

SUPPLEMENTARY DOCUMENT

HOME STRAIGHT PARK PROPORTIONATE OWNERSHIP SCHEME

Date: 9 April 2020

This is a Supplementary Document for the Product Disclosure Statement dated 5 March 2020 ("PDS") for the issue of interests by the Home Straight Park Proportionate Ownership Scheme.

The scheme has previously issued supplementary documents dated 2 April 2020 and 9 April 2020 ("Previous Supplementary Documents").

This document is to be read together with the PDS, which it supplements and the Previous Supplementary Documents.

Supplementary Information

1. Impact of Covid-19

The current Covid-19 pandemic has impacted all sectors of the New Zealand economy including commercial property. During the current Alert Level 4 lockdown tenants whose businesses are not "essential services" are required to vacate their premises and staff are working from home. Many businesses are experiencing a significant loss of revenue during this period and there is the potential for this to lead to the failure of some businesses. In addition to this there has also been significant changes to interest rates and funding costs. This situation could lead to a number of impacts for the Scheme, including:

1. Reduced rental income;
2. Reduced funding costs; and
3. Reduced value of the Scheme's properties

2. Review of the Scheme

Oyster has undertaken a review of the Scheme to assess the impact of Covid-19. This has included:

- a review of each lease to determine if the tenant has the right to reduce their rent payments during the lockdown
- an assessment of the financial risk of each tenant
- reviewing which tenants are providing "essential services" and are therefore still able to occupy the premises
- a review of the bank facilities and ability to comply with bank covenants including discussions with the Scheme's funding providers (ASB Bank and Wyborn)
- a review of any correspondence the vendors have had with the tenants on rent abatements or non-payment of rent

The key findings from this review are:

a) Tenants

- The Inland Revenue Department and Ministry of Education are essential services and are currently able to occupy their premises. These Government tenants total 54.9% of the rental income from the properties.
- RD1 Limited (which is also providing an essential service), a subsidiary of Fonterra Co-operative Group Limited, and the government tenants are currently paying their full rent, being, in aggregate, 66.6% of the rental income from the properties.
- The retail tenants as well as Hamilton City Fitness and Combined Technologies Limited are in discussions with the respective vendors for rent relief.

b) Bank Funding

- The pandemic has led to a decrease in interest rates which will benefit the Scheme as it is expected to be able to fix the interest rate for the Term Loan at a lower rate than forecast in the PDS. The savings from the reduction in the interest rate will be in place for the three year term of the loan, which should be far longer than any reductions in rental income suffered by the Scheme.

3. Scenario Review Results

Using the information referred to above, Oyster has reviewed various scenarios to gauge the likely impact of Covid-19 on the Scheme. This involved testing different sets of assumptions to see how these affect the Scheme's financial position. The assumptions tested included:

- which tenants may be provided rent relief by the vendors or the Scheme; and
- the length of time that this rent relief will run for. The key variable is when the country will move from the existing level 4 to a lower level whereby tenants can reoccupy the premises and, as a result, lessen the impact on the Scheme's finances.

The results of the scenario's reviewed indicate that a reduction in income from rent relief that may be provided to tenants is mostly offset by the decrease in the interest cost on the Term Loan.

We have also considered the working capital available to the Scheme and a decrease in the interest cost on the Term Loan. The forecast cash return to Investors of 6 percent per annum per Interest should be able to be maintained during the forecast period to 31 March 2021 by utilising the increased working capital amount to support any shortfall in cashflow. Under the scenarios tested the Scheme has sufficient income and working capital to pay the forecast return to Investors and still have sufficient working capital to complete the building maintenance and capital works scheduled under the 5 year capital expenditure plan.

It is clear that the impacts of COVID-19 could have material impacts on certain financial aspects of the Scheme, but in our view the overall impact on the Scheme is not expected to be materially adverse to Investors.

This conclusion is based on currently available information. It is unknown how long the Covid-19 pandemic will last and what further measures, if any, the government may put in place to support businesses and commercial landlords.

4. Amendments to the PDS

The PDS is amended as follows:

4.1. Section 7: RISKS TO RETURNS FROM HOME STRAIGHT PARK PROPORTIONATE OWNERSHIP SCHEME

- a) Page 49: Risk Tables- Availability of Debt Funding: in the column headed "Oyster's assessment of nature and magnitude" add:

The Covid-19 pandemic may create restraints on the availability of funding from banks.

