



# Product Disclosure Statement

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for the offer of Water Shares in Waimea Irrigators Limited

14 June 2019

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The offerors under this offer of Water Shares are Waimea Irrigators Limited and Century Water Limited.

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on the [Offer Register](https://disclose-register.companiesoffice.govt.nz) at <https://disclose-register.companiesoffice.govt.nz>.

Waimea Irrigators Limited and Century Water Limited have prepared this document in accordance with the Financial Markets Conduct Act 2013 (Act). You can also seek advice from a financial adviser to help you to make an investment decision.

[www.waimeairrigators.co.nz](http://www.waimeairrigators.co.nz)

# Section 1. Key Information Summary

## What is this?

This is an offer of Water Shares in Waimea Irrigators Limited (**WIL**). A Water Share gives you a financial stake in the ownership of WIL. You may receive a return if WIL increases in value and you are able to sell your Water Shares at a higher price than you paid for them. If WIL runs into financial difficulties and is wound up, you will only be paid after creditors have been paid. You may lose some or all of your investment.

## About WIL and Century Water Limited

WIL was formed in September 2016 to complete the Waimea Community Dam Project (**Project**) in conjunction with Tasman District Council (**TDC**). The principal activity of WIL is to invest, along with TDC, in the Project through a company that has been established by them, Waimea Water Limited (**WWL**), and to enable its Shareholders to enter into Shareholder Water Augmentation Agreements (**SWAA**).

WWL is funded by equity from WIL and TDC and debt from Crown Irrigation Investments Limited (**CIIL**) and TDC. WWL wishes to complete the Project and operate a dam in the Lee Valley, Tasman (**Dam**).

A Shareholder, on entering into a SWAA, will be entitled to apply under the Tasman Resource Management Plan (**TRMP**) to Affiliate their Ground Water Permit or Surface Water Permit for a volume of water represented by the number of Water Shares held by the Shareholder at a rate of 300m<sup>3</sup> of water per week, per Water Share. See Section 2 (entitled **WIL and What it Does**).

Century Water Limited (**CWL**) was formed in December 2018 to raise funds from a pool of investors to invest in WIL through the subscription of Convertible Notes. The debt raised by CWL's subscription of Convertible Notes was used by WIL to part fund its investment in WWL.

## Purpose of this Offer

This is a joint offer by CWL and WIL who are, together, the Offerors under this Offer. CWL is seeking to convert its 2,000 Convertible Notes into Water Shares and on-sell these Water Shares under this Offer in order to repay its investors. The arrangements between WIL and CWL in respect of CWL's Convertible Notes include the Moratorium that prevents the issue of Water Shares by WIL until the earlier of the date that CWL has converted all of its Convertible Notes into Water Shares and sold them, and the Maturity Date (being the date that is 45 years from Financial Close). Due to the Moratorium, the first 2,000 Water Shares available for purchase under this Offer and future offers (if any) will be offered by CWL. Once these Water Shares have been sold, the Moratorium will expire and WIL will be able to issue a further 375 Water Shares under this Offer or future offers (if any).

CWL has an obligation to convert 500 Convertible Notes to Water Shares by 21 December 2028 and a further 500 by 21 December 2032. The conversion and on-sale by CWL of its Water Shares and the issue by WIL of further Water Shares increases the number of shareholders paying Water Charges to WIL. This in turn will improve WIL's overall financial position. See Section 3 (entitled **Purpose of this Offer**) for further information.

## Key terms of the Offer

### Brief Description of Water Shares

The shares being offered are Water Shares in WIL. They give the holder the right and obligation to enter into a SWAA. A Shareholder with a SWAA shall be entitled to apply under the TRMP to Affiliate its Ground Water Permit or Surface Water Permit for a volume of water represented by the number of Water Shares held by the Shareholder at a rate of 300m<sup>3</sup> of water per week, per Water Share. For further details on rights and obligations in respect of Water Shares, see Section 2 (entitled **WIL and What It Does** under the subheading *Water Allocation for Permit Holders*). The terms of issue and the rights and obligations attaching to the Water Shares are set out in clause 4.2 of the WIL Constitution (**Constitution**) and in Section 6 (entitled **Key Features of Water Shares**).

Application Fee	A non-refundable Application Fee of \$100 per Water Share will be payable by the Applicant to WIL's bank account no later than five (5) Working Days of the Application being made.
Price and Payment for Water Shares	As at the date of this document, the Water Share Purchase Price is \$6,325 per Water Share. The price will be reviewed annually with the issue of a new PDS. There are no instalments or future Calls payable for the Water Shares. The full Water Share Price is payable on Application.
Key Dates*: Offer opens ( <b>Opening Date</b> ) Offer closes ( <b>Closing Date</b> ) Approval of Applications Payment of Water Share Purchase Price and first tranche of Construction Operating Charge Receipt of Water Shares	21 June 2019 30 September 2019 14 October 2019 29 October 2019  11 November 2019
Minimum number of Water Shares being offered to each Applicant	The minimum number of Water Shares able to be purchased is two (2) Water Shares per Applicant unless the Applicant's property is less than 1.5 hectares in total area, in which case the minimum is one (1) Water Share. An Applicant may also apply for one (1) share if they are topping up an existing shareholding. Applicants cannot apply for part of a Water Share.
Minimum number of Water Shares required for the Offer to proceed	There is no minimum number of Water Shares that must be applied for by all Applicants in order for this Offer to proceed.
Maximum number of Water Shares being offered to all Applicants	2,375 This is made up of the 2,000 Water Shares being offered by CWL and the 375 Water Shares being offered by WIL (to be issued after the first 2,000 Water Shares have been sold by CWL).
Assuming that the maximum number of Water Shares are sold, following the sale of the Water Shares, the percentage that the Water Shares being offered represent of all Water Shares then on issue	43.8%
Applications	Each Applicant must fully complete, execute and return the Application Form to Findex no later than 5pm on the Closing Date. The Offerors will only accept Applications for Water Shares if they are satisfied that the Applicant meets the eligibility criteria set out in Section 5 (entitled <b>Terms of the Offer</b> under the sub-heading Applications).  The Offerors may reject any Application at their sole discretion without providing any reason for such rejection.
Shareholder Water Augmentation Agreement	By signing and completing the Application Form, each Applicant irrevocably agrees to enter into and sign the SWAA. The SWAA will be forwarded to the Shareholder following receipt of and acceptance of the Application. No Water Shares will be sold to an Applicant until a signed SWAA has been received. A summary of the terms of the SWAA and a full copy of the SWAA is available on the <a href="#">Offer Register</a> .  If the Applicant is Redwood Valley Water Supply Scheme Joint Venture or Waimea East Irrigation Company Limited, then all references to SWAA shall read ISWAA. For further information see the Summary of Irrigation Scheme Water Augmentation Agreement on the <a href="#">Offer Register</a> .
Water Charges	Under the SWAA, Shareholders are required to pay Water Charges based on the number of Water Shares they hold (whether or not they take their allocation of water under their Affiliated Permit, if applicable). Water Charges are calculated to recover WIL's operating costs and WIL's share of WWL's operating costs, including WIL's proportion of WWL debt costs and repayments on a cost recovery basis. The initial revised estimate of the Water Charges is \$650 per Water Share per year payable following Practical Completion and commissioning of the Dam (WIL may charge it earlier if Practical Completion and commissioning is delayed). A summary of the Water Charges is set out in Section 16 (entitled <b>Summary of Water Charges</b> ).

A Construction Operating Charge estimated at \$250 per Water Share will be invoiced to all Shareholders in two tranches following acceptance of applications. Payment of the first tranche of the Construction Operating Charge will be due on 29 October 2019 at the same time as payment of the Water Share Purchase Price. The call for payment of the second tranche is expected to be made in July 2020, with payment being due on the 20th of the following month.

Further details are set out at Section 6 (entitled **Key Features of Water Shares**). For information about the GST treatment of Water Charges and the Construction Operating Charge, see Section 9 (entitled **Tax**).

\*These dates are indicative only and may be changed by WIL and CWL. WIL and CWL may also withdraw the Offer at any time before the allocation of the Water Shares and may accept late Applications at their sole discretion.

## How you can get your money out

WIL does not intend to quote the Water Shares on a market licensed in New Zealand and there is no other established market for trading them. This means you may not be able to sell your Water Shares. There are also restrictions on the sale or transfer of Water Shares under the Constitution and as a result of the Moratorium, which are described in more detail at Section 6 (entitled **Key Features of Water Shares**).

## Key drivers of returns

It is not WIL's intention to provide Shareholders with a financial return in the form of dividends. The return that a Shareholder will receive from the Water Shares is the right and obligation to enter into a SWAA. On entering into a SWAA, a Shareholder is entitled to apply under the TRMP to Affiliate its Ground Water Permit or Surface Water Permit for a volume of water represented by the number of Water Shares held by the Shareholder at a rate of 300m<sup>3</sup> of water per week, per Water Share. The Shareholder may receive a return (if any) from the increased water reliability via an Affiliated Permit, which may result in increased productivity of the Shareholder's land/commercial operation. The following current and future aspects of WIL's business are likely to have the most impact on the level of benefits enjoyed by Shareholders and on the Water Charges.

## Uptake

The greater the uptake of Water Shares, the greater the spread of the cost of the debt servicing and operating costs, which may result in lower Water Charges per Water Share. The CIIL Loan provides for a minimum uptake of 80 Water Shares per annum following Financial Close. The Convertible Note Agreement provides for a mandatory conversion of 500 Convertible Notes to Water Shares on 21 December 2028 (less notes otherwise converted and sold to that date) and another 500 on 21 December 2032 (less notes otherwise converted and sold to date). A summary of the Convertible Note Agreement is set out on the [Offer Register](#).

## Shareholder Ground Water Permits and Surface Water Permits

On entering into a SWAA, a Shareholder is entitled to apply under the TRMP to Affiliate their Ground Water Permit or Surface Water Permit for a volume of water represented by the number of Water Shares held by the Shareholder at a rate of 300 m<sup>3</sup> of water per week, per Water Share. The Shareholder's actual take is determined by the Ground Water Permit and/or Surface Water Permit which may restrict the volume of water that can be taken and/or used. If an Applicant is a member of an Irrigation Scheme they should read the information in Section 2 (entitled **WIL and What it Does**) under the subheading *Information for Members of a Reticulated Irrigation Scheme*. There is potential that TDC will not be able to Affiliate an Applicant's Ground Water Permit and/or Surface Water Permit if the applicable Water Management Zone has already been fully allocated. In such circumstances, the Applicant's Application for Water Shares will not be accepted.

## Project Construction

WIL's intention is to complete the Project, jointly with TDC, as efficiently as possible. TDC and WIL have obtained professional advice to estimate construction costs and timeframes while allowing for the appropriate contingencies. WIL and TDC have undertaken a tender process to ensure that the successful contractor is competitive on price and has the necessary experience. An Early Contractor Involvement (**ECI**) process and contracting process has been completed and the Project has commenced. The budget costs for the Project are \$104.4 million (see further comment under the subheading *Key risks affecting this investment*).



## Water Reliability

The Dam allows for the release of a volume of Dam Water into the Upper Lee River in accordance with the Resource Consent. Dam Water will have an anticipated (but not guaranteed) reliability of 100% for Affiliated Permit holders in most years except in cases of extreme drought. Further information can be found in Section 2 (entitled **WIL and What it Does**).

## Key risks affecting this investment

Investments in shares are risky. You should consider if the degree of uncertainty about WIL's future performance and returns is suitable for you. The price of these Water Shares should reflect the potential returns and the particular risks of these Water Shares. The Offerors consider the most significant risk factors that could affect the value of the Water Shares are as set out in the table below.

Risk Factor	Significance to WIL or the Scheme
Maintaining Funding for the Project	<p>The CIIL Loan has a 15 year term but contains an obligation to refinance the loan every five years from Financial Close on arm's length commercial terms. It is possible WIL may be required to refinance the CIIL Loan on terms that are less favourable to WIL (such as a higher interest rate), which could result in increased Water Charges.</p> <p>WIL's refinancing obligations arise after an independent consultant jointly appointed by WWL, WIL and CIIL has assessed WIL and WWL's ability to refinance the CIIL Loan on arm's length commercial terms without the TDC credit facility support. This will necessarily include an assessment of the affordability of the refinance.</p>
Future uptake	<p>WIL's ability to service and repay the CIIL Loan and TDC WWL Loan is linked to the future uptake of Water Shares. As more Water Shares are issued, the greater the level of income WIL receives from Water Charges, which increases its ability to service the CIIL Loan and TDC WWL Loan. WIL is subject to minimum future uptake requirements under the CIIL Loan but the Moratorium prevents WIL from issuing any further Water Shares until the earlier of the date that CWL has converted all of its Convertible Notes into Water Shares and sold them, and the Maturity Date.</p>
Cost Escalation for the Project	<p>There is a risk that the Project could experience cost overruns.</p> <p>If this occurs, WIL will share the cost of the first \$3 million of construction overruns with TDC equally. Overruns beyond \$3 million, should they occur, will be solely funded by TDC. WIL's \$1.5 million share of these costs will be funded by the CIIL Loan (Facility C).</p>
Construction and Infrastructure Risks for the Project	<p>The Construction Contract for the Project will involve risk for TDC and WIL, including a time/delay risk in completing the works in accordance with the proposed work programme, a cost risk in ensuring the Project is completed within budget amounts, and performance/design risks relating to the performance of the works undertaken and the design of the Dam (both during construction and post-construction stages).</p>
Non-Payment of Water Charges	<p>If a Shareholder fails to comply with the terms of the SWAA and does not make payment to WIL for the Water Charges, this poses a risk to WIL as WIL is funded by the income received through the Water Charges. The payment of Water Charges is WIL's only source of income.</p>

This summary does not cover all of the risks in investing in Water Shares. You should also read Section 8 (entitled **Risks to WIL's Business and Plans**).

## Where you can find WIL's Financial Information

The financial position and performance of WIL are essential to the assessment of this offer. You should also read Section 7 (entitled **WIL's Financial Information**) and the [Offer Register](#) for updated financial information that is filed annually.

# Contents

Section 1.	Key Information Summary	2
	Letter from the Chairperson	7
Section 2.	WIL and What It Does	8
Section 3.	Purpose of the Offer	22
Section 4.	Key Dates and Offer Process	23
Section 5.	Terms of the Offer	24
Section 6.	Key Features of Water Shares	26
Section 7.	WIL's Financial Information	29
Section 8.	Risks To WIL's Business and Plans	30
Section 9.	Tax	35
Section 10.	Where You Can Find More Information	36
Section 11.	How to Apply	37
Section 12.	Contact Information	39
Section 13.	Directory	40
Section 14.	Glossary	41
Section 15.	Map of Scheme Area	45
Section 16.	Summary of Water Charges	46
Section 17.	Application Form	49

# Letter from the Chairperson

Dear Investor,

## The Offer

Waimea Irrigators Limited issued a Product Disclosure Statement in February 2018 and a Replacement Product Disclosure Statement in October 2018. Whilst we reached our target of 3,000 Water Shares subscribed, a further 2,375 Water Shares are available for purchase before the Water Shares in WIL are fully subscribed.

The first 2,000 Water Shares available are being offered by Century Water Limited. These 2,000 Water Shares are currently held by Century Water Limited as Convertible Notes in Waimea Irrigators Limited. Through a conversion process, Century Water Limited will convert its Convertible Notes into Water Shares and sell these Water Shares to Applicants under this Offer. This will enable Century Water Limited to repay its own investors who provided funding for the Dam. Once Century Water Limited has converted all of its Convertible Notes into Water Shares and sold them, Waimea Irrigators Limited will then be able to issue a further 375 Water Shares. For this reason, Century Water Limited and Waimea Irrigators Limited are "joint offerors" under this Offer.

