

South Canterbury Finance Action Group - Frequently Asked Questions (FAQs).

What is the purpose of the SCF perpetual preference shareholders action group?

The purpose is to fund an initial investigation into the events leading up to the failure of SCF and to determine whether any parties failed in their obligations to the SCF perpetual preference shareholders (PPS) and whether or not any actions should be undertaken to pursue these parties.

What is the purpose of the SCF PPS meetings?

The purpose is to gather together the PPS shareholders to ascertain whether or not they would be prepared to fund the legal costs of the investigation phase as to whether or not there is a case.

Who is leading the action?

The initial stages are being driven by Chris Lee, a Kapiti Coast Authorised Finance Advisor, heading up the firm Chris Lee & Partners. He has to this stage funded (from his own pocket) a legal investigation by two prominent lawyers to gauge whether there is a legal case to answer. He is joined on the investigation committee by Michael Connor (an Auckland AFA) and Dan Tait-Jamieson (a Wellington-based investor).

How will the action work?

There are 3 distinct stages:

1. A legal investigation phase to establish whether or not a valid case exists. This needs to be funded by the preference shareholders. Without the funding the investigation phase will not proceed.
2. Should it be shown that there is a case to be answered, a 'litigation funder' will be approached to see whether they wish to fund the remainder of the case (to its conclusion) in exchange for a percentage of any successful proceedings.
3. If a litigation funder agrees to fund the case, they then take the case over and proceed with the action.

What is a 'litigation funder'?

It is exactly as it sounds. They are large specialised investment groups that specialise in funding legal actions such as the one we are proposing. They will study the case and if they think an action is warranted, they will fund the legal costs of the case (which can be substantial) in exchange for a percentage of the outcome (if any). Without them, a case is unlikely to proceed.

Why are the preference shareholders being asked to contribute money for a legal fund?

The reality is if we want to get a case off the ground we are going to have to fund the investigation phase ourselves. No-one else is going to do this for us.

How much needs to be raised?

For the investigation phase to continue we need to raise a minimum of \$100,000 in total but hopefully a lot more than that can be raised if as many people as possible contribute.

How many preference shareholders were there?

The share register has 3200 individual shareholders for \$125m of preference shares. However, it is likely that the actual number of shareholders could be as many as 4000 holders as some individual

holdings are held collectively under various broker accounts. All preference shareholders are being asked to contribute to the costs.

How much should you contribute?

Ideally your contribution should be in proportion to the size of your shareholding, so that people contribute on the basis of what their holding was. There is no maximum amount and people are asked to consider contributing a minimum of 0.5% of their holding.

You can contribute a higher amount than 0.5% should you wish to. It is really a matter of personal choice and as to whether you want this to be looked into or not. (0.5% is \$5 per \$1000 invested, ie \$20,000 invested = \$100 minimum contribution.)

Do I have to contribute?

No, it is voluntary.

What will the money raised be spent on?

The main costs will be the legal costs of the initial investigation phase. Any other out-of-pocket costs will be considered (eg meeting costs, travel costs, out of pocket expenses etc). There are no professional fees being paid to Investigation Committee members, who are volunteering their time for the case.

What if there is money left over from the legal fund?

This will be returned in proportion to all people who contributed.

Who is controlling the money?

A designated trust bank account has been established by Chris Lee & Partners to receive all moneys into and to pay costs from. The costs will be approved by the investigation committee who are overseeing this case and will need a majority to approve payment of all invoices submitted.

Who are the parties being considered in the action?

We have been asked not to specifically comment on this at this stage. Identifying these parties is part of the investigation phase. It is likely to involve parties that have not so far been part of any previous SCF investigation.

Will these parties have any money to pay if the case is successful?

That needs to be addressed in the investigation phase. In some cases the potential parties involved may have professional indemnity insurance to cover against claims like this.

But South Canterbury Finance does not have any money?

That is not relevant to the case we are considering. There are other parties that will be looked at as part of the investigation phase.

What are our chances of success?

It is too early to tell at this stage. This is the purpose of the investigation phase of the possible action.

Hasn't the legal case against South Canterbury Finance already been lost?

That was a criminal case against the SCF directors, mainly for fraud. Our case will be a civil case and will explore a far wider range of issues than the case you are thinking of.

Who are the lawyers doing the investigation phase for this case?

Chris Gudsell QC and Nielsen Law, of Hamilton.

How do I join the SCF action group?

By sending your details to chrisleepartners@gmail.com and requesting to do so. Please include the full name of your holding and your current mailing address (especially if you have moved). Please indicate whether you owned your holding directly or whether your broker is acting as custodian for you (ie they owned it on your behalf). Please ensure you send your email address.

How do I contribute to the legal fund?

All shareholders received a communication recently in the mail with a form to be completed and to include your contribution. If you do not have this form then please contact chrisleepartners@gmail.com or phone 04 296 1023 to get one sent out to you.

What happens if I cannot find my preference shareholding documents from 2010?

Chris Lee & Partners has a copy of the share register and thus details of your holding. If you owned your holding directly then please email chrisleepartners@gmail.com or phone us on (04) 296 1023 to find the information for you. Please give your full names and postal address at the time. You do not need any paperwork.

If your holding was owned via your broker, you need to contact the broker to get the necessary holding details.

Can I still contribute if the preference shareholding is part of a deceased estate?

Yes, you can. Please indicate as such on your contribution form and give precise details of who the shareholder was (form available from our website).