



FORSYTH BARR

Investment Banking

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[Withheld under s9(2)(a)]

Dear John / Craig

RECAPITALISATION OF SOUTH CANTERBURY FINANCE LIMITED

1. This letter sets out the process run by Forsyth Barr over the last 12 months in relation to the recapitalisation of South Canterbury Finance Limited ("South Canterbury Finance").
2. Forsyth Barr was initially appointed by the board of South Canterbury Finance to raise new equity capital to recapitalise the business following the completion of the Company's financial accounts to 30 June 2009. This mandate evolved over the following 12 months to encompass a wide range of tasks that needed to be undertaken to keep the Company solvent and enable us to present the Company to prospective cornerstone shareholders in a credible fashion (including the United States Private Placement restructuring, appointment of new independent directors and a new senior management team, and to address ongoing liquidity issues).
3. Following the successful completion of the USPP restructuring, an information memorandum detailing an issue of convertible notes by Southbury Corporation was prepared and distributed to a wide range of prospective investors. This offer sought to raise \$25 million (plus) via a private placement to assist in offsetting the impact of potential additional impairment provisions required as at 31 December 2009. This offer successfully raised \$27.5 million, the net proceeds of which were injected as equity into new equity in South Canterbury Finance.
4. Following this capital raising process, in the course of preparing the Company's accounts in conjunction with its new auditors, it became apparent that the Company would likely require significantly more equity to cover additional impairment provisions likely to be required upon the finalisation of its interim accounts.
5. Further, it became increasingly clear that based on the Company's deteriorating financial position and discussions held with prospective investors, investors would require the Company's audited accounts for the six months to 31 December 2009, updated prospective financial information and confirmation of the Company's acceptance into the extended Crown retail deposit guarantee scheme prior to considering any equity investment.



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6. Accordingly, in order for the Company to have a realistic chance of introducing a new cornerstone investor it needed to survive the publication of its audited accounts to 31 December 2009 in late March 2010 and ensure that it complied with all relevant trust deed covenants (or obtain waivers).
7. To replace capital that was likely to be lost, Southbury Corporation (principally Mr AJ and MJ Hubbard) agreed to sell 100% of its shares in Helicopters New Zealand, its 64% shareholding in Scales Corporation and its 33.6% shareholding in Dairy Holdings to South Canterbury Finance in consideration for \$152.5 million of shares in South Canterbury Finance. This capital injection essentially replaced the reduction in equity as a result of the impairment provisions taken by the Company in respect of the six month period to 31 December 2009.
8. On 1 March 2010 South Canterbury Finance announced the transaction outlined above, followed by the release of its audited annual accounts and an announcement that it had received all requisite trust deed waivers from the trustee. On 1 April 2010 South Canterbury Finance was accepted into the extended Crown retail deposit guarantee scheme.
9. Following these events the Company completed a new information memorandum setting out the Company's audited financial position and acceptance into the extended guarantee scheme and distributed this to those prospective investors who completed the requisite confidentiality agreement and confirmed their interest in the recapitalisation of South Canterbury Finance.
10. The table below sets out a summary of key potential investors with whom we discussed the potential investment with and their level of eventual interest. Numerous other potential investors were canvassed as regards potential interest.

Party	Background
[Withheld under s9(2)(b)(ii)]	[Withheld under s9(2)(b)(ii)]
[Withheld under s9(2)(b)(ii)]	Extensive due diligence completed over last [3-4] months. Ultimate proposal tabled required Crown capital and liquidity support.
[Withheld under s9(2)(b)(ii)]	Still involved. Proposal requires Crown capital and liquidity support
[Withheld under s9(2)(b)(ii)]	Extensive due diligence over a six month period. Ultimately tabled an indicative bid that required Crown support and contributed insufficient equity.
[Withheld under s9(2)(b)(ii)]	Too much leverage in subsidiaries, not enough value. Concerns over quality of loan book.
[Withheld under s9(2)(b)(ii)]	No firm proposal. No interest in investment assets or bad bank.
[Withheld under s9(2)(b)(ii)]	Primarily associated with [Withheld under s9(2)(b)]
[Withheld under s9(2)(b)(ii)]	Approached AJ Hubbard directly. Too difficult for their funds.
[Withheld under s9(2)(b)(ii)]	As principal and advisor. Too difficult.
[Withheld under s9(2)(b)(ii)]	Interested in ability to acquire high quality receivables rather than