## The Waimea Dam and Water Shares

Waimea Irrigators Limited and Tasman District Council have formed Waimea Water Limited to provide a long-term water supply solution for the Waimea basin and its surrounding areas, which may include Nelson City. Shareholders in Waimea Irrigators Limited will be able to apply to Tasman District Council to Affiliate their existing Ground Water Permits and/or Surface Water Permits under the Tasman Resource Management Plan, which will greatly improve the reliability of water available from the existing groundwater and surface water sources. The reliability for Affiliated Permits is anticipated to be 100% in most years, except in periods of extreme drought.

Water users who do not hold Water Shares in Waimea Irrigators Limited will be unable to have their existing Ground Water Permit and/or Surface Water Permits Affiliated and will be subject to regular rationing and, in many years, periods of zero take (cease take).

Waimea Irrigators Limited and the Tasman District Council have entered into agreements with each other and collectively with Crown Irrigation Investments Limited and Tasman District Council as funders, to provide a capital and operating plan that will allow for the construction of the Dam and operation of the Dam for many decades. The Dam will be a community asset providing water for irrigators, an expanding urban population and improvement in the river environment.

Waimea Irrigators Limited and Century Water Limited now seek to sell the remaining allocation of Water Shares to assist with the repayment of lenders and investors and to potentially reduce the Water Charges across all Shareholdings.



The Board and management of Waimea Irrigators Limited have put in a huge effort over many years to get to a position where we have Dam consent, funding and are proceeding with construction of the Dam. The Project requires ongoing support by irrigators, which the Board recommends.

I encourage you to take the time to carefully consider this Offer, including Section 8 (entitled **Risks to WIL's Business**), and seek appropriate advice. Summaries of important documents, such as the key Project agreements and the Shareholder Water Augmentation Agreement, are available on the [Offer Register](#), and I encourage you to read these as well. Completed Application Forms should be returned by 30 September 2019.

Murray King  
Chairman, Waimea Irrigators Limited

## Section 2. WIL and What it Does

### WIL's Business

WIL is a limited liability company under the Companies Act that has been in operation since September 2016. WIL's current activity is to advance the Project in conjunction with TDC to an operation-ready point.

WIL's primary activity relates to its investment of \$26 million in equity in WWL, including \$10.35 million from the issue of Convertible Notes to CWL. TDC has also invested \$44.55 million of equity in WWL and has provided a loan of \$8.75 million to WWL under the TDC WWL Loan. The sole activity of WWL will be to construct and operate the Dam for the benefit of its Shareholders, WIL and TDC.

WWL has entered into Wholesale Water Augmentation Agreements with both TDC and WIL, obligating WWL to release water from the Dam in return for the payment of water charges by TDC and WIL amongst other matters. A summary of the Wholesale Water Augmentation Agreement can be found on the [Offer Register](#). These charges are intended to be levied by WWL on a cost recovery basis, with WIL paying 49% of operating costs and TDC paying the remaining 51% of operating costs. WIL is to meet 100% of the cost of the CIIL Loan and the cost of the TDC WWL Loan for 15 years (up to a maximum of \$376,000 per annum). WIL will recover its share of the costs of WWL from its Shareholders through Water Charges under the SWAA which its Shareholders are obligated to enter into.

In addition to equity (and debt) funding from WIL and TDC, WWL and WIL (as co-obligor) have borrowed \$25 million from CIIL under the CIIL Loan and \$8.75 million from TDC under the TDC WWL Loan. Because WIL is receiving the benefit of more water released from the Dam, and is putting in less equity than TDC initially, WIL and TDC have agreed through increased water charges that WIL will be responsible financially for the servicing and repayment of the CIIL Loan and will be a co-obligor with WWL under the CIIL Loan. WIL will also be responsible for servicing the TDC WWL Loan and making scheduled loan repayments for 15 years. This will become a TDC obligation following this period. Water Charges set by WIL and paid by its Shareholders will therefore cover the costs of interest and principal for the repayment of the CIIL Loan and the TDC WWL Loan.

WIL holds two separate classes of shares in WWL, being ordinary shares representing 29.8% of all shares in WWL and non-voting shares representing 19.1% of all shares in WWL (collectively 48.9% of the total shares in WWL, both ordinary and non-voting). WIL's non-voting shares will be periodically converted into ordinary shares as WIL funds the repayment of the CIIL Loan and as TDC's liability under the TDC Credit Support is reduced. WIL's shareholding in WWL will automatically convert to ordinary shares representing 48.9% of the total shares in WWL in the event that the CIIL Loan is repaid or refinanced and the TDC Credit Support is no longer necessary. The non-voting shares in WWL will have no rights to dividend or capital on the winding up of WWL.

### Current and Future Aspects of WIL's Business

The current focus of WIL is to financially support WWL in the construction and completion of the Dam and:

- fund the payment of charges from WWL to meet WWL's obligations under the CIIL Loan and the TDC WWL Loan;
- fund interest payments under Convertible Notes;
- meet its operating costs;
- assist CWL with the conversion and on-sale of Water Shares;
- increase its Shareholder and Water Charge base; and
- ensure all shareholders have entered into SWAAs and are paying Water Charges.

The future focus of WIL will be, together with TDC, to ensure that WWL delivers the Dam on time and within budget and:

- recover costs and ensure WWL has sufficient income to pay back the CIIL Loan and TDC WWL Loan;
- continue to assist CWL with the conversion and on-sale of Water Shares and issue the remaining 378



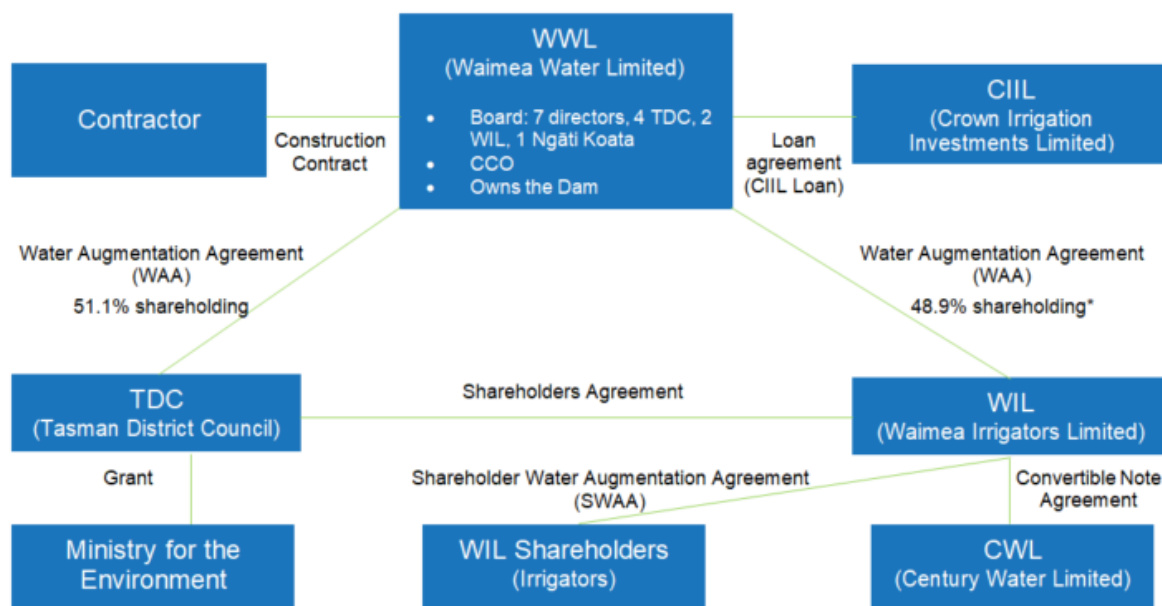
Water Shares;

- ensure WWL releases Dam Water in accordance with the Wholesale Water Augmentation Agreement;
- facilitate TDC's Affiliation of Shareholders' Ground Water Permits and/or Surface Water Permits through the establishment of a SWAA for each Shareholder; and
- ensure all Water Shares are either issued or on-sold and WIL's Water Shares are fully allocated.

There are also on-going current and future aspects that could affect WIL's financial performance and therefore the Water Charges payable by Shareholders. These include interest rates, regulatory and compliance costs, the financial performance of Shareholders and the recoverability of Water Charges.

WIL's key strategies and plans to manage the aspects of its business noted above are dependent on the associated risks: see Section 8 (entitled **Risks to WIL's Business and Plans**).

## Parties Involved in the Project



\* WIL was issued ordinary (voting) shares that represent 29.8% of the total number of shares in WWL and non-voting shares that represent 19.1% of the total number of shares in WWL. WIL's non-voting shares will be converted to ordinary shares (up to a maximum of 48.9%) as the CIIL Loan is repaid and TDC's liability under the TDC Credit Support is reduced.

## Waimea Water Limited (WWL)

WWL is a limited liability company under the Companies Act established by WIL and TDC. WWL is a council-controlled organisation under the Local Government Act 2002 (**CCO**) and is the delivery vehicle for the Dam. WWL will construct and operate the Dam with equity funding from WIL and TDC and debt financed by CIIL and TDC.

WWL will own or lease the land necessary to construct and operate the Dam and will hold required land access agreements and resource and building consents. TDC may undertake hydro generation on the Dam premises, but all costs associated with hydro generation shall be to the account of TDC and the hydro generation shall in no way jeopardise WWL's primary purpose to provide the environmental flows and to meet the requirements of the TRMP in relation to the rights attached to being an Affiliated Permit holder. In addition, if the Dam is used for electricity generation, then WWL will first need to obtain Ngāti Koata's consent to this secondary use and WWL will also need to agree to share any financial benefit it receives from the electricity generation with Ngāti Koata. See also the summary of Water Augmentation Agreement on the [Offer Register](#).

WWL is managed on a cost recovery basis and is required to maintain appropriate working capital and

reserves. Operating costs associated with owning and operating the Dam (such as director's fees, rental of premises, staffing and material costs) are shared between TDC and WIL at 51% and 49% respectively. WWL will send each of WIL and TDC an invoice for its share of the operating costs on a quarterly basis through WWL water charges. Debt costs relating to the CIIL Loan will be met in full and the TDC WWL Loan will be met (up to a maximum of \$376,000 per annum for the first 15 years) by WIL through its Water Charges.

The board of WWL comprises two WIL appointees and three TDC appointees, one of which may be a joint appointee with Nelson City Council (**NCC**). The chairperson of the Board will be elected by the Directors and will not have a casting vote. The composition of the Board reflects the best skills and competencies for the Project overall, and may change after the construction phase is completed. By agreement the TDC appointees cannot be councillors and must be persons with appropriate governance experience. In addition to the WIL and TDC appointees, one additional director may be appointed by Ngāti Koata.

The Shareholder Agreement regulates the relationship between WIL and TDC as shareholders in WWL. WIL is a minority shareholder in WWL, and has the right to appoint two of the seven directors (being the maximum number of directors permitted). However, WIL has the benefit of a number of shareholder reserved matters that prevent certain key decisions being made without WIL's consent. A summary of the Shareholder Agreement is set out on the [Offer Register](#).

### **Tasman District Council (TDC)**

TDC has provided to WWL equity funding totaling \$44.55 million and new debt funding totaling \$8.75 million under the TDC WWL Loan. Its interest in constructing and operating the Dam is to provide urban and rural reticulated water supplies to the community, and to maintain a minimum flow in the Waimea River for environmental purposes. TDC has provided capped credit support to CIIL for the CIIL Loan to WWL. The credit support enables more favourable lending terms (e.g. lower interest rates) that can be passed to Shareholders with lower Water Charges.

TDC has been responsible for securing the land on which the Dam and reservoir will sit under the Public Works Act 1981 and through the Tasman District Council (**Waimea Water Augmentation Scheme**) Act 2018, which is currently in force.

TDC is also responsible for converting or reissuing Ground Water Permits and Surface Water Permits to Affiliated Permits for those Shareholders who have a signed SWAA with WIL (i.e. those who have purchased Water Shares in WIL). A permit holder who does not purchase Water Shares and has no signed SWAA will have an Unaffiliated Permit under the TRMP. Unaffiliated Permits may be subject to extensive rationing; see the subheading *Security of Supply for Unaffiliated Permits* at Section 2 (entitled **WIL and What It Does**).

### **Century Water Limited (CWL)**

CWL was formed in December 2018 to raise funds from investors to invest in WIL through the subscription of Convertible Notes in WIL. The subscription of 2,000 Convertible Notes by CWL allowed WIL to fund its \$10.35 million investment in WWL. The Convertible Notes convert to Water Shares and will be sold to Applicants under this Offer in order to repay its investors. As the conversion of Convertible Notes to Water Shares increases the number of Water Shares on issue, this will in turn increase the revenue WIL receives from Water Charges.

### **Crown Irrigation Investments Limited (CIIL)**

CIIL has provided debt funding to WWL under the CIIL Loan. WIL will meet all of the CIIL debt service costs of the CIIL Loan, which will form part of the Water Charges payable by Shareholders.

## **Project Agreements**

WIL has entered into the following agreements in respect of the Project. A summary of each of these agreements is set out on the [Offer Register](#).

### **Shareholder Water Augmentation Agreements (SWAA)**

By signing and completing the Application Form, each Applicant irrevocably agrees to enter into and sign the

SWAA. One SWAA will be issued for each Shareholder. Generally, the Application Form is filled out and signed by the person or entity which holds the Ground Water Permit or Surface Water Permit (if applicable), in order for the SWAA to be prepared in the name of the correct entity. All Shareholders are required to enter into a SWAA regardless of whether they are a member of a scheme or hold their own ground water permit.

A Shareholder has the right and obligation to enter into a SWAA under the Constitution. It is a right because the SWAA has the key benefit of enabling the Shareholder to apply for Affiliation of its Ground Water Permit or Surface Water Permit under the TRMP. It is also an obligation because WIL requires the Shareholder to enter into the SWAA and pay Water Charges.

On entering into the SWAA, the Shareholder is entitled to apply under the TRMP to Affiliate its Ground Water Permit or Surface Water Permit for a volume of water represented by the number of Water Shares held by the Shareholder at a rate of 300m<sup>3</sup> of water per week, per Water Share.

An Applicant needs to calculate the number of Water Shares required to appropriately Affiliate its Ground Water Permit or Surface Water Permit under the TRMP. See Section 11 (entitled **How to Apply**).

A full copy of the SWAA is also available on the [Offer Register](#).

## **Irrigation Scheme Water Augmentation Agreement (ISWAA)**

WIL has entered into an ISWAA with Waimea East Irrigation Company Limited (**WEIC**) and is in the process of finalizing an ISWAA with Redwood Valley Water Supply Scheme (**RVI**). Acceptance of any applications by members of RVI is conditional on the ISWAA with RVI being finalised and signed. The ISWAAs are 'water supply agreements' for the purposes of the TRMP. The ISWAAs allow RVI and WEIC to apply for partial Affiliation of their Ground Water Permit or Surface Water Permit under the TRMP in respect of their shareholders' or members' Water Shares.

More details for members of reticulated Irrigation Schemes can be found at Section 2 (entitled **WIL and What It Does**).

## **Wholesale Water Augmentation Agreement (WWAA)**

WWL has entered into a WWAA with both WIL and TDC (who are both Head Water Users). The WWAA is separate from the SWAA which is to be entered into between WIL and its Shareholders.

## **Shareholder Agreement**

The Shareholder Agreement between WIL and TDC sets out the terms in respect of the establishment, governance and funding of WWL.

## **Project Deed**

The Project Deed sets out the terms on which TDC provides credit and project support for the Project and certain other related matters including placing obligations on TDC to protect Shareholders' rights to Affiliation.

## **Convertible Note Agreement**

The Convertible Note Agreement between WIL and CWL sets out the terms on which WIL issued Convertible Notes to CWL.

