
NOBLE/YALDHURST VILLAGE UPDATE

From: Board of Dunedin City Holdings Limited

EXECUTIVE SUMMARY

1. Delta Utility Services Limited (Delta) has an outstanding debt related to infrastructure services provided to the Yaldhurst Village development in Christchurch. This has been a significant issue for the company for a number of years.
2. Delta has been working to position itself to receive the best possible return from this doubtful debt over the last few years. This has included efforts to improve its security position, working with the developers to try and advance the development and working directly with the neighbouring lot owners in attempts to resolve their issues.
3. Following a mortgagee sale process earlier in the year there is a potential option to restructure the project with an experienced developer. This proposal would receive finance from the BNZ which will be utilised to pay some outstanding costs, remove Gold Band Finance (GBF) from its first mortgage position, provide approximately \$1m to Delta immediately and provide working capital to bring sections to the market.
4. Repayment of the full debt is still likely to take a number of years.
5. The Board of Delta, after assessing a range of options has recommended the proposed transaction to DCHL. The Board of DCHL, again after working through the options has agreed to recommend to Council, as required under our Sol, that Council approve the transaction.

RECOMMENDATION

That the Council:

- a) **Approves** the Dunedin City Holdings Limited (DCHL) recommendation for Delta Utility Services Limited (Delta) to enter a new loan agreement with Infinity to replace the existing \$13.4 million debt owed to Delta by Noble Investments on settlement of the Gold Band Finance driven mortgagee sale.

BACKGROUND

6. Delta's interest in the Yaldhurst Village development has been the subject of regular detailed reports to the Delta Board, reports to DCHL and Audit New Zealand and updates to Council at the regular quarterly briefings from DCHL.
7. Delta has an outstanding debt (\$13.4 million) relating to infrastructure services provided in the Yaldhurst Village development through its now closed water & civil construction business in Christchurch. Delta is not the developer of the project.
8. Progress on the development has been blocked for several years by a caveat dispute between Noble Investments Ltd (Noble, the developer) and some of the neighbours to the development property. The dispute has caused lengthy delays and cost over-runs, and consequently Noble has been unable to meet its financial obligations to creditors for some time.

1 August 2016

9. Delta has previously engaged in several 'without prejudice' discussions with the caveators, with a view to achieving a negotiated settlement that would enable the development to proceed. All such efforts to date have been unsuccessful.
10. Until recently, the caveats registered by some neighbours on titles to the development property, were preventing the mortgagees (including Delta) from enforcing their security interests to recover Noble's debts. That position changed in September 2015, when the High Court ruled in favour of an application by Gold Band Finance, the first mortgagee, and issued orders for the caveats to be removed to allow settlement of a mortgagee sale.
11. The application by Gold Band Finance to proceed with its mortgagee sale was opposed by the caveators who argued that they were intentionally disadvantaged by security sharing arrangements entered between Gold Band Finance and Delta. The High Court Judge rejected the caveators argument. An extract from the High Court judgement confirmed "that neither the circumstances relating to Gold Band's security sharing arrangement with Delta nor Gold Band's present intention to enforce its security by mortgagee sale involve, even arguably, unconscionable conduct by Gold Band. Gold Band made a commercial decision to share its security with Delta".
12. More recently, in late May 2016, the caveators applied to the High Court for an injunctive 'stay' to prevent settlement of the mortgagee sale. This 'stay' application was subsequently dismissed by a further High Court ruling on 22 July 2016.
13. The outcome of the mortgagee sale has provided an opportunity for the project to be restructured with an experienced developer. Delta will remain a debtor to the project. Deltas outstanding debt in the restructured project would be approximately \$12.4m.
14. The Statement of Intent (SOI) for DCHL requires that DCHL will obtain prior approval of the Council where the total investment exceeds \$10 million for transactions of the company or any of its subsidiaries involving the acquisition of new assets. As this restructured transaction is greater than \$10m DCHL is seeking Councils approval.
15. The full history of the project is included in Attachment A.