- b) Add a new risk as follows:

Description of risk	Oyster's assessment of nature and magnitude	Mitigating factors
Returns		
Reduction in Cash Distributions	Cash distributions are made from the scheme's operating profit. There is a risk that cash distributions may decrease or be suspended if the Scheme has insufficient cash to make the distributions. This may, for example, be due to an increase in the Scheme's expenses, or a reduction in the income from the Property Investments, or a tenant defaulting under their lease or being provided rent relief due to the financial impact of the Covid-19 pandemic.	Oyster will work with any tenant that is impacted by the Covid-19 pandemic and assess if any support by the Scheme is appropriate. The drop in the forecast interest rate for the Term Loan will decrease the Scheme's expenses and help to offset any decrease in rental income.
Reduction in Value of Interests	The properties owned by the Scheme are independently valued annually. These valuations are subject to both cyclical changes in the property market and changes in the rent derived from tenants. These changes in value can increase or decrease the value of an Interest. The Covid-19 pandemic may have an impact on property values, at this time the extent of the impact is unknown.	Oyster will work with any tenant that is impacted by the Covid-19 pandemic and assess if any support by the Scheme is appropriate. The maintenance of long term rental income will assist in maintaining the value of the properties.
Oyster's assessment of the likelihood of circumstances arising	Medium	
Oyster's assessment of the impact, were the circumstance to arise	Medium	

- 4.2. The Offer Closing Date in the table on page 2 is replaced with "30 April 2020 (unless fully subscribed earlier)". The Key Information Summary section of the PDS with this change is attached to this document.

- 4.3. The Closing Date in the table on page 34 is replaced with "30 April 2020 (unless fully subscribed earlier)"

- 4.4. The Closing Date in the table on page 35 is replaced with "30 April 2020 (unless fully subscribed earlier)"

- 4.5.** The settlement of 21 Home Straight is conditional on the issue of title after the completion of the subdivision of the vendor's land. The Survey Plan has been deposited at Land Information New Zealand and we are waiting on title to issue. The expected settlement date for 17, 19 and 21 Home Straight is now 30 April 2020.

1. KEY INFORMATION SUMMARY

WHAT IS THIS?

This is an offer of interests ("Interests") in the Home Straight Park Proportionate Ownership Scheme ("Scheme"), a proportionate ownership scheme. Your money will be pooled with other investors' money and invested. Oyster Management Limited ("Oyster") invests the money in assets, such as the properties at 17, 19 and 21 Home Straight, Te Rapa, Hamilton ("Home Straight Park"), and takes fees. The assets and fees are described in this document. By investing in this Scheme, you are relying on the investment decisions of Oyster and returns from the assets that the Scheme invests in.

There is a risk that you may lose some or all of the money you invest.

WHO MANAGES THIS SCHEME?

Oyster is the manager of this Scheme. Section 10 of this document includes further details of Oyster and others involved in the Scheme.

WHAT ARE YOU INVESTING IN?

This is an offer for Interests in a proportionate ownership scheme. The Scheme has been designed as a single purpose long term investment in commercial real estate. Investors' investments in the Scheme will be used to acquire three assets – 17, 19 and 21 Home Straight, Te Rapa, Hamilton – and to provide working capital for the Scheme.

The Scheme has no fixed term. There is no set date on which you will get your investment back. You may be able to exit the Scheme by selling your Interests to a third-party.

The costs of establishing the Scheme and acquiring Home Straight Park are:

Purchase price	\$69,500,000
Establishment costs	\$3,212,168
Working capital	\$1,487,832
Total costs	\$74,200,000

The costs of establishing the Scheme and acquiring Home Straight Park will be funded by:

Subscriptions from Investors, the Oyster Underwrite or the Wyborn Underwrite	\$32,500,000 (up to \$3,350,000 from the Oyster Underwrite and \$6,100,000 from the Wyborn Underwrite)
Subscriptions from Investors or Bridging Loan	\$6,950,000
Term Loan	\$34,750,000
Total Funding	\$74,200,000

Investment Objectives

Commercial property is a long term investment. The primary objectives of the Scheme are to:

- Sustain the targeted pre-tax cash return to Investors of 6% per annum; and
- Preserve and grow the value of Home Straight Park.

Investment Strategy

The Scheme's strategy is to acquire Home Straight Park, continue to lease it to quality tenants, maintain the buildings to a high standard and preserve and grow Investors' equity (to the extent possible).