## **TDC WWL Loan Agreement**

Under the TDC WWL Loan, WWL has taken an \$8.75 million, 40 year table loan from TDC (which TDC is funding by borrowing from the Local Government Funding Authority (**LGFA**)). WWL will make all payments in respect of the TDC WWL Loan, including principal and interest, on a table loan basis, with the interest and other finance costs applicable to the TDC WWL Loan being re-set from time to time as those amounts applicable to TDC's loan from LGFA are re-set.

Payments by WWL to TDC under the TDC WWL Loan will be funded by WIL over a 15 year term of the TDC WWL Loan by WIL paying to WWL a quarterly finance charge as part of its water charges, up to a maximum of \$376,000 per annum. Thereafter the TDC WWL Loan becomes TDC's responsibility.

## WIL's Water Charges

Water Charges are payable by Shareholders to WIL on a per Water Share basis to fund WIL in meeting its obligations to WWL. The liability to pay Water Charges is an obligation under the Constitution and SWAA.

The economic viability of constructing and operating the Dam has been assessed by WIL based on the amount of Water Charges that the Shareholders will be required to pay to WIL. The level of the initial Water Charges payable after Practical Completion and commissioning of the Dam in 2022 has been set at \$650 per annum per share (WIL may charge it earlier if Practical Completion and commissioning is delayed). Water Charges, thereafter, will be reviewed annually by the Board in May of each year to take effect on 1 July and the review will be communicated to Shareholders prior to 1 July. The review by the Board will take into account various factors including, without limitation:

- the capital cost of the Dam;
- the level of Water Shares that have already been issued and will continue to be issued through the future conversion of Convertible Notes to Water Shares by CWL and by the issue of additional Water Shares by WIL;
- the operating and maintenance costs of the Dam;
- interest rates; and
- the ability to obtain acceptable funding from other sources on a refinancing of the CIIL Loan.

For more detailed information relating to Water Charges including the basis for Water Charges and Water Charge Scenarios, see the summary of Water Charges in Section 16 (entitled **Summary of Water Charges**).

## Augmentation and Reliability

### Purpose of the Dam

WIL is promoting the Dam as the most efficient and effective way to ensure augmented water is available to its Shareholders in all but the driest of years. The total allocable volumes for each of the Water Management Zones where the natural water supply is augmented by the Dam Water releases are all significantly increased if the Dam is built. The Dam may also allow for future new reticulated irrigation in adjacent zones such as Redwood Valley, Mount Heslington, and the lower Wai-iti Zones.

Under previous management regimes there was no or very low minimum flow requirements applying to the Waimea River. New water management provisions in the TRMP, adopted in 2015, mean without the Dam, a minimum flow of 800l/s at Appleby must be maintained in the Waimea River at all times. The new minimum flow will take effect at the end of 2019. This flow is not high enough to protect all the instream ecological, amenity and recreational values fully because of higher water temperature and algal growth. However, a flow of 800l/s ensures effects of climate change and sea level rise can be managed, and provides for minimal recreation and amenity values.

Construction of the Dam will allow for a higher minimum flow in the Waimea River of 1,100l/s at Appleby (compared to a minimum flow of 800l/s if there is no Dam). This flow will better protect instream ecological, amenity and recreational values because of lower water temperature and an improvement in water quality. It will also allow for the augmentation of aquifers, which in turn will allow for the increased reliability of Affiliated Permits (i.e. Affiliated Permits will not be subject to the same strict rationing steps as Unaffiliated Permits).

### Water Allocation for Permit Holders

In 2016/2017 TDC conducted initial reviews of Waimea Plains water permit applications against the 'bona fide

use' definition in the TRMP. In undertaking the review, TDC took into account consented volume, actual maximum water usage over the period 2003-2013, and soil type and crop type. Holders of Ground Water Permits and Surface Water Permits were notified of the results of the review by letter and for some, the bona fide review has resulted in a significant reduction in allocation. 61% of Ground Water Permit and Surface Water Permit holders will have a reduction of between 1% to 49% of their former allocations if there is no Dam.

Irrigators can decide whether or not they Affiliate their Ground Water Permits and/or Surface Water Permits by purchasing Water Shares and entering into a SWAA with WIL. Only one Ground Water Permit or Surface Water Permit can be consented for any one point of take and monitored through one water meter, except where the point of take services more than one landowner through a reticulated water scheme (e.g. WEIS or RVI).

Water allocation for water users who hold Unaffiliated Permits will, when replacement Ground Water Permits and Surface Water Permits are granted, be the bona fide volume (as defined under the TRMP). It will not be possible to take and use an Affiliated and Unaffiliated volume of water for the same Ground Water Permit or Surface Water Permit, unless the point of take services more than one landowner through a reticulated Irrigation Scheme. In other words, a Ground Water Permit or Surface Water Permit cannot be partially Affiliated.

Having entered into a SWAA, Shareholders will be entitled to apply under the TRMP to Affiliate their Ground Water Permit or Surface Water Permit for a volume of water represented by the number of Water Shares held by the Shareholder at a rate of 300m<sup>3</sup> of water per week, per Water Share.

For example, a person who wishes to take up to 1,500m<sup>3</sup> of water per week under their Ground Water Permit and/or Surface Water Permit would need to purchase five Water Shares to hold an Affiliated Permit for their total water take under their Ground Water Permit or Surface Water Permit. If only four Water Shares were purchased, on Affiliation, the take under the Ground Water Permit or Surface Water Permit would be reduced to 1,200m<sup>3</sup> of water per week.

If the authorised use of the Ground Water Permit or Surface Water Permit is for irrigation, the authorised volume shall not exceed the per hectare soil type rate (Figure 31.1D of the TRMP). An irrigator on light soil that needs more than 300m<sup>3</sup> of water per hectare per week may choose to apply for more Water Shares to enable them to Affiliate their Shareholder Permit for the full amount of water needed.

The volume of water allocated for Ground Water Permits or Surface Water Permits authorising 'other uses' of water, for example, industrial or commercial uses, will generally be allocated based solely on the number of Water Shares, as detailed above.

During the 'transition' period from 1 November 2019 until the Dam is commissioned, the holder of an Affiliated Permit may only use up to the bona fide use over the period 2003-2013. The rationing imposed on Affiliated Permits during the transition period is the same as is currently imposed on existing Ground Water Permits and Surface Water Permits.

Unaffiliated Permits will be subject to their bona fide volume, and have transition period rationing steps that are much more restrictive than Affiliated Permits (Schedule 31C: Table 1C of the TRMP). In addition, holders of Unaffiliated Permits authorising 2,000m<sup>3</sup> of water per week or greater will be required to install telemetered water meters.

## Water Management Zones

Due to zonal allocations, Applicants will need to state on their Application Form which Water Management Zone they are in and any water transfers will need to be within the same Water Management Zone. The 'with Dam' affiliated zones are different from the existing zones – the TRMP Special Map 232B Waimea Water Management Zones details the 'Dam affiliated' Water Management Zones. A copy of this map is available on the [Offer Register](#). The majority of Ground Water Permits and Surface Water Permits will likely be in the 'Appleby Gravel Zone' but it will be the responsibility of the Applicant to check with TDC which 'Dam affiliated' Water Management Zone they are in before applying for Water Shares.

There is potential that TDC will not be able to Affiliate an Applicant's Ground Water Permit and/or Surface Water Permit if the applicable Water Management Zone has already been fully allocated. On receipt of an Application,



the Offerors will determine whether or not the applicable Water Management Zone has been fully allocated. If this is the case, the Offerors will not be able to accept the Application.

If Shareholders want to move from one Water Management Zone to another, including vertical movement, then this will be possible by purchasing new Water Shares within the desired Water Management Zone. To facilitate the transfer, TDC will need to see a SWAA for Water Shares and proof the water can be pumped.

If a Shareholder sells or transfers its Water Shares to a person or entity that holds a Ground Water Permit and/or Surface Water Permit in a different Water Management Zone, it will be the responsibility of the incoming holder of Water Shares to ensure that it is able to obtain Affiliation of its Ground Water Permit and/or Surface Water Permit in the applicable Water Management Zone, which may be restricted due to zonal allocations under the TRMP.

## Security of Supply for Unaffiliated Permit holders

The new water management provisions for the Waimea Plains Zone includes rationing triggers that reflect two different security of supply standards, depending on whether a Ground Water Permit and/or Surface Water Permit is Affiliated under the TRMP or not.

Unaffiliated Permits will be subject to the following rationing steps, in accordance with the TRMP:

- Step 1 (2,750 l/s at Irvines/Wairoa Gorge recorder): 20% rationing
- Step 2 (2,300 l/s at Irvines/Wairoa Gorge recorder): 50% rationing
- Step 3 (2,050 l/s at Irvines/Wairoa Gorge recorder): cease take

Table A shows the implications of the new management regime on a hypothetical Unaffiliated Permit for 3500m<sup>3</sup>/week in the Delta, Reservoir, Upper Confined Aquifer, Waimea West and Upper Catchment management zones:

*Table A: Implications of new management regime on hypothetical Unaffiliated Permit*

	Step 1 – Wairoa River < 2,750l/s	Step 2 – Wairoa River < 2,300l/s	Cease Take - Wairoa River < 2,050l/s
Allocation after bona fide permit review (m <sup>3</sup> /week)	Allocation under 20% rationing (Allocation x 0.8)	Allocation under 50% rationing (Allocation x 0.5)	
3,500	2,800	1,500	0

Based on historical flow data, the Wairoa River flow falls to 2,300l/s most years.

Water users with Unaffiliated Permits will be required to cease taking water as soon as the Waimea River reaches 2,050 l/s at the Irvines/Wairoa Gorge recorder site, and will not be able to resume taking until the 7-day moving mean flow reaches 6000 l/s at the Irvines/Wairoa Gorge recorder. In other words, a substantial fresh (i.e. more than 10,000l/s) would need to occur in the Waimea River before taking could resume.

## Security of Supply for Affiliated Permit holders

On commissioning of the Dam there will be an anticipated (but not guaranteed) reliability of nearly 100% for Affiliated Permit holders in most years.

The Dam design enables an expected return period of approximately 1:40 years (assuming full allocation) before any rationing is likely for Affiliated Permit holders. If, in extreme circumstances rationing is required, the TRMP allows for rationing of Affiliated Permits<sup>1</sup>. This rationing is most likely to occur on the basis of consented allocation.

<sup>1</sup> Under 31C Table 1 A, the minimum flow is allowed to drop to 800 l/s in the Waimea River if a drought exceeds a 1:40 year return period.

## Information for Members of a Reticulated Irrigation Scheme

Members or shareholders of RVI or WEIC and any future reticulated Irrigation Schemes (**Scheme Members**) may purchase Water Shares directly from WIL and in doing so enter into a SWAA directly with WIL. In turn, WIL will collect and administer the Water Charges due to WIL under the SWAA directly from the Scheme Members. Acceptance of any Applications by members of RVI is conditional on the ISWAA with RVI being finalised and signed.

Scheme Members who become Shareholders in WIL will remain responsible for their respective Irrigation Scheme's associated costs in accordance with their existing arrangements with their Irrigation Scheme, in addition to charges payable to WIL under the SWAA.

Scheme Members who do not hold any Water Shares in WIL (and so do not have a SWAA with WIL and do not hold an Affiliated Permit) will, subject to their respective Irrigation Scheme's rules, face the same rationing regime as if they were the holders of an Unaffiliated Permit.

Scheme Members who hold Water Shares and a SWAA with WIL will, providing that their Irrigation Scheme has entered into an ISWAA with WIL and subject to their respective Irrigation Scheme's rules, be able to request that their Irrigation Scheme applies to the TDC to have their Irrigation Scheme's Ground Water Permit and/or Surface Water Permit converted or reissued as an Affiliated Permit to the extent of the number of Water Shares held by that Scheme Member. In other words, the Irrigation Scheme's Ground Water Permit and/or Surface Water Permit may be partially Affiliated for those Scheme Members holding Water Shares.

Irrigation Schemes will be responsible for monitoring individual property usage to ensure Scheme Members are only using the amount they are entitled to under the Irrigation Scheme's Ground Water Permit and/or Surface Water Permit (including any Affiliation) and any water restrictions in place at the time.

The ISWAAs with WIL are 'water supply agreements' for the purposes of the TRMP, allowing the partial Affiliation of its Ground Water Permit and/or Surface Water Permit for the benefit of its shareholders or members who hold Water Shares in WIL. WEIC has entered into an ISWAA and RVI is in the process of finalizing and signing an ISWAA. Both RVI and WEIC can apply for partial Affiliation of their Ground Water Permit and/or Surface Water Permit under the TRMP in respect of their members' or shareholders' Water Shares. In addition, an Irrigation Scheme may hold its own Water Shares, and in such case, it may transfer or license its own Water Shares to its Scheme Members without being subject to the Moratorium. A summary of the terms of the ISWAA is set out on the [Offer Register](#).

## Hydrology

The Dam will capture Lee River flows, store the Dam Water in the reservoir behind the Dam, and then allow release of the stored Dam Water into the Upper Lee River during periods of high-water demand and/or low natural river flows.

Modelling shows a high level of interconnection between the surface waterways and groundwater aquifers under the Waimea Plains. Accordingly, the proposal is to discharge Dam Water into the Upper Lee River below the Dam which will flow into the Wairoa/Waimea River system and result in recharge of the groundwater aquifer. The discharge of water into the Upper Lee River will also enable a higher minimum flow to be maintained in the Waimea River which will benefit a range of instream aquatic ecology, cultural, amenity, aesthetic and recreational needs.

## Availability of Water

Shareholders' access to water is dependent on the Shareholders' individual Ground Water Permits and/or Surface Water Permits (or their Irrigation Scheme's Ground Water Permits and/or Surface Water Permits as the

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Consultation is required when Dam storage drops to less than 2.7Mm<sup>3</sup> and stage one rationing is implemented (likely 20% reduction) when storage in the reservoir is less than 2Mm<sup>3</sup>.

case may be), and the availability of water at any time due to climate, bore conditions or river conditions.

WIL will take all reasonable steps as a shareholder in WWL to:

- challenge any decisions by any party which may have a material adverse effect on the release of Dam Water and/or Shareholders under the Resource Consents;
- renew or amend the Resource Consents where appropriate;
- acquire or apply for any additional Resource Consents necessary or desirable for the construction and operation of the Dam;
- monitor and manage infrastructure to minimise shutdowns for maintenance and/or repair;
- minimise emergency or unplanned outages; and
- design the infrastructure of the Dam to mitigate the effects of natural disaster or adverse river conditions.

A sufficient quantity of Dam Water will be released into the Upper Lee River to maintain minimum flows and the reliability of Affiliated Permits.

In addition, WIL may monitor compliance by its Shareholders of the SWAA which includes an obligation to comply with their Ground Water Permits and/or Surface Water Permits.

The Dam specification and volume is designed to provide reliability of nearly 100% most years, up to a 1:40 year drought, assuming full allocation. TDC has the ability to review the conditions imposed by Ground Water Permits and Surface Water Permits held by Shareholders to increase minimum flows in the future. However, WIL is to enter into the WWAA with WWL for more water than is currently needed, which will assist in safeguarding Shareholders against future increases in the minimum flow.

## Project Costs and Funding

The final budgeted costs of the Project are \$104.4 million, which includes \$83.2 million of construction costs.

The \$83.2 million of construction costs is made up of:

- \$60.9 million of fixed costs;
- \$17.8 million of unfixed costs;
- \$6.3 million of contingency and risk allowance;
- (\$1.8 million) of opportunities to reduce costs through design optimisation.

The \$83.2 million of construction costs exclude the costs of the Early Contractor Involvement (**ECI**), which are included in the \$21.2 million of non-construction costs. A more detailed summary of the budgeted costs for the Project is set out on the [Offer Register](#).