DISCUSSION

16. The board of DCHL has reviewed the proposed transaction and has approved the transfer of debt from Noble Investments Limited (Noble) to Infinity Yaldhurst Limited (Infinity). The transaction is subject to Council approval as required under the DCHL SOI.
17. A company profile of Infinity is included as Attachment B.
18. Independent advice has been sought throughout the process from professional advisors to ensure that Delta's likelihood to receive the repayment of this debt is maximised.
19. Given the history and the problems with this particular development it is still likely that it will take a number of years to realise the full value. A repayment of circa \$1 million to Delta is anticipated upon settlement of the mortgage sale to Infinity (see below), following which conservative projections are for the remainder of the debt (plus interest at 7% per annum) to be cleared by progressive principal repayments ending no later than February 2024.
20. The transaction that Delta is proposing is:

1 August 2016

- a) Infinity has offered to purchase the property for \$18.350 million. This reflects the June 2015 registered market valuation.
- b) The transaction is subject to Delta and other secured creditors converting the debt they are presently owed by Noble to new loans repayable by Infinity as the new developer.
- c) Infinity has confirmed funding from the Bank of New Zealand (BNZ) (\$5.9 million) to complete its purchase and progress the development. It is envisaged that circa \$3.8 million of the new BNZ loan will be used to clear Gold Band Finance's share of the first mortgage debt (circa \$2.8 million) and to reduce Delta's residual debt (by circa \$1 million) to around \$12.4 million – see below. The remaining circa \$2.1 million of the BNZ loan will be available to progress the development.
- d) Delta stands to receive a payment of circa \$1 million (value will change depending on final settlement date) upon settlement of the mortgagee sale (estimated to be \$1.23 million if completed by July/August 2016). The residual balance of Delta's existing debt (circa \$12.4 million) will then be converted to a new loan owing to Delta by Infinity (rather than Noble).
- e) There are no requirements or expectations that Delta will be providing any additional funding, or undertaking future work towards the completion of the subdivision.
- f) Interest is payable on the new loan at 7% per annum which will be capitalised and compounded monthly until it is paid.
- g) The table below summarises the initial purchase of the project:

Development Property Purchase	\$18.35 million
Funded by:	
BNZ	\$ 3.80 million
Delta 2 nd mortgage loan (residual balance of existing debt)	\$12.40 million
Other 2 nd mortgage loans (including Cardno & Cavell Leitch)	\$ 2.15 million

- 21. Under the proposed transaction Delta is giving up its shared first mortgage position (67.5% which is presently valued at circa \$5.6 million) to the BNZ. In exchange the BNZ is providing a funding line of \$5.9 million to Infinity to clear Gold Band Finance (circa \$2.8 million), reduce Delta (circa \$1.0 million) and provide additional funding for the development to proceed (circa \$2.1 million).
- 22. It is proposed that the BNZ will have a mortgage priority up to \$10 million. Any increase above the \$5.9 million loan will require Delta approval.
- 23. The funds from the BNZ will be used for the following purposes:
 - a) To clear the existing Gold Band Finance debt estimated to be \$2.8 million (value will change depending on final settlement date).
 - b) Repay Delta (\$1 million) and reimburse costs previously incurred by Delta (\$230k) and other creditors (\$70k).

1 August 2016

- c) The rest of the funds will be used for additional work required to get the sections available for sale.
24. The first stage of the development (66 residential sections and three commercial lots) is essentially complete and will be available for sale when titles are issued after the caveats have been discharged. The estimated sale proceeds from the 66 residential sections are \$7 - \$8 million.

OPTIONS

25. The boards of Delta and DCHL worked through a range of options before arriving at this recommended position. The conclusions were reached with a view to receiving the best return possible for the outstanding debt within acceptable risk profiles. The boards had the advantage of a comprehensive public tender process to provide an understanding of the market's perspective of the project. We have set out a summary of the options being;
- a. The proposed restructured transaction with Infinity taking the role of developer
 - b. Gold Band Finance selling to a third party with a view of Delta clearing some debt and finalising its position
 - c. Delta acquiring Gold Band's share of the first mortgage
 - d. Do nothing

Option One – Approves the DCHL recommendation of the Delta Utility Services limited (Delta) transaction to enter a new loan agreement with Infinity to replace the existing \$13.4 million debt owed to Delta by Noble Investments on settlement of the Gold Band Finance driven mortgagee sale (Recommended Option)

Advantages

- Working with a developer who has significant experience and reputation in property development.
- Reduction in debt owing to Delta.
- Greater likelihood of the total loan being repaid to Delta, albeit over a period of time.

Disadvantages

- Having to give up the first mortgage position to BNZ.
- Risk that Infinity is unable to repay the loan.
- Will still take a period of time before the whole debt is repaid.

Option Two – Gold Band Selling to Another Third Party (if possible)

Advantages

- Delta would have no further involvement in the project.
- Would reduce management's focus on minimising the potential loss from the potential bad debt.
- Possible repayment of some of the debt owing to Delta.

1 August 2016

Disadvantages

- There is currently no other third party that has put in a credible bid.
- Depending on the level of funds repaid may require an equity injection into Delta from the shareholder to reinstate the company's balance sheet to ensure it can continue to tender credibly for third party contracts in competitive markets.

Option Three – Delta Acquiring Gold Band's Remaining Share of the First Mortgage

Advantages

- Delta would have complete control of the project.
- May result in a higher return from the project over time.

