

SETTLEMENT DISTRIBUTION SCHEME

Background

- A. The total amount outstanding to individuals who held Debentures and/or Unsecured Notes (collectively referred to as **Notes**) in Fincorp Investments Limited (**Fincorp**) as at the date of Fincorp's administration (23 March 2007), exclusive of interest that had accrued on the Notes from the last interest payment date, and less distributions of \$0.56 cents-in-the-dollar that have been or are proposed to be made to holders of Debentures through the administration/liquidation and receivership/management process is approximately \$101,423,656.59 (**Total Outstanding Capital Amount**).
- B. The Total Outstanding Capital Amount can be broken down as representing the following Note types:
1. Notes initially purchased on or after 7 December 2004, and held to the date of administration;
 2. Notes initially purchased before 7 December 2004, rolled over after 7 December 2004, and held to the date of administration;
 3. Notes initially purchased before 7 December 2004 and held to the date of administration.
- C. The Applicants and Respondent acknowledge and agree, for the purposes of settlement, that the definition of Group Member in the Amended Statement of Claim (**ASOC**) includes category B1 and category B2 Notes. As part of the settlement approval process, the Applicant and the Respondent will ask the Court to approve an amendment to the definition of Group Member to make this clear. The total capital loss of Group Members is approximately \$82,902,797.31 (**Total Group Member Loss**).
- D. The Applicants and the Respondent have agreed to settle the proceeding on a number of terms, including a term (subject to conditions) that the Respondent will pay Slater & Gordon up to the sum of \$29,000,000.00 (inclusive of interest and costs) (**Settlement Sum**) for distribution to Group Members.
- E. This Scheme describes the principles and process by which the Settlement Sum will be distributed amongst Group Members by Slater & Gordon.

Scheme Administration Process

- F. Slater & Gordon is the administrator of this Scheme and is in possession of a copy of the database of noteholders that was used by Fincorp. As far as possible, Slater & Gordon will use

the information already in its possession to administer the Scheme, without requiring Group Members to prove their claim. The Scheme will commence after the expiry of 28 days from 20 May 2011, being the date of the orders to approval the settlement of the proceeding.

- G. As part of the opt out process, Slater & Gordon will have sent notices to each person who it considers to be a Group Member as listed in the database in its possession. If you received such a notice, you do not need to do anything at this time.
- H. Persons who did not receive a notice from Slater & Gordon and who believe they are Group Members are requested to contact Slater & Gordon no later than 14 days after 20 June 2011 and to provide their current contact details together with information about why they consider themselves to be a Group Member.
- I. Within 28 days after the date of the advertisement of the settlement approval, Slater & Gordon will determine the amount each Group Member is entitled to receive under the Scheme and determine whether or not other persons who make claims are Group Members, and if so, the amount each such person is entitled to receive under the Scheme. In each instance, every person who is accepted to be a Group Member will be sent a letter by Slater & Gordon confirming the amount they are entitled to receive under the Scheme.
- J. Group Members will have 28 days from the date of Slater & Gordon sending the above notification to advise Slater & Gordon of any objections that they might have to the amount so notified. Slater & Gordon will consider any such objections and determine whether there will be any adjustment to Group Member payment amounts. Slater & Gordon will make such determinations and advise of any and all adjusted Group Member payment amounts within a further 28 days. This correspondence will enclose the Group Member Deed Poll, which must be signed and witnessed and returned to Slater & Gordon in order for the Group Member to receive payment.
- K. Group Members who do not opt out of the Proceeding will only be entitled to receive a distribution of the Settlement Sum by completing the Group Member Deed Poll in a manner acceptable to Slater & Gordon by which the person agrees to be bound by the terms and rules of the Scheme and releases the Respondent from claims. Group Members will have 28 days from the date of Slater & Gordon sending notification of the final settlement payment amount and the Deed Poll (as contemplated by paragraph J) in which to sign, witness and return the Deed Poll to Slater & Gordon.

- L. Within 28 days of the deadline contained in paragraph K, Slater & Gordon will make payment to Group Members of the amount notified at paragraph J if the Group Member has complied with paragraph K.
- M. Within 150 days of paragraph L, the Settlement Distribution Scheme will be regarded as having been completed.
- N. At any time prior to the completion of the Settlement Distribution Scheme in accordance with paragraph M, the administrator may having first given the Respondent 2 clear business days' notice, in its discretion, amend the requirements for a Group Member outlined at paragraphs H-L to ensure the fair operation of the Settlement Distribution Scheme. Following the proper administration of the Scheme, the distribution of the Settlement Sum by the administrator is final and cannot be challenged, reviewed, quashed or called into question before any court of law or administrative body in any proceedings.

Settlement Distribution Rules

- O. The Settlement Sum will be distributed in accordance with the following rules:
1. Individuals who first acquired their note on or after 7 December 2004 (**B1**) will be divided into the following sub-groups, according to the time periods pleaded in the ASOC:
 - 7 December 2004 to 30 July 2005;
 - 31 July 2005 to 30 October 2005;
 - 31 October 2005 to 7 January 2006;
 - 8 January 2006 to 29 April 2006;
 - 30 April 2006 to 30 May 2006;
 - 31 May 2006 to 30 July 2006; and
 - 31 July 2006 to 23 March 2007.