	invest in the business.
[Withheld under s9(2)(b)(ii)]	Securitisation type proposal. Lacked equity funding.
[Withheld under s9(2)(b)(ii)]	Uncoordinated approaches across various divisions. Interest eventuated in the investment assets
[Withheld under s9(2)(b)(ii)]	Merger proposal discussed. However apparent that such a proposition would provide insufficient equity and subsequent discussions highlighted need for Crown support
[Withheld under s9(2)(b)(ii)]	Initial merger discussions. Concerns around liquidity of the merged entity were a key concern. Also issues as to whether there would be sufficient equity to support the ongoing group.
[Withheld under s9(2)(b)(ii)]	Participated in the SCL convertible note issue. No SCF equity appetite.
[Withheld under s9(2)(b)(ii)]	Investor group who contacted AJ Hubbard directly. No proposal eventuated as interested primarily in the investment assets
[Withheld under s9(2)(b)(ii)]	Not interested in the entire business
[Withheld under s9(2)(b)(ii)]	Not interested in finance company investment
[Withheld under s9(2)(b)(ii)]	Other matters on their mind
[Withheld under s9(2)(b)(ii)]	Finance business losses too great
[Withheld under s9(2)(b)(ii)]	Executed CA but business too difficult for them to contemplate
[Withheld under s9(2)(b)(ii)]	An "Allied/Hanover" style transaction was explored with recap provided by converting [s9(2)(b)(ii)] debentures into SCF prefs. [s9(2)(b)(ii)] book completely lacking in substance
[Withheld under s9(2)(b)(ii)]	Recap too large for them due to other priorities
[Withheld under s9(2)(b)(ii)]	[Withheld under s9(2)(b)(ii)] was involved in early recapitalisation discussions both as principal and as a financial intermediary. No proposal was tabled or party ultimately bought forward.

11. The recapitalisation of South Canterbury Finance has been one of the most public recapitalisation processes in New Zealand in recent times. This has, via widespread media coverage, resulted in a high number of investors, investment banks and financial advisers turning their minds to the opportunity and contacting Forsyth Barr, the Company or Mr Hubbard directly. In all cases these responses were followed up and upon confirmation of their interest in a recapitalisation of SCF, they were included into the process.
12. In addition to the above, the Company has received numerous expressions of interest in relation to the acquisition of specific assets within the South Canterbury Finance Group, primarily Helicopters NZ, Scales and Dairy Holdings. However, as the sale of these assets (at or around their book value being assessed market value as the date of acquisition) would not result in any additional equity being introduced

into the group (only cash), the Company resolved to not to pursue such a sales process at that time to avoid distracting key investors, management and its advisers with such a sales process. In all cases the approaching parties were advised that an SCF recapitalisation has been the mandated solution sought for SCF.

13. In conclusion, the recapitalisation process of South Canterbury Finance has been an exhaustive, protracted and highly public process undertaken over the last 9- 12 months. During this time we have approached and, together with the Company and AJ Hubbard, received approaches from a wide range of parties both nationally and internationally. In our view the proposals received to date represent the culmination of a long-standing and exhaustive process. We are confident that any potential investor in SCF has had more than adequate opportunity to express their interest and complete a transaction over the past year in which this exercise has been run.

14. If you have any queries in relation to the attached, please call me on Withheld under s.9(2)(a)

Yours sincerely
Forsyth Barr Limited

Withheld under s9(2)(a)