Disadvantages

- Would require additional investment
- Could require greater management focus in an area where the company has no formal expertise, although project management could be contracted.
- Higher potential risk for the company compared to its current operating model.

Option Four – Do Nothing.

Advantages

- Would continue to have first mortgage protection for some of the debt.

Disadvantages

- No further ahead.
- Would continue to require management focus.
- Significant valuation risk for the company due to lack of progress in getting any resolution.

NEXT STEPS

26. If Council approves the recommended option, then the board of DCHL will give final approval to Delta to enter into the transaction.

SIGNATORIES

Author:	Grant McKenzie, Group Chief Financial Officer
Authoriser:	Graham Crombie, Chair, Board of Dunedin City Holdings Limited

Attachments

- | | Title |
|---|--|
| A | Yaldhurst Village and Noble Investments Ltd - Background |
| B | Infinity Investment Group Holdings Limited |

1 August 2016

ATTACHMENT A

YALDHURST VILLAGE AND NOBLE INVESTMENTS LTD

BACKGROUND

Delta has an outstanding debt of \$13.4 million related to infrastructure services provided through its now closed water and civil construction business in Christchurch (as disclosed in its 2015 Annual Report).

The company is focused on maximising its secured position.

Delta's interest in the Yaldhurst Village development has been the subject of regular detailed reports to the Delta Board, and reports to both DCHL and Audit New Zealand.

Yaldhurst Village comprises a residential development of 250-350 medium and high density sections in the northwest of Christchurch, and a proposed commercial precinct for which a number of potential uses (including a medical centre, hardware store and supermarket) have been considered.

Progress on the development has been blocked for several years by a caveat dispute between the developer, Noble Investments Ltd (Noble), and some of the neighbours to the development property. The dispute has caused lengthy delays and cost over-runs, and consequently Noble has been unable to meet its financial obligations to security holders for some time.

Delta has engaged in several 'without prejudice' discussions with the neighbours and Lot 9 in particular, with a view to achieving a negotiated settlement that enables the development to proceed. All such efforts to date have been unsuccessful.

Caveat Dispute

Noble Investments Ltd (Noble), the developer, is party to a longstanding dispute with a group of neighbours that reside to the west of the land that is being developed. This dispute has been the subject of several High Court hearings which we understand may still be the subject of an appeal(s).

Delta has not been party to that dispute.

Several of the neighbours claim that under historical agreements with either Noble, or an entity associated with Noble, they are entitled to an upgrade to the access and services to be delivered to the boundaries of their lots. The owners of two of the neighbouring lots (Lots 4 & 9) registered caveats on Noble's land and it is those caveats that have prevented the spine road that runs through the development from vesting in the Council, which in turn has prevented the titling and settlement of section sales and delayed the repayment of Delta's debt.

A High Court decision in March 2013 indicated the caveat over the first tranche of titles was likely to endure until the new intersection of the Spine Road with Yaldhurst Road could be opened.

One of the major impediments to the Yaldhurst Road intersection opening was that the original design of the intersection required the northern tip of Lot 22 (circa 89 square meters of land owned by the western neighbours and referred to colloquially as 'the knob') to be vested with NZTA. The neighbours have used this as a point of leverage to prevent the intersection from opening. In essence, they have argued that Noble is in breach of its contractual obligations under historical agreement(s).

1 August 2016

Following several attempts by multiple parties (including CERA, NZTA, Gold Band Finance and others), Delta engaged directly with the neighbours from around March 2014 in an effort to find a solution that would enable the development to proceed.

Subsequently, during February 2015, Delta reached a conditional agreement with Canterbury Sports Ltd, a neighbour situated to the north of the Yaldhurst road intersection, which could enable the intersection to be re-located northwards and opened without any requirement for 'the knob' to be vested. NZTA were and remain supportive of this solution.

Original Works Contract and Development Funding

Delta's Christchurch water and civil business tendered for the residential development works at Yaldhurst during September 2009, and Delta was subsequently appointed Contractor. The underlying works contract was executed by Delta as Contractor and Noble as the Principal, on or around 16 October 2009.

Shortly thereafter, the terms of a loan facility were documented, under which Delta agreed to fund the contract works by way of a deferred payment arrangement. The value of the first tranche of works was originally estimated at \$3.5 million. The first Precinct One agreement provided for a loan of up to \$4 million plus interest.

Subsequently, it transpired that the basic design of the development was incomplete, further Council consents were required, and project costings were grossly understated. On top of this, the Canterbury earthquakes in November 2010 and February 2011 caused significant project delays and disrupted the decision making capabilities of the relevant local authorities.