The final budgeted costs of the Project are being funded as follows:

Funder	Amount (\$ million)
Waimea Irrigators Limited:	
• Equity raise	\$15,618,447
• Convertible Notes	\$10,348,250
• Equity contribution	\$25,966,697
Crown Irrigation Investments Limited - CIIL Loan (Facility A)	\$23,500,000

Funder	Amount (\$ million)
Tasman District Council; made up of the following:	
• TDC Funds	\$22,550,000
• CIIL Loan (interest free)	\$10,000,000
• Loan from TDC to WWL	\$5,750,000
• Loan from TDC to WWL (serviced by WIL)	\$3,000,000
• Nelson City Council grant	\$5,000,000
• Ministry for the Environment grant	\$7,000,000
Other:	
• CIIL grant funding for pre-financial close costs	\$60,000
• Net interest income during construction	\$82,989
• Net interest on term deposits	\$1,604,717
<b>Total Funding</b>	<b>\$104,514,403</b>

Note: The total funding for the Project (\$104.5 million) is slightly higher than the final budgeted costs of the Project (\$104.4 million), which relates to the interest that has been accrued on the funding that was received on Financial Close.

## Funding for Cost Overruns

In respect of the Project budget of \$104.4 million, WIL and TDC have agreed to cover the first \$3 million of any overruns of the budget costs for the Project on a 50:50 basis. The first \$3 million of cover will be by way of equity contributions from TDC and drawings by WWL under Facility C of the CIIL Loan. Any overruns over the budget costs for the Project over \$3 million will be covered by TDC through to Practical Completion of the Dam via further equity contributions (provided that at no time will WIL hold ordinary shares representing less than 25% of the total ordinary shares in WWL).

For more detailed information about the Project funding including details of the CIIL Loan, see the summary of Project funding on the [Offer Register](#).

## Rates

TDC has decided how it will rate for the costs of the Waimea Community Dam, following public consultation on its Long Term Plan 2018 - 2028. To fund the TDC's contribution to the Waimea Community Dam, all ratepayers in the District pay a fixed flat rate in recognition of the environmental and community benefits of the Dam.

Ratepayers in the Zone of Benefit pay an additional targeted rate based on capital value to recognise that some properties benefit more than others because of their use, economics, proximity to the Dam and the Waimea River. Everyone connected to a reticulated water supply throughout the District (with the exception of Motueka) and those on the Redwood Valley Rural Water Supply will contribute to some of the water supply costs through their water rates or charges.

There is potential that TDC may also seek to introduce a targeted rate to all properties with Affiliated Permits in order to recover Project cost overruns.

TDC reviews its rating policy regularly. It may change its policy on target rating land with Affiliated Permits and target rates in the Zone of Benefit (as defined in the TRMP) may increase for any particular reason. However, it will not change its approach to rates without full public consultation first. More information can be obtained from the TDC directly.

## Construction

The Dam will be approximately 53m high, 220m long and 6m wide at the crest and will have a total reservoir storage volume of approximately 13 million m<sup>3</sup> of water. The Dam is designed to the highest safety standards for dams in New Zealand.

Construction commenced in March 2019 with the upgrade of roads and clearance of vegetation to allow the main works to proceed.

WIL has collaborated with TDC to manage the Dam design. Tonkin & Taylor Limited were engaged to prepare the Project concept and detailed design for the proposed Dam, which was completed to 80% in 2014. To produce the design, Tonkin & Taylor undertook a comprehensive geotechnical investigation at the Dam site. Dam Watch will provide design services to WWL during the construction of the Dam.

Other experienced professionals who have advised on the design and Dam construction include Fulton Hogan Limited, Taylors Contracting Limited, Bond Construction Management Limited as ECI advisors and construction price peer reviewers, Beca Group Limited for the initial construction cost estimate and procurement strategy, and Anderson Lloyd for legal advice.

### ***Timing of Dam Construction***

Construction of the Dam is expected to be completed by October 2021, with the filling of reservoir expected in February 2022 and final commissioning expected in March 2022.

The key proposed dates (which are indicative only and are subject to change) for the design and construction phase of the Scheme are as follows:

Key Milestone	Target Date
Preferred contractor identified	December 2017 (completed)
Detailed Design	14 September 2018 (completed)
Award Contract	1 November 2018 (completed)
Commence Construction	March 2019 (commenced)
Scheduled Scheme Complete	February 2022
Scheme Operational	March 2022

### **Resource Consents**

Resource Consents authorising the construction, operation and maintenance of the Dam and associated infrastructure on the Lee River in the Tasman District were granted on 22 July 2015. The Resource Consents will lapse if not given effect to within seven years of 22 July 2015.

The Resource Consents are held by WWL. A Building Consent Application was prepared and filed by Tonkin and Taylor Limited. The necessary building consents were issued on 10 December 2018.

Any permits necessary for the taking and use of water released from the Dam to improve reliability will be the responsibility of individual Shareholders or the respective Irrigation Scheme of which they are shareholders or members.

Consent Applications for earthworks associated with replacement of forestry roads were made following conclusion of land owner negotiations and issued on 18 March 2019.



## Land Access

In exercise of its rights under the Public Works Act 1981, TDC entered into a number of agreements with a group of private land owners to acquire land and interests in land that are required for the construction and operation of the Dam.

TDC also entered into a Deed with Ngāti Koata that provides it with a right to use part of Ngāti Koata's land for water storage purposes.

In addition to this, the Tasman District Council (Waimea Water Augmentation Scheme) Act 2018 also vested certain pieces of riverbed land and certain interests in land in TDC.

TDC's beneficial interest in the above land and interests in land was transferred to WWL upon Financial Close. The land and the interests in land will ultimately be transferred to, and registered in the name of, WWL.

WWL is working through some land access related issues that have arisen (and may continue to arise from time-to-time as construction and operation of the Dam progresses) under existing contractual arrangements with landowners.

The Construction Contract requires the main contractor to collaborate with WWL and landowners on the practical implementation of these rights as the detailed plans for access and works are developed and processes are already in place to this effect.

## Directors and Senior Managers

The Directors of WIL are:

- Murray Grant King (Chairman)
- Richard (Dick) Bennison
- Mark Randall O'Connor
- Julian Richard Raine
- Matthew Simon Huddy

WIL contracts a Project Manager to undertake its day-to-day operations. That person is currently Natasha Berkett.

## Substantial Shareholders and relevant interests held by Directors and Senior Managers

Director	Relevant Interest/Nature of Interest	Number of Shares prior to the Offer	Percentage of Shares prior to the Offer	Percentage of Shares following the Offer	Number of Shares following the Offer
Murray King	Kingsway Farms Limited (of which Murray King is a director and shareholder) as a Shareholder in WIL and Murray King personally as a Shareholder in WIL	68 water shares held by Kingsway Farms Limited 1 water share held by Murray King personally	1.35% (total)	1.25% (total)	69 (total)
Richard Bennison	Could access water to private property via the Waimea East Irrigation Scheme, Richard Bennison personally as a Shareholder in WIL and as a trustee of the Bennison Family Trust as a Shareholder in WIL	1 water share held personally 1 water share held together with Carolyn Jane Ann as trustees of the Bennison Family Trust	0.04% (total)	0.04% (total)	2 (total)
Mark O'Connor	Appleby Fresh Limited (of which Mark O'Connor is a director and shareholder) and Mark O'Connor personally as a Shareholder in WIL	165 water shares held by Appleby Fresh Limited 1 water share held by Mark O'Connor personally	3.27% (total)	3.04% (total)	166 (total)
Julian Raine	Wai-West Horticulture Limited (of which Julian Raine is a director and beneficial shareholder (through Raine Group Limited)) as a Shareholder in WIL and Julian Raine personally as a Shareholder in WIL	252 water shares held by Wai-West Horticulture Limited 1 water share held by the J R and C J Raine Partnership 1 water share held by Julian Raine personally	5.01% (total)	4.66% (total)	254 (total)
Matthew Hoddy	Vailima Orchard Limited (of which Matthew Hoddy is a director and shareholder) as a Shareholder in WIL and Matthew Hoddy personally as a Shareholder in WIL	244 water shares held by Vailima Orchard Limited 1 water share held by Matthew Hoddy personally	4.83% (total)	4.50% (total)	245 (total)

### Notes:

- The Percentage of Shares held prior to the Offer is based on 3,050 Water Shares and 2,000 Convertible Notes on issue as at the date of this PDS.
- The Percentage of Shares held following the Offer is indicative only and is based on a total of 5,425 Water Shares. This estimated figure assumes that CWL will convert all of its 2,000 Convertible Notes into 2,000 Water Shares and sell all of those Water Shares under this Offer. It also assumes that WIL will issue all of its 375 Water Shares being offered under this Offer.
- The Number of Shares held following the Offer is indicative only and is based on the intentions of the directors as at the date of this PDS.

The following directors of WIL have a relevant interest in CWL (which is a substantial shareholder in WIL):

- Murray King is a director and shareholder of Kingsway Farms Limited, which has a 2.28% shareholding in CWL;
- Mark O'Connor is a director and shareholder of Appleby Fresh Limited, which has 9.09% shareholding in CWL;
- Julian Raine is a director and beneficial shareholder of Wai-West Horticulture Limited, which has a 13.64% shareholding in CWL; and
- Matthew Hoddy is a director and shareholder of Vailima Orchard Limited, which has a 13.64% shareholding in CWL.

WIL's current Project Manager, Natasha Berkett, does not hold any shares or other securities in WIL.

### **Relevant parties likely to hold 5% or more of a class of relevant securities**

CWL holds more than 5% or more of a class of relevant securities. It holds 2,000 Convertible Notes (which may be converted to Water Shares) which equals approximately 39.62% of the total relevant securities in WIL (both Water Shares and Convertible Notes). This holding will reduce as the Convertible Notes are converted to Water Shares and sold under this Offer. If all of CWL's Convertible Notes are converted to Water Shares and sold under this Offer, CWL will no longer hold any relevant securities in WIL.

### **Priority of the Water Shares in the Event of Liquidation**

Water Shares shall rank equally in the event of liquidation of WIL. Full details are set out in clause 4.2 of the Constitution.

### **Interests of Directors and Senior Managers - Remuneration**

None of the Directors of WIL received any remuneration or benefit for the financial year of WIL ended 31 March 2018. No services were provided to WIL by any Director other than in their capacity of acting as a Director of WIL.

No employees (or former employees) of WIL received remuneration or other benefits in their capacity as employees of WIL that in value was or exceeded \$100,000.00 for the financial year ended 31 March 2018.

### **Other Material Governance and Disclosures**

There is no ability under the Constitution nor under any other agreement for one or more persons to exercise a power that would usually be exercised by the Shareholders by resolution.

There is no provision under the Constitution or under any other agreement that provides that the Board of WIL or a Director of WIL may act in a manner that the Board or the Director believes to be in the best interests of a person other than WIL (even though it may not be in the best interests of WIL).

Neither the Constitution nor any other agreement provides any restriction on the ability of Shareholders in WIL to control the composition of the Board.

## Section 3. Purpose of the Offer

The purpose of this Offer is to:

- allow CWL to convert its 2,000 Convertible Notes in WIL into Water Shares in WIL and sell these to Applicants in order to repay its investors who provided funding for the Dam; and
- allow WIL to raise additional capital in order to pay down existing debt under the CIIL Loan.

Applications will first be applied to the Offer by CWL. Only after all of CWL's 2,000 Water Shares have been sold will applications for the Water Shares offered by WIL be accepted.

### How the intended Use of Money Relates to WIL's Strategies and Plans

The money raised from the conversion of the Convertible Notes and on-sale of Water Shares will be used to repay CWL's investors. The money raised from the further issue of Water Shares by WIL will be used to repay the CIIL Loan (see Section 2 entitled **WIL and What It Does**).

### How the Use of Money May Change

WIL and CWL expect that the use of the proceeds of this Offer of Water Shares will remain the same as described above and will not change based on the level of uptake under this Offer.

### Minimum Amount

The minimum number of Water Shares able to be purchased is two (2) Water Shares per Applicant unless the Applicant's property is less than 1.5 hectares in total area, in which case the minimum number of shares able to be purchased is one (1) Water Share. An Applicant may also apply for one (1) Water Share if they are topping up an existing shareholding. Applicants cannot apply for part of a Water Share.

### Underwrite

This Offer is not underwritten by any party.

## Section 4. Key Dates and Offer Process

The key dates for this Offer of Water Shares are set out below:

Opening Date	21 June 2019
Closing Date	30 September 2019
Date for payment of Water Share Purchase Price and first tranche of Construction Operating Charge by direct credit, if Application successful	29 October 2019
Receipt of Water Shares	11 November 2019
Construction Timetable	The proposed key dates for construction of the Dam are set out in Section 2 (entitled <b>WIL and What It Does</b> ).
Payment of Water Charges	<p>Under the SWAA, Shareholders are required to pay Water Charges based on the number of Water Shares they hold (whether or not they take water).</p> <p>A Construction Operating Charge estimated at \$250 per Water Share will be invoiced to all Shareholders in two tranches following acceptance of applications. Payment of the first tranche of the Construction Operating Charge will be due on 29 October 2019 at the same time as payment of the Water Share Purchase Price. The call for payment of the second tranche is expected to be made in July 2020, with payment being due on the 20th of the following month.</p> <p>Annual Water Charges (initially estimated at \$650 per Water Share per annum) will be invoiced to all Shareholders following scheduled completion of the Dam (anticipated for March 2022). Please note that Water Charges may be invoiced prior to the Dam to Practical Completion and commissioning if there is delay. After the initial Water Charge of \$650, the Water Charges will be reviewable annually in May of each year and payable on 1 July.</p> <p>Further details in respect of the Water Charges are set out at Section 6 (entitled <b>Key Features of Water Shares</b>) and Section 16 (entitled <b>Summary of Water Charges</b>). For information about the GST treatment of Water Charges and the Construction Operating Charge, see Section 9 (entitled <b>Tax</b>).</p>
Consequence of failing to make payment of Water Charges	<p>In the event of non-payment of Water Charges, WIL may exercise its remedies under the Constitution and SWAA. WIL may serve a notice on the Shareholder requiring payment (together with any interest accrued and expenses incurred because of the non-payment) and if the requirements of the notice are not met, WIL may resolve to forfeit those Water Shares held by the Shareholder. WIL also has the first and paramount lien over all Water Shares registered in the name of Shareholder and the proceeds of the sale of those Water Shares and any other amount payable by the Shareholder to WIL (i.e. unpaid Water Charges). WIL can also enforce or action non-payment of Water Charges by notifying the TDC of the breach of the SWAA by the Shareholder which may result in the TDC suspending that Shareholder's Affiliated Permit, or WIL may cancel the SWAA outright in which case the Shareholder's Affiliated Permit would become an Unaffiliated Permit.</p>

The above dates are indicative only and may be changed by WIL and CWL. WIL and CWL may also withdraw the Offer of Water Shares at any time before the allocation of any Water Shares and may accept late Applications at their sole discretion.



