

Summerset Group Holdings Limited

INDICATIVE TERMS SHEET

30 MAY 2017



JOINT LEAD
MANAGERS:



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Indicative Terms Sheet for an issue of up to \$75,000,000 Fixed Rate Bonds (plus up to \$25,000,000 oversubscriptions) due 11 July 2023.

The product disclosure statement for the Bonds ("PDS"), which contains full details of the offer, is available at www.summerset.co.nz/bondoffer or can be obtained from the Joint Lead Managers, or your usual financial advisor. Investors must obtain a copy of the PDS before they apply for Bonds.

Issuer	Summerset Group Holdings Limited ("Summerset")
Instrument	Fixed rate, guaranteed, secured, unsubordinated bonds ("Bonds")
Status	The Bonds will be issued under the Master Trust Deed dated 30 May 2017. Principal and interest amounts in respect of the Bonds will be direct, secured, unsubordinated obligations of the Issuer and rank <i>pari passu</i> with all other unsubordinated obligations of the Issuer, except indebtedness preferred by law.
Guarantors	<p>Consistent with the Guarantors for Summerset's bank facilities.</p> <p>The Bondholders have the benefit of the following coverage ratios:</p> <ul style="list-style-type: none"> • Total Assets of the Guarantors must comprise at least 90% of the Summerset Group's Total Assets; and • EBITDA (as defined in the Master Trust Deed) of the Guarantors for each rolling 12 month period must not be less than 90% of EBITDA of the Summerset Group for that period.
Purpose	<p>The proceeds of the offer will be used to repay a portion of existing drawn bank debt and provide diversification of funding sources and tenor for the Summerset Group.</p> <p>More broadly, the Summerset Group's principal use of debt is to facilitate the acquisition of land for development, the development and construction of Registered Retirement Villages, and to manage the timing of Occupation Right sales to residents for developing and existing Registered Retirement Villages.</p>
Security	<p>The Bondholders will share the benefit of the same security package as Summerset's banks on a pro rata basis. This security is held by the Security Trustee.</p> <p>The key securities that Summerset's banks and Bondholders will have the benefit of are:</p> <ul style="list-style-type: none"> • a second ranking mortgage over the land and permanent buildings of each Village Registered Company, which are the entities that operate Summerset's registered retirement villages. This ranks behind a first ranking mortgage in favour of Public Trust (as the Statutory Supervisor of the relevant retirement village) securing amounts and obligations owing to village residents; and • a first ranking mortgage over land owned by other Summerset Group companies (described as Non-Village Registered Companies), being undeveloped land and land under development. <p>The Statutory Supervisor is entitled to the proceeds of security enforcement against all assets of the Village Registered Companies, in priority to Summerset's banks and Bondholders. Summerset's banks and the Bondholders share the remaining proceeds of security enforcement against Village Registered Company assets to which the Security Trustee is entitled on a pro rata basis.</p> <p>Refer to the PDS for more detail on Security.</p>

Financial Covenant

LVR Covenant

Summerset will ensure, on each Test Date, that the ratio of:

- (a) Total Debt of the Summerset Group; to
 - (b) Property Value of the Summerset Group's land and permanent buildings
- is less than or equal to 50%.

A reported breach of the LVR Covenant in respect of a Test Date will be an Event of Review. Summerset must then follow a process specified in the Master Trust Deed to attempt to remedy the breach. If the breach has not been remedied at the end of this process, an Event of Default occurs.

Distribution stopper

Guarantors are not permitted to make any Distributions to non-Guarantors if an Event of Default or Event of Review is continuing.

Refer to the PDS and Master Trust Deed for more detail on Covenants.

Credit Ratings

The Bonds will not be rated

Issue Amount

Up to \$75,000,000 plus oversubscriptions

Oversubscriptions

Up to \$25,000,000 at the discretion of the Issuer

No Public Pool

All Bonds, including oversubscriptions, will be reserved for subscription by clients of the Joint Lead Managers, Primary Market Participants and other persons invited to participate in the bookbuild.

Interest Rate

To be determined by the Issuer in conjunction with the Arranger following the bookbuild, and be announced by Summerset via NZX on the Rate Set Date

The Interest Rate will be equal to the sum of the Swap Rate and the Margin but in any case will be no less than the minimum Interest Rate announced through the NZX on or about 6 June 2017.

Indicative Margin

The Issuer expects to announce an Indicative Margin through NZX on or about 6 June 2017.

Swap Rate

The mid-market swap rate for an interest rate swap from the Issue Date to the Maturity Date as calculated by the Issuer in conjunction with the Arranger on the Rate Set Date.

Interest Payments and Interest Payment Dates

Interest will be paid quarterly in arrear in equal amounts on 11 January, 11 April, 11 July and 11 October (or if that day is not a Business Day, the next Business Day) of each year up to and including the Maturity Date.

The first Interest Payment Date will be 11 October 2017.

Early Bird Interest

The Issuer will pay interest on subscription money at the Interest Rate for the period from (and including) the date on which subscription money is banked, to (but excluding) the Issue Date, unless subscription money is returned for any reason. Early Bird Interest will be paid within 5 Business Days after the Issue Date.

Record Date

10 days before the due date for a payment or, if that day is not a Business Day, the immediately preceding Business Day

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Listing	<p>Application has been made to NZX for permission to quote the Bonds on the NZX Debt Market and all the requirements of NZX relating thereto that can be complied with on or before the distribution of this Terms Sheet will be duly complied with. However, the Bonds have not yet been approved for trading and NZX accepts no responsibility for any statement in this Terms Sheet. NZX is a licensed market operator, and the NZX Debt Market is a licensed market under the Financial Markets Conduct Act 2013.</p> <p>Ticker code SUM010 has been reserved for the Bonds.</p>
Denominations	Minimum denomination of \$5,000 with multiples of \$1,000 thereafter
Arranger & Organising Participant	ANZ Bank New Zealand Limited ("ANZ")
Joint Lead Managers	ANZ, Deutsche Craigs Limited, First NZ Capital Securities Limited and Forsyth Barr Limited
Registry & Paying Agent	Link Market Services Limited
Brokerage	0.50% plus 0.50% on firm allocations paid by Summerset
Governing Law	New Zealand
Selling Restrictions	<p>The Bonds are being offered only in New Zealand. The Issuer has not taken, and will not take, any action which would permit a public offering of the Bonds, or possession or distribution of any offering material, in any other jurisdiction. The Bonds may only be offered for sale or sold in accordance with all applicable laws and regulations in any jurisdiction in which they are offered, sold or delivered.</p> <p>By subscribing for Bonds, each investor agrees to indemnify the Issuer, the Bond Supervisor, the Arranger, the Joint Lead Managers and their respective directors, officers, employees and agents in respect of any loss, cost, liability or damages suffered as a result of an investor breaching these selling restrictions.</p>

IMPORTANT DATES

Bookbuild Date	12.00pm, Wednesday 14 June 2017
Rate Set Date	Wednesday 14 June 2017
Opening Date	Thursday 15 June 2017
Closing Date	5.00pm, Thursday 6 July 2017
Issue Date	Tuesday 11 July 2017
Expected Quotation	Wednesday 12 July 2017
Maturity Date	Tuesday 11 July 2023

The dates set out in this Terms Sheet are indicative only and subject to change. Summerset may vary the timetable in its absolute discretion and without notice. Any such changes will not affect the validity of any applications received. Summerset reserves the right to cancel the Bond offer, in which case all application monies received will be refunded (without interest) as soon as practicable.

Capitalised terms used but not defined in this Terms Sheet have the meanings given to them in the PDS.