Notes in each sub-group of B1 will receive a distribution of the Settlement Sum reflecting the cent-in-the-dollar amount assigned to that sub-group. This will be referred to as a No-Transaction Payment. The cent-in-the-dollar amount assigned to each sub-group will increase with reference to the sub-group's proximity to the date of Fincorp's administration, reflecting the Applicants' view that the strength of the claim against the Respondent increased accordingly.

2. Notes initially acquired before 7 December 2004, but rolled over on or after 7 December 2004 and held to the date of administration (**B2**), will receive a distribution that will be referred to as a Rollover Payment. The amount of the Rollover Payment will be less than

the lowest of the No-Transaction Payments, to reflect the Applicants' view that holders of B2 Notes have weaker claims than holders of B1 Notes.

3. Investors that held multiple notes will receive a No-Transaction or a Rollover Payment for each eligible note. Investors will receive only one payment per note. For example, where an individual invested on or after 7 December 2004 and rolled over that Note, they will only receive one No-Transaction Payment for that note, being the payment attributed to the period in which that note was first acquired. The exception to this rule is where an investor invested additional capital into an existing note when rolling over the note – the additional capital will be treated as a new capital investment and the investor will receive a cent-in-the-dollar payment reflecting the date on which the new capital was invested. This exception does not include a situation where the group member simply redeemed additional capital from one existing note and transferred it to the other without physically receiving that capital back.
4. Where the Total Opt Out Amount does not exceed \$1 million, prior to distribution of the Settlement Sum, the Total Group Member Loss will be adjusted to reflect the value of Notes held by Group Members who elect to opt out of the proceeding. The cent-in-the-dollar return figure to be applied to each Note within a Payment Group will be adjusted (**Adjusted Cents / Note**) in accordance with the following procedure, where, unless stated, terms represent the column headings in Table 3.

TABLE 1. PROCEDURE FOR ADJUSTING DISTRIBUTION AFTER OPT OUT WHEN \$1 MILLION IS NOT EXCEEDED

	Description
1	Payment Group Loss adjusted for value of notes opted out. (Adjusted Loss)
2	Payment Group Cents / Note X Adjusted Loss = Payment Group Adjusted Return
3	Total Return - (Sum of Payment Group Adjusted Returns) = Total Unallocated Return (TUR)
4	TUR X Payment Group Return % = Payment Group Additional Return
5	Payment Group Adjusted Return + Payment Group Additional Return = Payment Group Final Return
6	Payment Group Final Return / Payment Group Adjusted Loss = Payment Group Adjusted Cents / Note

5. If the Total Opt Out Amount exceeds \$1 million, then the Settlement Sum will be reduced, but not in a manner that reduces the Cents/Note amount payable to each Payment Group.

This means that the amount to be distributed to Group Members is not reduced by decisions made by other persons to opt out of the proceeding.

**TABLE 2. PROCEDURE FOR ADJUSTING SETTLEMENT SUM AFTER OPT OUT
WHEN \$1 MILLION IS EXCEEDED**

	Description
1	Each Payment Group Loss reduced by the value of the Outstanding Capital Amount of notes opted out of the Proceeding (Opt Out Amount) within that group (Adjusted Loss)
2	Payment Group Adjusted Loss X Payment Group Cents / Note = Payment Group Adjusted Return
3	Total Return - (Sum of all Payment Group Returns and Payment Group Adjusted Returns) = Total Unallocated Return (TUR)
4	Settlement Sum reduced by TUR.

6. The draft distribution set out in Table 3 below allows for approved total legal costs. If for any reason, including that approved total legal costs are less than the allowed amount then the surplus will be distributed in accordance with the procedure described in paragraph O4. (collectively, the **Settlement Distribution Rules**)

Overview of Distribution

- P. Table 3 describes the distribution of the Settlement Sum, in accordance with the Settlement Distribution Rules (excluding Group Members who opted out):

TABLE 3. DISTRIBUTION OF SETTLEMENT SUM					
	Payment Group	Loss (\$)	Cents / Note	Return (\$)	Return %
I	Pre-7 December 2004 Rollover	16,090,547.02	\$0.060	965,432.82	3.5
II	7 December 04 - 30 July 2005 No-Transaction	20,549,097.10	\$0.100	2,054,909.71	7.5
III	31 July 2005 - 30 October 2005 No-Transaction	7,480,398.06	\$0.150	1,122,059.71	4.1
IV	31 October 2005 - 7 January 2006 No-Transaction	7,118,186.96	\$0.200	1,423,637.39	5.2
V	8 January 2006 - 29 April 2006 No-Transaction	5,060,179.16	\$0.500	2,530,089.58	9.2
VI	30 April 2006 - 30 May 2006 No-Transaction	1,767,246.47	\$0.600	1,060,347.88	3.9
VII	31 May 2006 - 30 July 2006 No-Transaction	6,896,962.08	\$0.700	4,827,873.45	17.6
VIII	31 July 2006 - 23 March 2007 No-Transaction	17,940,180.46	\$0.750	13,455,135.35	49.0
	TOTAL	82,902,797.31		27,439,485.89	100

Q. The figures in Table 3 are subject to change in the event that it is necessary to apply Settlement Distribution Rules O4–O6 after opt out is complete, or at any stage prior to completion of the Settlement Scheme.