KEY TERMS OF THE OFFER

Managed Investment Product	Interests in the Scheme
Offer Opening Date	12 March 2020
Offer Closing Date	30 April 2020 (unless fully subscribed earlier)
Total Interests on Offer	789 Interests at \$50,000 each. The total value of the Offer is \$39,450,000.
Offer of Interests	<p>Existing investors in the Home Straight POS (the vendor of 17 and 19 Home Straight) have a preferential right to apply for Interests in the period up to 13 March 2020. See page 34 for details.</p> <p>All other applications for Interests, including those from existing Home Straight POS investors above their preferential right, received before the Closing Date will be allotted on a first come first served basis.</p>
Allotment of Interests	Interests subscribed for prior to the Settlement Date will be allotted on or immediately after the Settlement Date. If the Offer remains open post the Settlement Date any further Interests subscribed for will be allotted monthly on the first day of the following month for applications received by 3pm three business days prior to the last calendar day of a month.
Cash Distributions	Monthly, by the 10th of each month.
Liability to make further payments under the Offer	<p>Investors are not required to make any further payments.</p> <p>This excludes the payment of fees and expenses which are payable and referred to in Section 8 on page 52.</p>
Minimum Subscription	If the minimum subscription is not reached the Scheme will not be established and Investors will be paid back their subscription amounts (plus interest if any). The minimum amount that is required to be raised from subscriptions by Investors is \$21,700,000.
Underwrite	<p>Oyster is underwriting \$3,350,000 (67 Interests).</p> <p>Wyborn is underwriting \$6,100,000 of the Offer (122 Interests).</p> <p>See page 16 for details.</p>

HOW YOU CAN GET YOUR MONEY OUT

The Scheme does not offer a buy back or redemption facility for the Interests.

Your investment in these Interests can be sold but there is no established market for trading these financial products. This means that you may not be able to find a buyer for your investment.

KEY DRIVERS OF RETURNS

The key current and future aspects of the Scheme that will, or may, have an impact on the Scheme's financial performance are:

Income

The Scheme's primary source of income is rental income from the tenants of Home Straight Park. From this income the Scheme is required to pay its operating expenses which include any unrecoverable operating costs of Home Straight Park, fees, Scheme expenses and interest on its Bank Loans.

Bank Interest Rates

The primary expense of the Scheme is the payment of interest on the Bank Loans. An increase or decrease in interest rates on these loans will increase or decrease the amount of money available to distribute to Investors.

Capital Expenditure

The working capital of the Scheme includes \$950,000 to fund 5 years of capital expenditure. After this period capital expenditure (where necessary) will be funded by the Scheme's cash flow or additional debt. The replacement of building services (such as lighting and air conditioning) and structural works to the building are not recoverable from the tenants under the leases; those are a cost to the Scheme.

Value of Home Straight Park

The change in value of an Interest in the Scheme is predominantly tied to the change in value of Home Straight Park. The value of Home Straight Park will be influenced by the property market, changes in rental paid by the tenants and the remaining term of the leases.

The key strategies and plans in relation to the return from the Scheme are detailed in Section 2 under the heading "5. Future Performance of the Scheme" on page 18.

HOME STRAIGHT PARK PROPORTIONATE OWNERSHIP SCHEME'S FINANCIAL INFORMATION

Gearing and Interest Cover Ratios

	As at 6 April 2020 on acquisition of Home Straight Park and issue of the Interests		As at 31 March 2021 ³	As at 31 March 2022 ³
	Term Loan Only ¹	Term Loan and Bridging Loan ²		
Gearing Ratio	49.0%	58.7%	48.6%	48.5%
Interest Cover Ratio	Not applicable	Not applicable	3.05 times	3.06 times

¹ The prospective financial information assumes that only the Term Loan has been drawn down.

² This has been included to show the impact on the Gearing Ratio if the Bridging Loan of \$6,950,000 is required to settle the purchase of Home Straight Park.

³ The figures for 31 March 2021 and 31 March 2022 assume that the Bridging Loan has either not been drawn down or has been repaid.

	Annualised Return for the eleven months and 25 days ending 31 March 2021	For the Year ending 31 March 2022
Forecast pre-tax cash return	6.00%	6.00%

The "Gearing Ratio" is how much the Scheme owes (the Bank Loans) as a portion of its assets including cash.

The higher the Gearing Ratio, the greater the Scheme's exposure to risk from a movement in interest rates or the requirement to repay the Bank Loans should they not be able to be renewed or refinanced on expiry.

