement milestones referred to above are reached, we hope to make an initial distribution of at least 2 cents in the dollar by 30 September 2014 with a further distribution of 3 cents in the dollar following the final payment due under the settlement agreement by the end of the year.

We will continue to refine and update the estimated recovery range in future reporting.



4. Concluding comments

The settlement with the directors and auditors has resolved one of the last major issues for the receivership of Strategic. Work continues on realising the remaining loan book assets and concluding the receivership.

Should investors or other stakeholders have any queries arising from this report, please contact us in writing via our website, facsimile, or postal address, as follows:

Strategic Finance Limited (In Receivership and In Liquidation)
PricewaterhouseCoopers
PO Box 243
Wellington
Facsimile: +64 4 462 7492
Website: www.pwc.com/nz/strategicfinance

Yours faithfully

A handwritten signature in black ink, appearing to be 'John Fisk', written over a horizontal line.

John Fisk
Receiver



Appendix I

Restrictions

- The statements and opinions expressed herein have been made in good faith, and on the basis that all information relied upon is true and accurate in all material respects, and not misleading by reason of omission or otherwise.
- We have not independently verified the accuracy of information provided to us, and have not conducted any form of audit in respect of Strategic. Accordingly, we express no opinion on the reliability, accuracy, or completeness of the information provided to us and upon which we have relied. Whilst all care and attention has been taken in compiling this report, we do not accept any liability whatsoever arising from this report.
- The statements and opinions expressed in this report are based on information available as at the date of the report.
- 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 this report was not brought to our attention, or subsequently comes to light.
- We have relied on forecasts and assumptions 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.



Appendix II

Settlement Reached for Strategic Finance Claims

[5 June 2014]

PwC Partners John Fisk and Colin McCloy, as Receivers of Strategic Finance Limited (In Receivership and Liquidation) (Strategic), and the Financial Markets Authority (FMA), have announced today that they have finalised a settlement agreement with the former directors and auditors of Strategic for \$22 million.

The settlement represents some 5 cents in the dollar for secured investors and will mean that total distributions to secured investors by the end of the year will amount to 15 cents in the dollar.

As part of the settlement, the directors have undertaken that, without prior written approval of the FMA, they will not:

1. act as a director or promoter of a public issuer for five years; or
2. accept appointment as a Chief Executive Officer or Chief Financial Officer (or equivalent) of a public issuer of securities for three years.

The agreement settles civil claims made by the Receivers against Strategic's directors for alleged breach of duties under the Companies Act 1993 and claims against the auditors for the 31 December 2007 audit. It also settles claims made by FMA against Strategic's directors for alleged breaches of the Securities Act 1978. The settlements are made without any admission of liability by any party, and encompass all claims as between the Receivers, FMA, trustees, liquidators, directors and auditors.

Mr Fisk says, "The confidential settlements with the directors and auditors are subject to one remaining condition which is expected to be met over the coming months, with payments due to be completed by November, enabling the Receivers to make further distributions to secured debenture investors prior to the end of this year."

Belinda Moffat, FMA Director of Enforcement and Investigations said, "The recovery of compensation for investors and the undertakings from the directors through this settlement is an appropriate response to FMA's concerns and is in the best interests of investors. This resolution demonstrates the commitment and co-ordination between FMA and the Receivers to reach an outcome we believe will help to continue to restore confidence in our financial markets."

Strategic, which had significant cash reserves in early February 2008, ceased ordinary course trading in early August 2008 and entered into a moratorium with its investors in December 2008. It was eventually placed into receivership on 10 March 2010.



The Receivers' claims against the directors and auditors have principally focused on losses suffered by the company during 2008, prior to the agreed moratorium. The Receivers have also focused on recovery of the loan book whilst also investigating other potential recovery options for investors.

Mr Fisk says, "We are pleased that we have made a significant step forward in resolving one of the last major issues for the receivership of Strategic. The settlement process was rigorous and complex, but agreement was ultimately able to be reached between all parties.

"We have conscientiously weighed the negotiated settlement we have been able to achieve against the risks and benefits of litigation.

"In the end, and following consultation with key stakeholders, the decision by us and FMA to agree to the settlement will enable secured investors to have certainty and further funds before the end of this year."

Work continues by the Receivers on realising the remaining loan book assets and concluding the receivership. A revised estimate of the final outcome for secured debenture investors will be provided in the Receivers' next update.

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