

15 September 2015

The first phase of the proposed *SCF perpetual preference shareholders action* has been the legal investigation phase 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.

We can now report that this investigation phase is nearing its conclusion and the committee met recently with the legal team in Hamilton – led by Chris Gudsell QC - to discuss the progress.

The following should be noted as a result of this meeting:

1. The legal team has been through more than 4000 pages of relevant documents pertaining to the events leading up to the SCF failure. They have studied in detail statements released to the NZX by SCF, relevant articles in the press, company releases by SCF to shareholders and any other relevant information.
2. The legal team has prepared a comprehensive review from the point the PPS shares were listed onto the NZX in 2006 through to the ultimate failure of the company in 2010. The review highlights differences between what the PPS were publicly told and what the reality was at the same time. Breaches of continuous disclosure obligations have been identified and investigated.
3. The legal team has been instructed by the committee to engage an expert witness to evaluate the size and amount of each disclosure breach as it affects the PPS shareholders (an expert witness has already been identified for this purpose). The appointment and report of the expert witness is the final part of the investigation phase. The legal team will then use the information gained from the expert witness to finalise the size of the proposed action (if any) and present to the committee its conclusion.

At the end of the investigation phase the committee and the legal team will meet again to then re-assess the situation as to whether a decision is made to proceed to the second phase of the proposed action.

The committee would like to acknowledge the financial support of the 1,053 PPS shareholders (out of a total of approximately 4,000 shareholders) that have contributed money towards the legal costs of the investigation phase. Without your contributions, the investigation would not have gone ahead and we should all be grateful to each and every person who has contacted us to express their support. It is the general intention of the committee (*subject to Court approval*) that, in the event of any success in the case, all of the people who contributed will have priority as to the return of their contributions over any settlements that may be won.

The Action Group is continuing to accept contributions from all PPS holders up to the end of the investigation phase as described above. Any PPS holders who wish to join the Action Group are still free to do so.

The committee notes that considerable progress has been made during the investigation phase. We need to acknowledge it does not guarantee a final result by any means and that this is a commercial

reality an action like this will always be faced with. You can, however, be assured that considerable efforts are being made on your behalf to progress this matter.

The committee would like to acknowledge the industrious efforts from its legal team and the diligence and expertise that have been shown in the work completed to date.

**Chris Lee**

**Michael Connor**

**Dan Tait-Jamieson**

**SCF Action Group investigation committee**