The "Interest Cover Ratio" tells you how much of the Scheme's net income exceeds the interest on the Bank Loans. The higher the ratio, the more comfortably the Scheme's income can cover any interest owing.

The selected prospective financial information included in this document has been derived from prospective financial statements prepared in accordance with Financial Reporting Standard 42: Prospective Financial Statements (FRS 42), which are available on the offer register at www.disclose-register.companiesoffice.govt.nz. The prospective financial information has been subject to a limited assurance engagement and an unqualified conclusion issued by Ernst & Young Transaction Advisory Services Limited, a copy of which is also included on the offer register.

Valuation

Jones Lang LaSalle has prepared independent valuation reports for Home Straight Park ("Valuation Reports") with a combined valuation of \$69,500,000 plus GST (if any) at 22 January 2020. Copies of the Valuation Reports are available on the offer register at www.disclose-register.companiesoffice.govt.nz.

The Valuation Reports were made in accordance with current Australia and New Zealand Valuation and Property Standards, using both a capitalisation of net income approach and a discounted cash flow approach.

KEY RISKS OF THIS INVESTMENT

Investments in managed investment schemes are risky. You should consider whether the degree of uncertainty about the Scheme's future performance and returns is suitable for you. The price of these Interests should reflect the potential returns and the particular risks of these Interests. Oyster considers that the most significant risk factor that could affect the value of the Interests is the seismic warranty provided under the IRD lease, which requires that the building has a minimum seismic rating of 100% of NBS.

While that rating will be met at the time the lease commences, in the event that there is either a change in the Building Act 2004 or the building code, a seismic event with a magnitude of M7, or an earthquake which is classified as "Severe" during the term of the IRD lease, the tenant is able to undertake their own DEE (Detailed Engineering Evaluation). If the building is found to be less than 100% of NBS the Scheme will be required to upgrade the building to meet the seismic requirements, and/or IRD will have the right to terminate the lease. Please see further detail on this risk, and its mitigants, on page 48.

This summary does not cover all of the risks. You should also read Section 7 of the PDS (Risks to Returns from Home Straight Park Proportionate Ownership Scheme) on page 47.

WHAT FEES WILL YOU PAY?

The table below summarises the fees and expenses that the Scheme will be charged. Further information about the fees is set out in Section 8 of this PDS.

Establishment costs payable to Oyster	
Acquisition Fee	1,390,000
Brokerage Fee	789,000
Oyster Underwrite Fee	100,500
Deposit Fee	37,500
Legal Setup Costs – Oyster charge	15,000
Accountancy – internal	15,000
Total establishment costs payable to Oyster	2,347,000
Establishment costs payable to others	
Marketing	150,000
Wyborn Underwrite fee	183,000
Legal Setup Costs – external	352,735
Investigating Accountant	45,000
Seismic assessment	29,112
Property Due Diligence Reporting	33,441
Bank Legal	11,500
Asset Valuation	22,500
Plant & Machinery Valuation	9,350
PDS Registration Cost	5,690
Supervisor's fee	5,000
Directors & Officers and Professional Indemnity Insurance	14,840
Insurance Valuation	3,000
Total establishment costs payable to others	865,168
Total establishment costs	3,212,168

The fees above do not include GST.

Ongoing fees and expenses (payable for the duration of the Scheme)	
Oyster and its associated persons' aggregate fees and expenses for the accounting periods to:	31 March 2021 will be \$2,780,556 plus GST which as a percentage of the net assets of the Scheme is anticipated to be 7.7%
	31 March 2022 will be \$442,663 plus GST which as a percentage of the net assets of the Scheme is anticipated to be 1.2%
Other persons' aggregate fees and expenses for the accounting periods to:	31 March 2021 will be \$1,591,322 plus GST which as a percentage of the net assets of the Scheme is anticipated to be 4.4%
	31 March 2022 will be \$755,853 plus GST which as a percentage of the net assets of the Scheme is anticipated to be 2.1%

Fees and expenses for the period ended 31 March 2021 include establishment costs.

HOW WILL YOUR INVESTMENT BE TAXED?

The Scheme is not a portfolio investment entity ("PIE").

As a proportionate ownership scheme, the Scheme is not liable for income tax. Interest holders are assessed individually on their proportionate share of taxable profit and are individually responsible for the payment of their taxes. See Section 9 of this PDS (Tax) on page 60 for more information.