## Section 5. Terms of the Offer

Brief Description of Water Shares	<p>The shares being offered are Water Shares in WIL. They give the holder the right and obligation to enter into a SWAA.</p> <p>See Section 2 (entitled <b>WIL and What It Does</b> at <i>Water Allocation for Permit Holders</i>) and Section 6 (entitled <b>Key Features of Water Shares</b>) for further details.</p>
Price and Payment for Water Shares and Water Charges	<p>The price of Water Shares is fixed at \$6,325 per Water Share payable in one instalment on Application. The price for the Water Shares has been set by WIL and CWL.</p> <p>See Section 4 (entitled <b>Key Dates and Offer Process</b>) for information on the payment of the Water Share Purchase Price and Water Charges.</p>
Shares being offered	<p>The Offer comprises an offer by CWL for the sale of up to 2,000 Water Shares (following their conversion from Convertible Notes) and an offer by WIL for the issue of up to 375 Water Shares.</p> <p>Only after all of CWL's 2,000 Water Shares have been sold will applications for the Water Shares offered by WIL be accepted.</p>
Key Dates	<p>See Section 4 (entitled <b>Key Dates and Offer Process</b>) for information about the key dates of this offer of Water Shares.</p>
Minimum and maximum numbers of Water Shares	<p>See Section 1 (entitled <b>Key Information Summary</b>) for information about the minimum and maximum numbers of Water Shares able to be purchased.</p>
Applications	<p>Each Applicant must fully complete, execute and return the Application Form to Findex no later than 5pm on the Closing Date. Applicants will need to fill out and return a separate Application Form for each Ground Water Permit and/or Surface Water Permit they wish to apply to Affiliate under the TRMP (if applicable).</p> <p>A non-refundable Application Fee of \$100 per Water Share will be payable by the Applicant to WIL's bank account no later than five (5) Working Days of the Application being made.</p> <p>The Offerors will only accept Applications for Water Shares if they are satisfied that the Applicant:</p> <ul style="list-style-type: none"> <li>• holds a Ground Water Permit and/or Surface Water Permit within the Scheme Area; or</li> <li>• is outside the Scheme Area but holds a Ground Water Permit and/or Surface Water Permit for a bore within the Scheme Area and can be supplied Water from that bore; or</li> <li>• is a shareholder or member of an Irrigation Scheme that has entered into an ISWAA with WIL; or</li> <li>• does not hold a Ground Water Permit or a Surface Water Permit but owns or leases land within the Scheme Area and wishes to apply for a Ground Water Permit and/or a Surface Water Permit once a SWAA with WIL is in place; or</li> <li>• does not hold a Ground Water Permit or a Surface Water Permit and does not own or lease land within the Scheme Area but wishes to invest in WIL and the Scheme, provided always that the Applicant cannot hold more than 20% of the Water Shares on offer.</li> </ul> <p>In addition, there is potential that TDC will not be able to Affiliate an</p>

	<p>Applicant's Ground Water Permit and/or Surface Water Permit if the applicable Water Management Zone has already been fully allocated. On receipt of an Application, the Offerors will determine whether or not the applicable Water Management Zone has been fully allocated. If this is the case, the Offerors will not be able to accept the Application.</p> <p>The Offerors may reject any Application at their sole discretion without providing any reason for such rejection.</p>
Access	<p>The SWAA provides that the Shareholder grants WIL access to their land for, amongst other things, the purpose of inspecting groundwater bores and inspecting and reading water meters.</p>

## Further Information

The key features of the Water Shares are set out in Section 6 (entitled **Key Features of Water Shares**). The Constitution and SWAA also contain certain provisions which are relevant to the Water Shares. Section 10 (entitled **Where You Can Find More Information**) sets out the various ways you can obtain a copy of the Constitution and SWAA, for instance via the [Offer Register](https://disclose-register.companiesoffice.govt.nz) online at <https://disclose-register.companiesoffice.govt.nz>.

Returns/dividends potentially payable on the Water Shares are discussed in Section 6 (entitled **Key Features of Water Shares**).

## Section 6. Key Features of Water Shares

Applicants should read this Section as well as Section 5 (entitled **Terms of the Offer**) carefully to understand the key terms of the Offer and the rights and obligations attaching to Water Shares.

### Rights and Entitlements

Water Shares carry the following rights, entitlements, and restrictions:

- one vote per Water Share, subject always to a voting restriction that no one Shareholder (or group of Shareholders that are Associated Persons) shall be entitled to exercise a number of votes that exceeds 20% of the voting capital of WIL.
- a holder of Water Shares shall pay Water Charges to WIL on a per Water Share basis at WIL's discretion as set out below and in the Water Charge provisions of the SWAA. It is anticipated that WIL will invoice for Water Charges on a quarterly basis.
- the right to an equal share in dividends as authorised by the Board (although it is not intended that dividends be paid on any Water Shares issued by WIL).
- the right to an equal share in the distribution of the surplus assets of WIL on winding up.
- Water Shares may only be issued or transferred in accordance with the transfer provisions set out in the Constitution.
- Shareholders in WIL have a right and an obligation to enter into WIL's then current SWAA.

Under the TRMP, a Shareholder with a SWAA is entitled to apply to Affiliate its Ground Water Permit or Surface Water Permit for a volume of water represented by the number of Water Shares held by the Shareholder at a rate of 300m<sup>3</sup> of water per week, per Water Share.

The terms of issue of the Water Shares and the rights and entitlements are set out in clause 4.2 of the Constitution. Section 10 (entitled **Where You Can Find More Information**) sets out the various ways you can obtain a copy of the Constitution.

### Transferability of Water Shares

There are restrictions on the sale or transfer of Water Shares under the Constitution (clause 6) and the Moratorium. Under the Constitution, a holder of Water Shares may only transfer its Water Shares:

- to another property owned or leased by it (clause 6.1);
- to a person or entity that owns or leases a property in the Scheme Area who holds a Ground Water Permit or Surface Water Permit (clause 6.2);
- to a person or entity that owns or leases a property outside of the Scheme Area who holds a Ground Water Permit or a Surface Water Permit to take water within the Scheme Area and can be supplied water from that Ground Water Permit or Surface Water Permit (clause 6.3);
- to a shareholder or member of an Irrigation Scheme that holds a Ground Water Permit or Surface Water Permit to take water within the Scheme Area (clause 6.4);
- to a person or entity that does not hold a Ground Water Permit or Surface Water Permit but owns or leases land within the Scheme Area and wishes to apply to TDC for a Ground Water Permit or Surface Water Permit once it holds a SWAA with WIL (clause 6.5);
- to a person or entity that does not hold a Ground Water Permit or Surface Water Permit and who does not own or lease land within the Scheme Area but wishes to invest in WIL or the Dam, provided always that the transferee cannot hold more than 20% of the Water Shares on offer or issue at that time (clause 6.6);
- if it elects to sell or lease its property to which their Water Shares relate, then to the purchaser or lessee

(as the case may be) (clause 6.7 and 6.8).

Under the Moratorium, Water Shares cannot be transferred or sold other than in accordance with clauses 6.1 or 6.7 of the Constitution (as described above) until the earlier of the date that CWL has converted all of its Convertible Notes into Water Shares and sold them and the Maturity Date.

The Board may refuse or delay the registration of the transfer if:

- the transferee of the Water Share has not entered into WIL's then current SWAA; or
- the holder of the Water Shares has failed to pay an amount due to WIL in respect of those Water Shares (including any Water Charges); or
- the Board considers that to effect the transfer would result in a breach of the law; or
- the Board considers that it is not in the best interests of WIL to register the transfer; or
- the Board does not approve of the transferee, in respect of which matter the Board shall have absolute discretion in its decision; or
- the form of transfer has not been properly executed or does not comply with the Act; or
- the transferee of the Water Shares (being an entity that does not own or lease land or hold a Ground Water Permit and/or Surface Water Permit) would hold in excess of 20% of the Water Shares on offer or issue at that time, if the transfer were to proceed; or
- the transfer or sale of the Water Shares would be in breach of the Moratorium.

In the case of the death of a Shareholder, the survivor (where the deceased was a joint holder) or the legal personal representative of the deceased (where the deceased was a sole holder) will be the only person recognised by WIL as having any title to the deceased's interest in the Water Shares.

The assignee of the property of a bankrupt Shareholder is entitled to be registered as the holder of the Water Shares held by the bankrupt.

If a Shareholder leases or subleases their land, then the Shareholder remains fully liable under the SWAA for all obligations under the SWAA including the payment of Water Charges.

## Water Charges

The Constitution and SWAA provide that the Shareholder shall pay Water Charges on a per Water Share basis at an amount to be determined in WIL's sole discretion. Initially all Shareholders shall pay the same Water Charge. WIL reserves the right to determine a different rate between Shareholders, taking into account such factors as it deems appropriate. However, WIL has no current plans to differentiate between Shareholders. Any such differentiation will require approval by Special Resolution of the Shareholders. The Water Charges shall be payable at such time and in such manner as WIL may from time to time determine. WIL's Water Charges will be a cost recovery of the Water Charge WIL is required to pay WWL plus WIL Operating Costs. The WIL Water Charge is calculated by reference to, without limitation:

- Amounts paid by WIL to WWL to enable WWL to repay principal and interest on the CIIL Loan, and TDC WWL Loan, or meet principal and interest costs on any other loan taken out by WIL to fund its participation in the Scheme.
- WIL's share of costs in relation to maintenance and repairs of the Dam and WIL's own administration costs including, monitoring and compliance costs, costs incurred by Directors and Directors' fees, employee expenses and remuneration, costs payable to professionals and service providers to WIL and any rental premise costs (including utilities), if applicable.

## Payment of Water Charges

The Water Charges shall be payable by the Shareholder to WIL whether or not the Shareholder takes water or has an Affiliated Permit and notwithstanding that the release of Dam Water may be cut off or suspended

for any reason whatsoever.

In the event of non-payment of any Water Charges due under the SWAA, then without prejudice to WIL's other rights and remedies WIL may exercise one or more of the following remedies:

- suspend the Shareholder's right to the release of Dam Water from the Dam in accordance with the SWAA to the property where the water is being used;
- notify TDC of the breach whereupon the Shareholder's Affiliated Permit status may be suspended until such time as all breaches have been remedied;
- charge penalty interest at a rate of 5% above the commercial overdraft from WIL's bank from the date of non-payment to the date the payment is actually made;
- after the breach has continued for 30 Working Days, cancel the SWAA by giving 10 Working Days' written notice to the Shareholder; and forfeit the Water Shares held by that Water User in accordance with the terms of the Constitution.

See Section 2 (entitled **WIL and What It Does**) and Section 16 (entitled **Summary of Water Charges**) for more information on Water Charges including projected costs.

## Dividend

While WIL's Constitution allows for WIL to pay a dividend on the Water Shares, the payment of such dividends will never be guaranteed and will be at the discretion of the Directors and only after meeting appropriate solvency requirements. It is not WIL's intention to provide Shareholders with a financial return in the form of a dividend on the Water Shares or other such payment from WIL. Water Charges will be charged on a cost recovery basis. In accordance with the terms of the CIIL Loan, WIL will be prohibited from making any distributions whilst the CIIL Loan remains outstanding. WIL can give no assurances as to the level or frequency of any dividend payable or other distributions, if any.



## Section 7. WIL's Financial Information

### Financial Information

These tables provide key financial information about WIL. Full financial statements are available on the [Offer Register](https://disclose-register.companiesoffice.govt.nz) online at <https://disclose-register.companiesoffice.govt.nz>.

If you do not understand this financial information, you can seek advice from a financial adviser or accountant.

The annual financial statements for the periods ending 31/03/2018 and 31/03/2017 have been subject to an external audit. Copies of the audit report are available on the [Offer Register](https://disclose-register.companiesoffice.govt.nz). The 31/12/18 and 31/12/17 interim financial statements have not been subject to external audit.

### Selected Financial Information

	31/12/2018 (9 months interim – unaudited)	31/12/2017 (9 months interim – unaudited)	31/03/2018 (12 months - audited)	31/03/2017 (7 months - audited)
Revenues	61,600	2,230	230,500	71,188
EBITDA	(825,566)	(401,417)	(507,549)	(103,915)
NPAT	(719,903)	(417,154)	(532,631)	(105,501)
Dividends (totals for each class plus overall total)	-	-	-	-
Total Assets	32,190,217	178,550	867,431	269,503
Cash and Cash Equivalents	673,882	62,622	(15,790)	201,968
Total Liabilities	18,696,752	694,869	1,505,562	375,004
Total Debt (interest bearing liabilities)	4,761,812	518,025	1,009,930	210,000
Net Cash flows from Operating Activities	(507,259)	(449,346)	(652,476)	(7,019)

The audited financial statements for the periods ending 31/03/2018 and 31/03/2017 contain an "Emphasis on Matter" drawing attention to note 22 of the accounts which "describes the expectation of the company (**WIL**) to continue into the future based on reliance on financial support from interested parties to fund its operational cash flows". This note is not required for the financial statements for the interim periods ending 31/12/2018 and 31/12/2017.

A summary of anticipated funding and budgeted costs for the Project is set out on the [Offer Register](https://disclose-register.companiesoffice.govt.nz).

## Section 8. Risks to WIL's Business and Plans

### Impacts

Detailed below are a number of risks that the Offerors are aware of that exist or may arise that significantly increase the risk to WIL's financial performance and plans and ability to meet its obligations to Shareholders. The Offerors consider the following key impacts may occur as a result of stated risks.

#### Increased Water Charges

Water Charges payable by Shareholders may increase if a risk occurs and WIL's financial performance or plans are adversely affected. The SWAA provides that the amount of Water Charges is to be determined at WIL's sole discretion and WIL may increase Water Charges to recover additional costs. Water Charges are payable whether or not the Shareholder takes water.

#### Delay in Commissioning Dam and Release of Dam Water

A further consequence of some of the risks below is a delay in the construction of the Dam, which could also lead to delay in the release of Dam Water to Affiliated Permit holders.

#### Decreased Reliability of Water

A further consequence of some of the risks below is that the volume of Dam Water released may have to be reduced or suspended or more water may need to be released to the river to maintain minimum flows.

### Risks

#### Maintaining Funding

##### ***Risk***

The CIIL Loan has a 15-year term but contains an obligation to refinance the loan every five years from Financial Close on arm's length commercial terms. Difficulties could arise accessing loan facilities either at the end of the term or every five years on terms and conditions that are satisfactory to WIL. If a refinancing is achieved, this may be on terms that are less favourable than the current terms (such as a higher interest rate). WIL may in any event be detrimentally affected by any significant increases in interest rates and bank charges in respect of the CIIL Loan and TDC WWL Loan. Adverse market conditions will increase this risk and if any of these situations arise it could result in less favourable loan terms and therefore an increase in Water Charges payable by the Shareholders.

##### ***Mitigation***

Once the Dam is built and operational, WIL expects to be in a better position to obtain funding with a commercial bank either after five years or the end of the term (being 15 years). WIL's refinancing obligations will arise after an independent consultant jointly appointed by WWL, WIL and CIIL has assessed WIL and WWL's ability to refinance the CIIL Loan on arm's length commercial terms without the TDC credit facility support. This will necessarily include an assessment of the affordability of the refinance. The Convertible Notes will convert to Water Shares over time, increasing the number of shareholders paying Water Charges and WIL's ability to service the CIIL Loan and TDC WWL Loan. WIL's obligation to pay water charges to WWL to pay the TDC WWL Loan is limited to a 15-year term.

#### Future Uptake - Convertible Notes

##### ***Risk***

WIL's ability to service and repay the CIIL Loan and TDC WWL Loan is linked to the future uptake of Water Shares. As more Water Shares are issued, the greater the level of income WIL receives from Water Charges, which increases its ability to service the CIIL Loan and TDC WWL Loan.

The CIIL Loan provides for a minimum future uptake of 80 Water Shares per year post scheduled Practical Completion of the Dam. In the event the minimum is not reached then the terms of the CIIL Loan provide that Water Charges will increase by 2% per annum for each year the minimum is not reached.

The Convertible Notes provide for the mandatory conversion of 500 Convertible Notes to Water Shares (less shares converted to that date) at the expiry of year 10 from Practical Completion and an additional 500 Convertible Notes at the expiry of year 14 from Practical Completion (less shares converted to that date).

Until the Moratorium expires, WIL is prevented from issuing any further Water Shares, and only CWL can convert its Convertible Notes to sell as Water Shares. There is a risk that CWL is unable to convert its Convertible Notes and sell its Water Shares resulting in the minimum future uptake not being met, leading to increases in Water Charges. There is also a risk that CWL defaults on either the mandatory conversion and/or payment of Water Charges following conversion.

