

3 June 2020

Dear Depositor

FE Investments Limited (In Receivership) ('FEI' or 'Company') - Update

Brendon Gibson and Neale Jackson, of this office, were appointed as Joint Receivers of FEI on 1 April 2020 ('the Receivers').

As advised in our letter dated 2 April 2020, prior to the Receivers' appointment FEI had been working to recapitalise the Company. It was unable to recapitalise and defaults occurred under the terms of the trust deed dated 8 August 2003 (as amended from time to time). As a result, Trustees Executors Limited ('the Supervisor') appointed the Receivers.

This is our first update to Depositors. This update:

- Explains how we will make repayments to depositors over the course of the receivership;
- Explains what you will need to do to confirm that the details we hold about your Term Deposit are correct;
- Provides information about the Company's assets and liabilities at the date of receivership; and
- Explains what steps we are continuing to take in the receivership, to protect Depositors' interests.

We will provide you with a further update on the receivership by 31 August 2020.

1. Payments to Depositors

Payments to Depositors have been suspended. No regular payments of interest will be made during the receivership. Repayments of principal will not happen on the maturity date of your Term Deposit.

In the receivership we need to realise the Company's assets to generate cash to make repayments to Depositors. This will take time. At this time, we cannot tell you when we will be able to make the first payment to Depositors.

Over the course of the receivership we intend to make payments to Depositors when we have enough cash to do so. We will regularly assess whether we have enough cash in the receivership to enable us to pay some money to Depositors. Any payments we make to Depositors will be approved by the Supervisor.

It is too early to determine what portion of your Term Deposit will be repaid and when you can expect to receive repayments. We will provide you with this information when we can.

We can confirm that you will be entitled to receive repayments as and when funds are available. Any such repayments will be calculated on a pro-rata basis (i.e. you and every other Depositor will be repaid the same percentage owing to you in respect of your Term Deposit and interest thereon at the same time). However, such payments will be subject to any payments of other debts or liabilities that have priority to Depositors.

2. Confirming the details we hold about you

We need to verify the Company's records to ensure they are correct.

During June you will receive a 'Depositor Confirmation Form'. The form will ask you to confirm the details we hold about you and your Term Deposit.

Please read this form carefully and follow the instructions within the covering letter and the form itself.

It is too early to determine what portion of your Term Deposit will be repaid and when you can expect to receive repayments. We will provide you with this information when we can.

3. Information about FE Investments

FEI's balance sheet as at 31 March 2020 is summarised below. Depositors (including you) are owed a total of \$54.6 million:

As at 31 March 2020 (unaudited)	\$m
Current assets	
Cash and cash equivalents	5.9
Other current assets	0.3
Total current assets	6.2
Property loans	22.2
Finance lease	8.1
Related party	1.3
Other loans	33.2
Total loans	64.8
Intangible assets	1.4
Total non-current assets	66.2
Total fixed assets	0.7
Total assets	73.0
Current liabilities	
Accounts payable	0.3
Other current liabilities	1.3
Total current liabilities	1.6
First ranking deposits	54.6
Other non-current liabilities	0.8
Total non-current liabilities	55.4
Total liabilities	57.0
Net assets	16.0

As is shown on the balance sheet, FEI has two significant assets:

- Cash on hand; and
- Loans advanced to borrowers. We believe the value of the Company's loan assets is overstated in the balance sheet.

Some further information about these two key assets is provided below.

Cash balance at date of appointment

- At the date we were appointed as receivers, the Company held \$5.7 million in cash.
- Some of this cash is held for third parties. We are in the process of establishing how that cash needs to be dealt with.
- Some other parties have made claims to some of the cash. We have been analysing those claims. Where necessary, we have taken legal advice about them.
- We cannot pay a distribution to Depositors at this time. We will regularly assess whether we have enough cash in the receivership to enable us to pay some money to Depositors.

Loan accounts

- FEI's loan book is split between:
 - Property loans – 8 borrowers account for the \$22.2 million that is recorded on FEI's balance sheet.
 - Finance leases – 2,719 borrowers account for the \$8.1 million that is recorded on FEI's balance sheet.
 - Related parties – 2 borrowers account for the \$1.3 million that is recorded on FEI's balance sheet.
 - Other loans, which is generally lending to businesses – 2,013 borrowers account for the \$33.2 million that is recorded on FEI's balance sheet.
- With the assistance of FEI employees, we have been:
 - reviewing the most significant loan accounts to understand the current position and the amount we can expect to recover.
 - reviewing other loans on a portfolio basis to assess how the portfolio performs overall. This will result in an assessment of the amount that we might recover from these loans.
 - implementing strategies to manage the loan accounts, which includes addressing nonperforming loans and optimising recoveries.
 - ensuring that borrowers continue to make their usual repayments on their loans.
- The amount we can repay to Depositors will be determined by the amount that we can recover from the loan book.
- The balance sheet records loans totalling \$64.8 million. We will not be able to recover \$64.8 million from the loans. The amount we recover will be lower.
- In future reports, we will provide updates on the amount recovered from the loan book.

4. Next steps in the receivership

- We will continue to manage the loan books to generate recoveries so money can be repaid to Depositors.
- We will write to Depositors again during June, asking you to confirm the details we hold about you and your Term Deposit.
- We will provide a further update to Depositors by the end of August 2020.

5. How to contact us if you have any queries

We are available to answer any questions you might have. The best way to contact us is by email, using the following email address or phone number:

Email: fei@kordamentha.co.nz

Phone: 09 307 7865

Yours faithfully

A handwritten signature in black ink, appearing to be 'NJ', enclosed in a light grey rectangular box.

Neale Jackson
Joint Receiver