#### ***Mitigation***

WIL will have significant remedies under its Constitution and SWAA against CWL. In the event CWL defaults on payments due in respect of its converted Water Shares then the remedies set out below under "Non-payment of Calls and Water Charges" will apply. CWL obligations to WIL under the Convertible Notes and (following conversion) the Water Shares are underwritten by CWL's investors. CWL and its investors will be motivated to convert and sell down its Water Shares as soon as possible to avoid having to pay Water Charges. One of the purposes of this offer is to assist CWL in converting Convertible Notes to Water Shares and on selling those Water shares.

### **Construction Cost Escalation**

#### ***Risk***

There is a risk that the Project could experience cost overruns.

#### ***Mitigation***

TDC and WIL have used reasonable endeavours to prepare the budgeted costs for the Project and have engaged professional advisors to assist in verifying the estimated construction costs and necessary contingencies based on industry standard techniques, including independent peer review by quantity surveyors and engineers. In the event of an overrun of the budget costs for the Project, WIL will share the cost of the first \$3 million of construction overrun with TDC equally. WIL's \$1.5 million share of these costs will come from the CIIL Loan (Facility C). Overruns beyond \$3 million, should they occur, will be solely funded by TDC. There is a risk that TDC will seek to recover cost overruns through the introduction of targeted rates to properties with Affiliated Permits. Whilst this is not a risk specific to WIL, it is a risk that Shareholders (in their capacity as ratepayers) should be aware of.

### **Project Office Cost Escalation**

#### ***Risk***

WWL Project office costs such as legal, accounting and administration costs could increase during the construction phase.

#### ***Mitigation***

WWL have used reasonable endeavours to budget for the costs associated with the Project office. The Project office budget contains contingencies. Procurement of goods and services for the Project office will be strictly monitored by the WWL.

### **Operating and Maintenance**

#### ***Risk***

There is a risk that WWL costs associated with operating and maintaining the Dam could increase beyond budget after construction of the Dam.

### ***Mitigation***

TDC and WIL have used reasonable endeavours to budget for the costs associated with operating and maintenance of the Dam and reservoir and where appropriate have engaged professional advisors to estimate costs. The financial models developed by WIL contain a sensitivity range that has been considered. The operating budget has been reviewed and tested.

## **Non-payment of Calls or Water Charges**

### ***Risk***

WIL is dependent on its existing Shareholders paying the second and final Call of the purchase price for Water Shares already on issue. WIL is also dependent on all Shareholders paying Water Charges on the due dates for payment. This also applies to CWL on the mandatory conversion of any Convertible Notes to Water Shares. There are no Calls under this PDS with Applicants paying the full Water Share Purchase Price on Application. The non-payment or late payment of Calls or Water Charges by Shareholders may affect the ability of WIL to meet its outgoings on a timely basis and may create penalties for late payment on loan facilities or in the worst-case default under the CIIL Loan, TDC WWL Loan and security which WIL is party to. In the event of the insolvency of any Shareholder, Water Charges may need to be increased to remaining Shareholders to cover any shortfall.

### ***Mitigation***

WIL has significant remedies available to it in accordance with the Constitution and SWAA. WIL may provide Shareholders with notice requiring payment together with interest and recovery costs. In addition, WIL has various other remedies available to it.

In respect of the Calls for the payment of the second and final instalment of the second and final Call of the purchase price for Water Shares already on issue, WIL may serve a notice on the Shareholder requiring payment (together with any interest accrued and expenses incurred because of the non-payment) and if the requirements of the notice are not met, WIL may resolve to forfeit those Water Shares held by the Shareholder. WIL also has the first and paramount lien over all Water Shares registered in the name of the Shareholder and the proceeds of the sale of those Water Shares can be used to repay any amount payable by the Shareholder to WIL (i.e. unpaid Calls and Water Charges).

WIL can also enforce or take action for non-payment of Water Charges by suspending the Shareholders right to Dam Water under the SWAA, or cancelling the SWAA altogether. In addition, the Shareholder's Affiliated Permit can become an Unaffiliated Permit at the direction of TDC (having received notice from WIL of the shareholders breach) and subject to rationing under the TRMP. Water Charges will be payable by Direct Debit in advance, to ensure there is no late or non-payment of any Water Charges.

WIL considers the augmentation of Dam Water is an essential service. Therefore, any receiver, liquidator or other administrator of a Shareholder is likely to continue to pay Water Charges to maintain the value of their security pending sale of the Shareholder's assets (e.g. land interest, Water Shares, and any Ground Water Permit or Surface Water Permit). The widespread failure of payment of Water Charges from Shareholders is considered unlikely.

## **Reliability / Construction and Infrastructure Risks**

### ***Risk***

Construction Contract: The Construction Contract involves risk for WIL including time or delay risks in not completing the contract works in accordance with the proposed work programme, and cost risks in ensuring the Project is completed on budget. Risks include:

- delays occurring at the start of construction;
- the ground conditions and dewatering solutions presenting challenges;
- ground stability, including the risk of landslides within the reservoir;
- poor contractor or sub-contractor work;
- unforeseen contractor claims;

- contractors or sub-contractors experiencing financial distress;
- third party damage/interference affecting the Project infrastructure;
- delays/difficulties in obtaining the necessary building consents and other applicable licenses, such as for streambed crossings, road and earthworks;
- disputes arising under access arrangements which have the potential to cause delays;
- flood and other weather-related events;
- fire; and
- the quality and quantity of budgeted materials being inadequate.

**Performance:** There is a further risk that the Dam, once constructed, will not perform in accordance with the specifications approved by WIL, TDC and WWL. It is also possible that parts of the Dam may not perform as expected due to a material defect in the Dam. If the Dam does not meet expected performance criteria or there is an issue with the performance or quality of the Dam construction this would be detrimental to WIL.

**Geotechnical:** Following the Christchurch earthquake in February 2011 there has been significant seismic activity in New Zealand and in the South Island in particular. There is a risk that a significant seismic event in the Nelson area could damage the Dam.

**Hydrological:** The Scheme is based on the release of Dam Water recharging the groundwater aquifers within the Scheme Area. Hydrology is not an exact science and there is a risk that the released Dam Water is diverted and does not reach the aquifers in the anticipated volumes.

**Access Disputes:** WWL has contractual arrangements in place with landowners in order to access their land for the purposes of constructing and operating the Dam.

### ***Mitigation***

**Construction Contract:** WIL and TDC have run a competitive tender process to ensure that the contractor awarded the contract has the appropriate level of expertise and capacity to perform the works. In addition, WIL, TDC and WWL and their professional advisors have ensured that the Construction Contract with the successful contractor (Fulton Hogan/Taylor's Joint Venture) will as best as reasonably possible balance the risk and include the appropriate levels of warranties and security. WWL will have in place appropriate levels of insurance for the Project. The Construction Contract contains a significant fixed component and contingency and risk allowance of \$6.3 million which mitigates costs risk.

**Performance:** WIL and TDC have endeavoured to mitigate performance risks where possible by using competent engineers, peer reviews and engaging experts who have successfully designed other dams. The Construction Contract contains the appropriate warranties and contractor performance bonds. The Dam has been designed to the highest/available specifications available for dam construction in New Zealand.

**Geotechnical:** WIL and TDC have commissioned peer reviewed geotechnical assessments and modelling of the impact of earthquakes on the Dam. The construction method has been chosen to mitigate any potential damage caused by seismic activity.

**Hydrological:** WIL and TDC have received detailed and peer reviewed hydrological advice on the connectivity of the groundwater system.

## **Reliability / Consent and Regulatory Risk (TRMP)**

### ***Risk***

A primary purpose of the Project and WIL's business is to improve reliability through augmentation of groundwater and Affiliation of Ground Water Permits and/or Surface Water Permits. There is a risk that a review of the TRMP will increase minimum flow requirements in the Waimea River, which could reduce the reliability of water. There is also a general regulatory risk that TDC may review and alter the Shareholder's Ground Water Permits and/or Surface Water Permits, reducing the benefit of having Water Shares, a SWAA and an Affiliated Permit.



### ***Mitigation***

The Project Deed entered into by WIL, TDC, and CIIL places obligations on TDC that protect Shareholders' rights to Affiliation. The Project Deed provides for TDC to compensate WIL in the event of a Compensation Event. It will be a Compensation Event if any act, omission, or failure by TDC, including any change to the TRMP, has the effect of:

- removing the right to Affiliation for WIL's Shareholders who hold a SWAA and an Affiliated Permit;
- allowing any person that does not hold a SWAA to become Affiliated or to have rights to take and use water equivalent to Affiliation;
- materially changing the relative rights or obligations of Affiliated WIL Shareholders and persons who are not Affiliated WIL Shareholders to take and use water; or
- any other event that is analogous to the above or has a substantially similar effect.

Compensation may also be payable if:

- TDC does not use all reasonable endeavours to oppose or resist any process that would have the effect of causing a Compensation Event; or
- TDC does not manage the relevant provisions in the TRMP in relation to the taking of water by persons who are not Affiliated Permit holders.

TDC's liability in respect of Compensation Events is limited to a maximum of \$50 million in aggregate and only those Compensation Events that arise on or before the 40<sup>th</sup> anniversary of Financial Close. For more information, see the summary of the Project Deed on the [Offer Register](#).

Any review of the TRMP is required to be conducted with a public consultation process on which WIL and its Shareholders may make submissions.

## **Minority Shareholder in WWL**

### ***Risk***

As WIL will be a minority shareholder in the Dam owning company (WWL), there is a risk that political change in the TDC or a deadlock in decision making with TDC may negatively impact on WIL's ability to effectively influence WWL.

### ***Mitigation***

A Shareholders' Agreement has been entered into by WIL and TDC, which contains a number of reserved matters that require the consent of WIL to proceed. All directors are bound to act in the best interests of WWL.

## Section 9. Tax

Tax law is complex and changes frequently. Taxation could have significant consequences for an investment in Water Shares. If an Applicant has queries relating to the tax consequences of the investment, the Applicant should obtain professional advice on those consequences.

WIL will be carrying on a taxable activity for GST purposes of providing a service to Shareholders to administer and pass on costs which would otherwise be directly charged to Shareholders by WWL. GST will apply to the full amount of the supplies made by WIL irrespective of the GST treatment of costs incurred.

Shareholders will be levied with ongoing Water Charges. WIL has sought independent advice and understands these Water Charges will be plus GST as above, with the Construction Operating Charge also being plus GST. The Water Charge is an ongoing charge for the supply of services under the SWAA. This amount will be calculated taking into account costs incurred by WIL. WIL has also received advice that the Application Fee and the Water Share Purchase Price are exempt from GST. However, it will be the responsibility of Applicants to obtain their own independent advice.

The Offerors strongly recommend that Applicants seek professional tax advice regarding their individual financial and taxation circumstances prior to investing in these Water Shares.

## Section 10. Where You Can Find More Information

Further information relating to WIL and the Water Shares, including a copy of the Constitution, SWAA and financial statements are available on the [Offer Register](#) online at <https://disclose-register.companiesoffice.govt.nz>

WIL's public company file, including a copy of the Constitution, may also be viewed on the Companies Office website free of charge, [www.business.govt.nz/companies](http://www.business.govt.nz/companies).

Copies of these documents can be obtained by contacting the Companies Office at [info@companies.govt.nz](mailto:info@companies.govt.nz) or 0508 266 726. A fee may be payable.

Information is also available on the WIL website: [www.waimeairrigators.co.nz](http://www.waimeairrigators.co.nz).

Any document not available on the Companies Office website will need to be requested through WIL. Further copies of the PDS may be obtained by writing to:

**Waimea Irrigators Limited**  
**PO Box 3171**  
**Richmond 7050**

Or by email to: [natasha@waterforlife.nz](mailto:natasha@waterforlife.nz)

A charge may be payable depending on the extent of the information requested. WIL is registered on the Financial Service Providers Register. An investor can search the Financial Service Providers Register to find out details about WIL on [www.business.govt.nz/fsp/](http://www.business.govt.nz/fsp/).

An annual report complying with the Companies Act will be available annually to all Shareholders of WIL.

## Section 11. How to Apply

An Applicant must complete the Application Form.

The Application Form is to be delivered by:

- hand to **Findex, 72 Trafalgar Street, Nelson;**
- post to **PO Box 10, Nelson 7040, New Zealand;** or
- email to [Larissa.Waugh@findex.co.nz](mailto:Larissa.Waugh@findex.co.nz)

Applicants will need to meet the eligibility criteria as set out in Section 5 (entitled **Terms of the Offer** under the sub-heading *Applications*). Please contact the Offerors if you require an additional or replacement Application Form. It is recommended that you make a copy of your completed Application Form prior to sending to Findex.

**All Application Forms must be received by Findex no later than 5pm on the Closing Date.**

The Offerors reserve the right to accept late Application Forms or extend the period for the return of Application Forms.

A non-refundable Application Fee of \$100 per Water Share will be payable by the Applicant to WIL's bank account no later than five (5) Working Days of the Application being made.

The Applicant will be advised of the outcome of their Application, whether successful or unsuccessful, by the Offerors in writing by 14 October 2019 or such other date as the Offerors shall determine in their sole discretion (**Notice**).

If an Application for Water Shares is successful, in whole or in part, the Notice shall specify an amount due and payable by the Applicant, being 100% of the Water Share Purchase Price (\$6,325 per Water Share) plus the first tranche of the Construction Operating Charge (\$125 per Water Share) which shall be payable by direct credit on or before 29 October 2019.

A summary of the fees payable by a successful Applicant under this Offer are set out in the table below. For payment details, please refer to the Application Form accompanying this PDS.

Fees payable	Amount per Water Share	Time for payment
Application Fee	\$100	No later than five (5) Working Days of the Application being made
Water Share Purchase Price	\$6,325	On or before 29 October 2019
Construction Operating Charge (first tranche)	\$125	On or before 29 October 2019

The Applicant consents to payment of the Water Charges (including payment of the second tranche of the Construction Operating Charge), and liabilities attributed to the Water Shares in accordance with section 50 of the Companies Act. The Offerors have sole and absolute discretion on the allocation of Water Shares, and whether the Applicant qualifies for Water Shares.

On receiving all Applications, the Offerors will determine for each Application:

- the number of Water Shares to be sold;
- whether the Applicant holds or intends to hold their own Ground Water Permit and/or Surface Water Permit or is a shareholder in an Irrigation Scheme that holds an appropriate Ground Water Permit and/or Surface Water Permit and has entered into an ISWAA;
- whether or not the Water Management Zone for the Applicant's Ground Water Permit and/or Surface Water Permit has already been fully allocated;

- the availability of water; and
- such other considerations as the determined by the Board in its sole discretion.

The Offerors may accept or reject any Application Form in their sole discretion without assigning any reason. Application Forms must conform with the Application instructions as provided for below. Terms defined in this PDS have the same meaning in the Application Form.

The Application Form, this Offer and any contract arising out of its acceptance are each governed by New Zealand law. Under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009, Applicants will be required to produce evidence of their identity.

### ***Personal Information Rights***

Personal information provided by you will be held by WIL. This information has been collected and will be used for the purpose of managing your investment with WIL. The information collected will be used by WIL, its associated companies, its staff, professional advisers and agents and any other parties relevant to the management of your investment, for the purpose stated. You have the right to access and correct any personal information about you under the Privacy Act 1993.

### ***Terms and Conditions of Application***

By signing the Application Form or authorising an attorney or agent to sign it, you:

- acknowledge that the Application Form was distributed with the PDS;
- acknowledge that you have read and understood all statements made in the PDS; and
- irrevocably offer to be bound by and enter into the SWAA.

## **Application Instructions**

Applications to subscribe for Water Shares must be made on the Application Form accompanying this PDS. Please fill out a separate Application Form for each Ground Water Permit and/or Surface Water Permit you wish to Affiliate (if applicable).



## Section 12. Contact Information

Inquiries about this investment may be made to:

### Waimea Irrigators Limited

Murray King (Chairman)

[murray@kingswayfarms.co.nz](mailto:murray@kingswayfarms.co.nz)

021 684 901

### Century Water Limited

Ursula O'Donohue (Director)

[ursula@jsewers.co.nz](mailto:ursula@jsewers.co.nz)

029 770 2130

Inquiries about Water Shares may be made to:

### Waimea Irrigators Limited

Natasha Berkett (Project Manager)

[natasha@waterforlife.nz](mailto:natasha@waterforlife.nz)

0276 511 411

PO Box 3171, Richmond 7050

## Section 13. Directory

### Waimea Irrigators Limited

#### **Directors**

Murray King (Chairman)

Julian Raine

Mark O'Connor

Dick Bennison

Matthew Hoddy

#### **Solicitors**

Anderson Lloyd

Anderson Lloyd House Level 3, 70  
Gloucester Street, Christchurch

#### **Registered Office**

491 Nayland Road, Stoke, Nelson

#### **Auditors**

BDO Christchurch Limited

4th Floor, Awly Building, 287-293 Durham  
Street, Christchurch

### Century Water Limited

#### **Directors**

Matthew Hoddy

Bruno Simpson

Ursula O'Donohue

#### **Solicitors**

Pitt & Moore

78 Selwyn Place  
Nelson

#### **Registered Office**

491 Nayland Road, Stoke, Nelson

## Section 14. Glossary

The following definitions are used in this PDS:

**Act** means the Financial Markets Conduct Act 2013.

**Affiliated Permit** means a Ground Water Permit or Surface Water Permit to take water in the Waimea Plains Zones that has been granted by the TDC under the TRMP where the holder of the permit has entered into a SWAA in the form required by WIL (or in the event that the holder of the permit is an irrigation scheme, where a shareholder or member of the scheme has entered into a SWAA), with WIL and where such SWAA has not been suspended or terminated and **Affiliated** will be interpreted accordingly.

**Affiliation** means the process that allows a Shareholder holding a SWAA to apply to TDC to have their Ground Water Permit or Surface Water Permit converted and/or reissued as an Affiliated Permit under the TRMP.

**Applicant** means a person who submits a validly completed Application Form.

**Application** means an application made on the Application Form.

**Application Fee** means the non-refundable Application Fee of \$100 per Water Share which is payable by the Applicant to WIL's bank account no later than five (5) Working Days of the Application being made.

**Associated Person** means any person that, directly or indirectly through one or more intermediaries, controls, or is controlled by, or under common control of a Shareholder. A person shall be deemed to control another person for the purpose of this definition if the first such person possesses, directly or indirectly, the power to appoint a majority of Directors to the second person, or otherwise cause the direction or management of the policies of the second person, whether through the ownership of voting securities, control of the appointment of trustees to a trust, by contract or otherwise.

**Application Form** means the Application Form attached to this PDS.

**Bank** means a registered bank under the Reserve Bank Act 1989.

**Board** means the board of Directors of WIL.

**Call** means a call made by the Board requiring Shareholders to pay all or part of the unpaid amount of the issue price of any Shares and, where the context requires, means the obligation of a Shareholder to meet the amount due pursuant to such a resolution.

**CCO** means a council-controlled organisation formed pursuant to the Local Government Act 2002.

**CIIL** means Crown Irrigation Investments Limited.

**CIIL Loan** means the loan from CIIL to WWL provided in accordance with the CIIL Loan Agreement. A summary of the CIIL Loan can be found on the [Offer Register](#).

**CIIL Loan Agreement** means the loan agreement between CIIL (as lender), WWL (as borrower) and WIL (as co-obligor) dated 12 December 2018.

**Closing Date** means 30 September 2019, which may be extended by WIL and CWL at their discretion.

**Companies Act** means the Companies Act 1993.

**Constitution** means the constitution of WIL, as may be amended from time to time.

**Construction Contract** means the construction contract for the Waimea Community Dam dated 21 December 2018 between Waimea Water Limited as Principal and Fulton Hogan Limited and Taylors Contracting Company Limited as Contractor.

**Construction Operating Charge** means the operating charge charged by the WIL to Shareholders during the construction period of the Dam.

**Convertible Note** means share giving the holder the rights as detailed in the Convertible Notes Agreement.

**Convertible Notes Agreement** means the agreement entered into by WIL and the CWL for Convertible Notes. A summary of the Convertible Notes Agreement can be found on the [Offer Register](#).

**Findex** means Findex (NZ) Limited.

**CWL** means Century Water Limited.

**Dam** means the Dam owned by WWL to be constructed and situated in the Upper Lee River and referred to as the "Waimea Community Dam" in the TRMP.

**Dam Water** means the water stored in the reservoir behind the Dam and/or released into the Upper Lee River under the WWAA.

**Directors** means the directors of WIL.

**ECI** means Early Contractor Involvement.

**Financial Close** means the point in time when the CIIL Loan and security documents and funding with CIIL is unconditional and can be drawn down, which occurred on 21 December 2018.

**Ground Water Permit(s)** means a permit(s) to take water from a groundwater source in the Scheme Area issued by the TDC.

**Infrastructure** means the Dam, reservoir, slipway, access roads and other infrastructure and fixtures associated with the Dam.

**Irrigation Scheme** means Waimea East Irrigation Company Limited or Redwood Valley Water Supply Scheme Joint Venture or such other reticulated irrigation scheme as may be established from time to time that has entered into an Irrigation Scheme Water Augmentation Agreement.

**Irrigation Scheme Water Augmentation Agreement** or **ISWAA** means an agreement entered into between an Irrigation Scheme and WIL which is a 'water supply agreement' for the purposes of the TRMP in connection with the Dam.

**Hae** means a hectare equivalent and represents an actual volume of water which is 300m<sup>3</sup> per hectare.

**Maturity Date** means the date that is 45 years from Financial Close, being 21 December 2063.

**Moratorium** means the arrangements under the Convertible Note Agreement between WIL and CWL preventing the issue, sale or transfer of any Water Shares (except in certain circumstances) until the earlier of the date that CWL has converted all of its Convertible Notes into Water Shares and sold them and the Maturity Date.

**NCC** means Nelson City Council.

**Offer Register** means the electronic register of offers of financial products ("Disclose") kept under Schedule 2 of the Financial Markets Conduct Act 2013 and available at <https://disclose-register.companiesoffice.govt.nz>.

**Offerors** means CWL and WIL.

**PDS** means this Product Disclosure Statement.

**Practical Completion** means the date on which the requirements for "practical completion" are met under the Construction Contract.

**Project** means the Waimea Community Dam Project.

**Project Deed** means the deed entered into by TDC, WIL, WWL and CIIL in respect of the Project. A summary of the Project Deed can be found on the [Offer Register](#).

**Project Documents** means the Project Deed, Shareholder Agreement, Water Augmentation Agreement, TDC WWL Loan Agreement and CIIL Loan Agreement and **Project Document** means any one of them.

**Resource Consents** means the resource consents, including all Dam Water, take, use, damming, diversion, discharge and any other permits held jointly by TDC and Waimea Community Dam Limited, together with all the renewals, variations or amendments to those consents and permits and includes all conditions relating to those consents.

**RVI** means the Redwood Valley Water Supply Scheme Joint Venture.

**Scheme** means the scheme to finance, acquire, construct, maintain and operate the Infrastructure to enable the storage of water behind the Dam and the release of Dam Water into the Upper Lee River.

**Scheme Area** means the land serviced by Scheme and as shown outlined in blue at Section 15 or as otherwise determined by the Board from time to time.

**Shareholder** means a holder of Water Shares.

**Shareholders Agreement** means the agreement entered into between TDC and WIL. A summary of the Shareholders Agreement can be found on the [Offer Register](#).

**Shareholder Water Augmentation Agreement** (or SWAA) means the Shareholder Water Augmentation Agreement between WIL and a/each Shareholder allowing the Shareholder to apply to Affiliate its Shareholder Permit under the TRMP, as revised or updated from time to time in accordance with its terms. A summary of the Water Augmentation Agreement can be found on the [Offer Register](#).

**Surface Water Permit** means a permit to take Water from a river in the Scheme Area issued by TDC.

**Surplus Water** means water available to be taken under an Affiliated Permit and the corresponding SWAA which is surplus to the Shareholder's requirements.

**TDC** means Tasman District Council.

**TDC WWL Loan** means the loan from TDC to WWL provided in accordance with the TDC WWL Loan Agreement. A summary of the TDC WWL Loan can be found on the [Offer Register](#).

**TDC WWL Loan Agreement** means the loan agreement between TDC, WWL and WIL.

**TDC WWL Loan Costs** means all amortization and interest payable by WWL under the terms of the TDC WWL Loan.

**TRMP** means the Tasman Resource Management Plan.

**Unaffiliated Permit** means a Ground Water Permit or Surface Water Permit to take and use water in the Scheme Area granted by TDC where the holder of the permit is not a Shareholder and/or has not entered into a SWAA with WIL, or an Affiliated Permit where a SWAA is suspended or has been terminated.

**WWAA** means the Wholesale Water Augmentation Agreement to be entered into between WWL and WIL in relation to, among other things, the release of Dam Water and the rights and obligations of WIL in relation to the Scheme (as amended, supplemented or varied from time to time). A summary of the Wholesale Water Augmentation Agreement can be found on the [Offer Register](#).

**Waimea Plains Zone** means the Water Management Zones on the Waimea Plain including the Appleby Gravels,



Reservoir, Waimea West, Golden Hills, Delta, Hope and Eastern Hills, Redwood Upper Catchments and Upper and Lower Confined Aquifer Zones or as otherwise as defined in the TRMP and includes any amendments or variations.

**Water Charges** means all charges payable by a Shareholder under the SWAA from time to time, including charges that relate to WIL's share of the principal and interest payable by WWL and WWL's operating charges of running and operating the Dam as defined in the WWAA, WIL's operating costs and any specific expenses incurred by WIL that are particular to the Shareholder in respect of the release of water (which are not appropriate for WIL to charge to other Shareholders) including, without limitation, costs incurred as a result of the Shareholder breaching the SWAA and/or the conditions imposed by its Ground Water Permit and/or Surface Water Permit in relation to its water take and use, including enforcement costs and administration costs. For the avoidance of doubt, Water Charges include the Construction Operating Charge.

**Water Management Zone** means a defined part of water resource displayed on the planning maps in the TRMP and subject to all applicable rules.

**Water Share** means a share giving the holder the right and obligation to enter into a SWAA and such further rights and obligations set out in clause 4.2 of the Constitution.

**Water Share Purchase Price** means \$6,325.00.

**WEIC** means Waimea East Irrigation Company Limited.

**WIL** means Waimea Irrigators Limited.

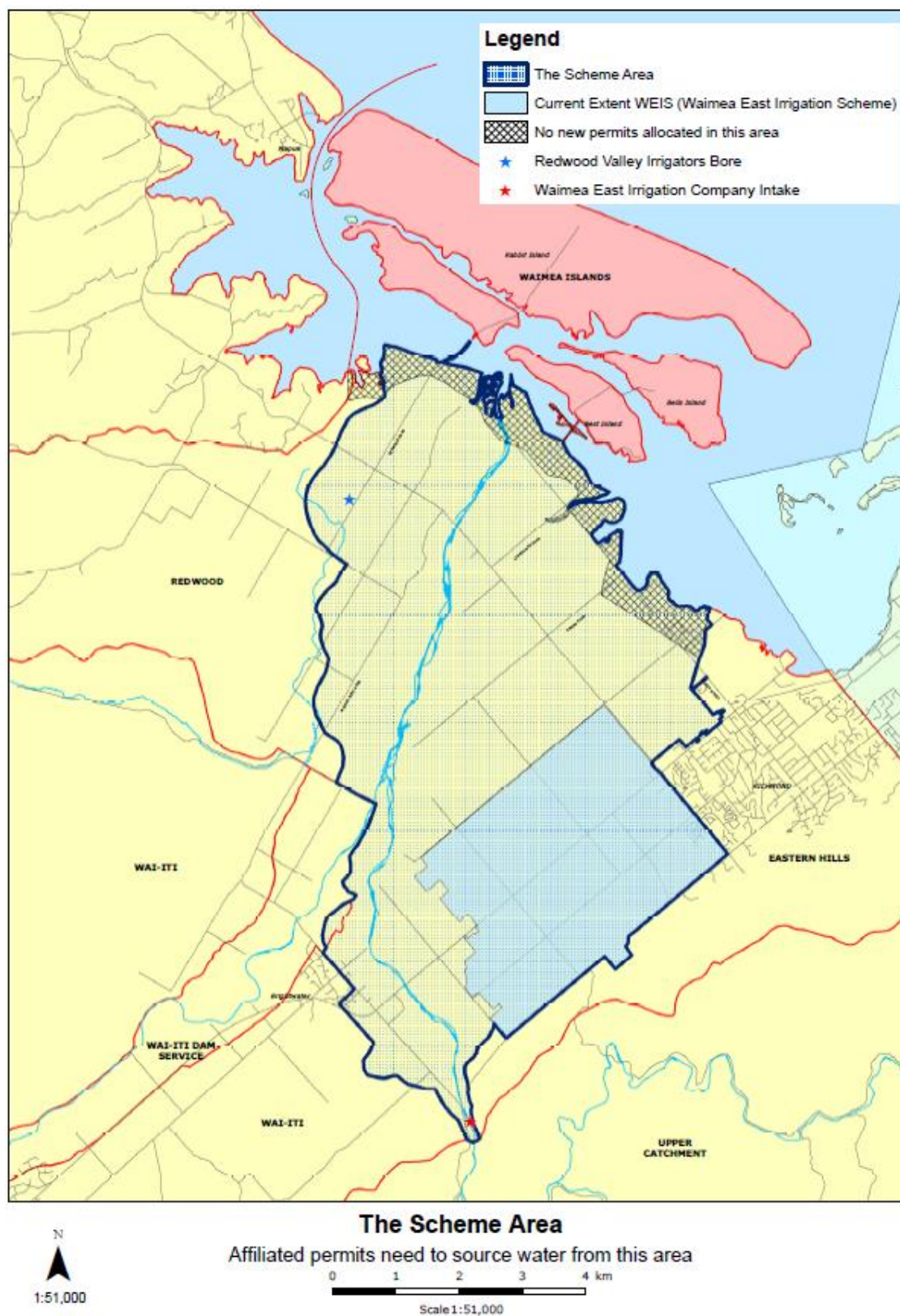
**Working Day** means any day of the week other than Saturday, Sunday or statutory holidays on which Banks are open for business in the Nelson-Tasman region.

**WWL** means Waimea Water Limited.

**\$** means New Zealand dollars unless otherwise stated.

## Section 15. Map of Scheme Area

The areas noted in the maps below are indicative only and subject to change at WWL's sole discretion.



## Section 16. Summary of Water Charges

### Basis for Required Water Charges

#### Investment During Construction

Based on the current budget costs for the Project, WIL has contributed \$49.5 million to the construction of the Dam, WIL intends to fund this via:

- equity contributions of approximately \$26 million; and
- future increased Water Charges sufficient to repay WWL's expected CIIL Loan of \$23.5 million (Facility A and B) plus the \$1.5 million for Project overruns (Facility C).

Table B sets out the estimated operating charges over the construction period of the Dam and ongoing Water Charges per Water Share once the Dam becomes operational.

*Table B: Estimated Required WIL Investment and Annual Charges*

Investment prior to Completion of the Dam	Cost per Water Share (estimated)
Water Share price	\$6,325
Application Fee	\$100
Construction Operating Charge	\$250
<b>Total Investment prior to Completion of Dam</b>	<b>\$6,675</b>

The Water Charges are based on an initial uptake of 3,050 Water Shares and are represented in 2018 dollars together with further Water Shares to be issued/converted and on-sold under this and subsequent Offers.

A non-refundable Application Fee of \$100 per Water Share will be payable by the Applicant to WIL's Bank account no later than five (5) Working Days of the Application being made.

A Construction Operating Charge estimated at \$250 per Water Share will be invoiced to all Shareholders in two tranches following acceptance of applications. Payment of the first tranche of the Construction Operating Charge will be due on 29 October 2019 at the same time as payment of the Water Share Purchase Price. The call for payment of the second tranche is expected to be made in July 2020, with payment being due on the 20th of the following month.

Finance charges incurred in respect of the CIIL Loan and TDC WWL Loan will be capitalized during construction and, therefore, will not need to be funded during the construction period, unless construction is delayed beyond scheduled Practical Completion.

#### Water Charges Post Scheduled Dam Completion

Following scheduled Dam completion, Shareholders will be charged on a quarterly basis (or such other basis as may be determined by WIL) for Water Charges. Should the construction of the Dam be delayed, WIL may start charging Shareholders Water Charges before the Dam is completed. Table C sets out Shareholders' estimated Water Charges following Dam completion.

*Table C: Estimated Annual Water Charges Following Dam Completion (2018 Dollars)*

Estimated Annual Water Charges Following Dam Completion (2018 Dollars)	Cost per Water Share
<b>Annual Water User Charge (\$ per Water Share)</b>	<b>\$650</b>

Table D sets out WWL's estimated operating costs and finance charges. WIL is required to cover as part of the Water Charge:

- 49% of the annual operating expenditure of WWL;
- Interest and scheduled principal repayments of the CIIL Loan and TDC WWL Loan; and
- Operating expenditure relating to WIL administration and governance.

*Table D: Estimated WWL Operating Costs (2018 Dollars) - \$ million*

Estimated WWL Operating Costs (2018 Dollars)	TDC	WIL	Total
Share of WWL operating cost	\$0.72	\$0.68	\$1.40
WIL operating cost	-	\$0.31	\$0.31
<b>Total operating cost</b>	<b>\$0.72</b>	<b>\$0.99</b>	<b>\$1.71</b>
Finance charges (principal and interest)	-	\$0.81	\$0.81
<b>Total Annual Costs</b>	<b>\$0.72</b>	<b>\$1.80</b>	<b>\$2.52</b>

In relation to the estimated Water Charges it is important to note:

- Water Charges will be re-set annually to cover WIL's 49% share of WWL's operating costs.
- Water Charges are to increase at 2.0% per annum in the event that the uptake targets are not met (post- Offer Water Share sales).
- WIL currently expects to fix interest rates for the first five years, providing Shareholders some certainty on Water Charges.
- The maximum term for the CIIL Loan is 15 years from Financial Close. At that time the outstanding CIIL Loan will be refinanced.
- Every 5 years from the initial drawdown date of the CIIL Loan, WIL, WWL, and CIIL will jointly appoint a suitably qualified independent consultant to assess whether either WIL or WWL is able to fully refinance the CIIL Loan without the TDC Credit Support.
- WIL may at a later date offer Shareholders the opportunity to participate in an early refinancing, offering Shareholders additional equity in exchange for a reduction in the Water Charges equal to the CIIL Loan costs. WIL is not currently offering this opportunity to Shareholders and will revisit this at a later time (likely when existing funding arrangements need to be rolled over or refinanced).
- WIL will be responsible for funding the table loan payments for the TDC WWL Loan up to \$376,000 per annum, based on a 40-year amortisation period through its Water Charges. This obligation is limited to 15 years from Financial Close.

#### *Example Water Charges Scenarios*

WIL has undertaken scenario and sensitivity testing to assess required Water Charges. Figure 1 illustrates the sensitivity of Water Charges to some key variables (scenario parameters are set out in Table E).

Figure 1: User Charge Scenarios (2018 Dollars)

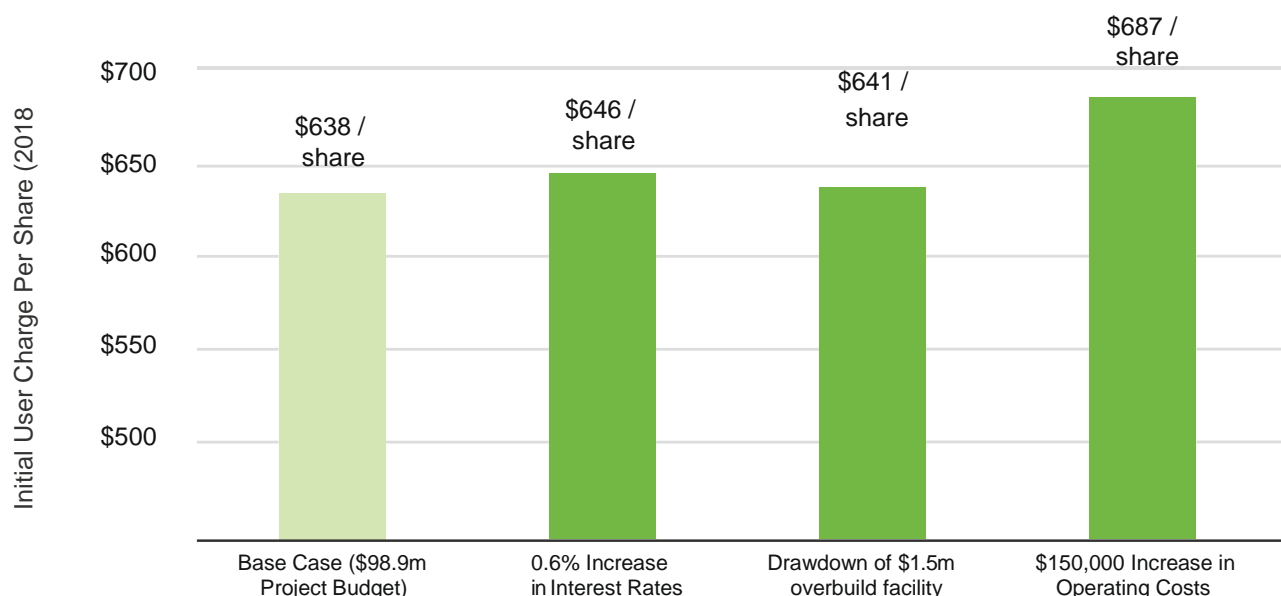


Table E: Scenario Parameters (2018 Dollars)

	Scenario	Scenario Parameters
1	Base case	Key base case assumptions are: <ul style="list-style-type: none"> <li>• Base construction cost of approximately \$104.4 million.</li> <li>• WWL's operating charges of approximately \$1.5 million per annum WIL's operating costs of approximately \$0.3 million per annum.</li> <li>• No change in reference interest rates before financial close.</li> <li>• Total of 3,050 Water Shares issued.</li> </ul>
2	Higher interest rates	Interest rates for part of the CIIL Loan and the TDC WWL Loan will not be confirmed until Financial Close. Water Charges will be required to increase should there be a rise in underlying interest rates before Financial Close. This scenario assumes a 0.6% increase in reference interest rates, resulting in higher user charges.
3	Higher construction costs	Assuming budget costs for the Project of \$104.4 million, WIL's share of construction cost overruns will be funded via the \$1.5 million CIIL Loan (Facility C). This scenario assumes that all of the \$1.5 million is drawn, requiring higher user charges to service the increased debt.
4	Higher annual operating charges	WIL Shareholders will be required to pay higher operating charges (as part of their Water Charges) should either WWL or WIL operating cost be higher than budgeted. This scenario shows the sensitivity in Water Charges should WIL's operating expenditure increase by \$150,000 per annum (2018 dollars).

Each Applicant should assess whether the estimated Water Charges are achievable and sustainable from their own perspective. Further information on the projected Water Charges is set out in Section 6 (entitled **Key Features of Water Shares**).

Each Applicant should also read Section 8 (entitled **Risks to WIL's Business and Plans**).

## Section 17. Application Form

This Application Form is issued with the Product Disclosure Statement (PDS) for the Offer of Water Shares in Waimea Irrigators Limited.

Please complete a separate Application Form for each Ground Water Permit or Surface Water Permit that you wish to Affiliate under the TRMP. Photocopy this form if more are needed or request more forms from Larissa.Waugh@findex.co.nz.

This Application Form represents an Offer to purchase the Water Shares described in the PDS. Any capitalized terms used in this Application Form but not defined have the same meaning as given to those terms in the PDS.

The Offerors have sole and absolute discretion on whether to accept any Applications for Water Shares.

### A. Applicant Details

Applications must be in the names of natural persons, companies, or other legal entities.

**Applications by trusts, fund, estates, partnerships or other unincorporated bodies must be made in the individual names of the persons who are the trustees, proprietors or office bearers as appropriate.**

Title and First Name(s):	Surname:	
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Title and First Name(s):	Surname:	
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Title and First Name(s):	Surname:	
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Title and First Name(s):	Surname:	
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Title and First Name(s):	Surname:	
<hr/>		
Name of Company/Trust/ Partnership, if applicable:		
<hr/>		
If Company/Trust/Partnership – Authorised Representative:		
<hr/>		
Delegation (e.g. director):		
<hr/>		
Applicant's Physical Address:		
<hr/>		
Suburb/Town:	City:	Postcode:
<hr/>	<hr/>	<hr/>
Applicant's Postal Address (e.g. PO Box):		
<hr/>		



Email address:

Mobile phone:

Daytime phone:

Do you own land in the Scheme Area?

☐

Yes

☐

No

## B. Irrigated Property Details (if applicable, applies to properties that also might be irrigated in the future)

Are you applying for Water Shares for a property with an operative Ground Water Permit and/or Surface Water Permit? If so, please add the permit number here:

(This is the resource consent number at the top of the bona fide assessment report.)

Please add the applicable 2018 Water Management Zone the permit above relates to (check with TDC if you are unsure):

Are you the land owner or the lessee of land covered by the operative Ground Water Permit and/or Surface Water Permit above? If you are the lessee please provide the name and contact details of the lessor:

Property Physical Address:

CT/Legal description (if known):

Property Valuation Number:

Is this property in an Irrigation Scheme? If so, please state which Irrigation Scheme and provide the property's Scheme Number.

Current land use on the land to be irrigated?

Proposed irrigated land use on the land to be irrigated?

Property – approximate total area in hectares:

Property- irrigable areas in hectares if relevant:



## C. Applicant Water Shares and Price

Calculate the number of Water Shares you would like to apply for and complete the box below. The Water Share Purchase Price is fixed at \$6,325 per Water Share.

**Payment of 100% of the Water Share Purchase Price (\$6,325 per Water Share) plus the first tranche of the Construction Operating Charge (\$125 per Water Share) will be due following confirmation to you that this Application has been successful (either in full or in part).**

**A non-refundable Application Fee of \$100 per Water Share will be payable by the Applicant to WIL's Bank account no later than five (5) Working Days of the Application being made.**

The minimum number of Water Shares able to be purchased is two (2) Water Shares per Applicant unless the Applicant's property is less than 1.5 hectares in total area, in which case the minimum number of shares able to be purchased is one (1) Water Share. An Applicant may also apply for one (1) Water Share if they are topping up an existing shareholding. Applicants cannot apply for part of a Water Share.

Please complete the boxes below, using additional sheets of paper if necessary.

Number of Water Shares applied for:	
Total Water Share Purchase Price: (\$6,325 x Number of Water Shares applied for)	
First tranche of the Construction Operating Charge: (\$125 x Number of Water Shares applied for)	
Total Application Fee: (\$100 x Number of Water Shares applied for)	

*(Please note that an invoice will be issued for the Construction Operating Charge only and that there is NO GST included in the \$100 Application fee or the Water Share Purchase Price)*

## D. Shareholder Water Augmentation Agreement (SWAA) – Acknowledgement and Acceptance

A copy of the SWAA is available on WIL's website, [www.waimeairrigators.co.nz](http://www.waimeairrigators.co.nz).

**One SWAA will be issued per Ground Water Permit or Surface Water Permit:**

Ground Water Permit or Surface Water Permit number	Irrigable Area (ha)	Legal Description and Certificate of Title	Number of Water Shares

By signing and submitting this Application Form the Applicant:

- irrevocably agrees to purchase the number of Water Shares set out in this Application;
- irrevocably agrees to be bound by and to enter into the SWAA;
- acknowledges that the Application Fee is non-refundable and may be utilised by WIL on receipt;
- acknowledges that the SWAA imposes a permanent obligation to pay Water Charges to WIL;
- acknowledges that WIL may from time to time, amend the terms of the SWAA in accordance with its terms, and that the Applicant will be bound by any such amendment on receiving written notice of the change; and
- acknowledges that WWL is under no obligation to release Dam Water until such time as the Dam has been practically completed and commissioned.

## E. Acknowledgement and Signature(s) of Applicant(s)

- I/We hereby acknowledge that I/we have received the PDS dated on or about 14 June 2019.
- I/we apply for the Water Shares as set out above (or such lesser number as may be allocated to me/us) subject to the terms and conditions set out in the PDS and this Application Form.
- I/we hereby acknowledge that WIL may reject my/our Application in whole or in part at its sole discretion without providing any reason for such rejection and that such decision of WIL shall be final.

**As per the acknowledgement and acceptance above by signing and completing this Application Form, you are irrevocably agreeing to be bound by and enter into the SWAA in respect of the Ground Water Permit or Surface Water Permit as stated in Section D of this Application Form.**

I/We hereby acknowledge that I/We have received and read the SWAA, and I/We accept and agree to be bound by and enter into the SWAA.

Name(s) of Applicant:

Signature(s) of persons, directors, trustees or attorneys:

<input type="text"/>	<input type="text"/>
Signature	Date
<input type="text"/>	<input type="text"/>
Signature	Date
<input type="text"/>	<input type="text"/>
Signature	Date
<input type="text"/>	<input type="text"/>
Signature	Date
<input type="text"/>	<input type="text"/>
Signature	Date

## F. Send Application Form by 5.00pm 30 September 2019

### By post

PO Box 10,  
Nelson 7040,  
New Zealand

### By email

Larissa.Waugh@findex.co.nz

## G. Payment for Application Fees

Payment of the Application Fee is to be made to WIL's bank account no later than five (5) Working Days of the Application being made.

WIL's bank account number is 06-0705-0501534-00.

Please ensure that you record the payment date and include your name and Ground Water Permit or Surface Water Permit number as a reference (if applicable).

**Please note that the Application will not be processed until the Application fee has been paid.**

## H. Payment of Water Shares and Construction Operating Charge

Payment for Water Shares and the Construction Operating Charge is to be made by Direct Credit to Findex (NZ) Limited's trust account in accordance with the terms set out in Part C. Please use the following details when making the payment:

Account: 12-3195-0001663-01

Particulars: Applicant Name

Code: 191204

Reference: Ground Water Permit and/or Surface Water Permit Number

## I. Payment of Water Charges

I/We acknowledge that Water Charges will be payable by direct debit to WIL and I/we agree to provide WIL with a direct debit authority in respect of Water Charges (including the Construction Operating Charge) upon request by WIL.

## J. Certificate of Non-Revocation of Power of Attorney

(Complete this section ONLY IF you are acting on behalf of the Applicant on this Application Form for whom you have power of attorney)

I \_\_\_\_\_ (full name)

of \_\_\_\_\_ (place and country of residence),

\_\_\_\_\_ (occupation), CERTIFY:

THAT by deed dated \_\_\_\_\_ (date of instrument creating the power of Attorney)

of \_\_\_\_\_ (place and country of residence of person /

body corporate which granted the power of attorney) appointed me \_\_\_\_\_; (his/her/its) attorney

THAT I have executed the Application for the Offer of Water Shares printed on this Application Form under that appointment and pursuant to the powers thereby conferred on me; and

THAT I have not received notice of any event revoking the power of attorney.

Signed at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 20 \_\_\_\_\_

Signature of attorney \_\_\_\_\_

\*\* if donor is a body corporate, state place of registered office or principal place of business of donor and, if that is not in New Zealand, state the country in which the principal place of business is situated.