At the time of the large earthquake in February 2011, the value of the contract works undertaken by Delta (and the balance of Delta's loan) was approaching \$3.5 million plus interest. It was evident however, that the first precinct of sections was far from complete. There was also increasing concern the development was lacking a master plan and a formal project management structure.

Peter Soundy of Peak Projects Queenstown was engaged to undertake a project management audit in April 2011, following which it was agreed between Delta and Noble that Mr Soundy would be appointed to the Construction Project Manager's role.

At the end of May 2011, Delta's debt had reached \$4 million and discussions had commenced in regards to a second \$5 million Precinct Two loan agreement. The \$5 million Precinct Two loan was approved in July 2011.

By January 2012, it was apparent that further consultancy input and construction works would be required to achieve the completion of a fully compliant stormwater system.

As of June 2012, the value of the contract works undertaken by Delta (and the total balance of Delta's loans) was approaching \$9 million plus interest, and construction of the first Precinct of 77 sections (mostly Lot 14) and the stormwater system remained incomplete.

On 13 June 2012, a Special Meeting of the Delta Investments Ltd Board was held to approve an increase of up to \$1.5 million plus interest in the Precinct One Loan, to fund the estimated costs to complete Precinct One and its associated services. Subsequently, it was identified that an additional \$6-700k of works were required to complete the first of the Precinct One sections and associated services.

Delta's Precinct One Loan facility was increased by \$850k to \$6.35 million during December 2012, subject to Noble providing additional security in the form of an increased mortgage priority to \$16.1 million and a registered second ranking General Security Agreement (refer Security Position below).

1 August 2016

Telfer Young of Christchurch was engaged jointly by Delta and Gold Band Finance at the end of April 2013, to undertake a valuation of the entire Yaldhurst Village residential development. Telfer Young's final report was received on the 16 July 2013, and identified there was a shortfall of circa \$5.2 million between the value of Delta's existing security interest and the balance of its loan. This security shortfall was partially offset by a year-end provision of \$1.5 million in the Delta Management accounts, which reflected Management's decision during October 2012 to stop 'booking' the interest revenue that was accruing on the loan.

Telfer Young assigned a value of \$9.1 million to Delta's existing first mortgage security over three of the six residential lots, after discounting their assessment by \$1.6 million to reflect the caveat issues. The balance of Delta's loans (inclusive of interest) was \$14.3 million as at 30 June 2013.

On 8 August 2013, the Delta Board approved the terms of a tri-party agreement between Gold Band Finance, Delta and Avanti Finance under which Delta would later purchase a \$1.2 million share of the existing Gold Band Finance first mortgage loan and securities (for \$1.2 million) and receive additional mortgage securities to the value of circa \$5.1 million (under the Agreement to Mortgage) to secure its existing debt. This approval was notified to DCHL immediately.

On 28 August 2013, the Delta board resolved to retain a provision of \$1.5 million in the company's 30 June 2013 year-end accounts, which reduced the fair value of Delta's loans to circa \$12.8 million.

On 1 May 2014, the Delta Board authorised management to commit further funding of up to \$375k if necessary, in order to advance Delta's financial interest in the development. This funding is yet to be fully committed.

On 22 August 2014, the Delta Board accepted the recommendation of its Audit & Risk sub-committee and resolved to adopt \$12.85 million as the fair value estimate of the secured loan receivables in Delta's 30 June 2014 annual accounts. The Board arrived at its updated fair value assessment by reference to two independent registered valuations at that time. As a precautionary measure in August 2014, the Board also authorised management to make a drawing against the company's term debt facility if it became necessary to purchase the Gold Band Finance first mortgage loan (circa \$3.5 million as at 30 June 14) to prevent a forced sale of the property.

During December 2014, Gold Band Finance advised that it had been approached by one of the western neighbours and caveators, who was offering to purchase a share of the first mortgage loan. Delta received legal advice that it would be detrimental to Delta's interest if the caveator or any other adversarial party was to obtain a share of the first mortgage. Further legal advice indicated the terms of the tri-party agreement were such that Gold Band was unable to transfer its share of the first mortgage without Delta's prior consent, however Avanti Finance was in a position to assign its share without the consent of either Delta or Gold Band.

On 29 January 2015, the Delta Board authorised management to make a drawing of circa \$2.2 million to purchase the Avanti Finance share of the first mortgage loan in order to prevent the sale of an interest in the first mortgage to the caveator or any other adversarial party. This decision was notified to DCHL immediately.

On 24 February 2015, the Delta Board approved funding of up to \$725k to meet Delta's 50% share of the estimated costs to relocate the Yaldhurst Road intersection in terms of the conditional agreement with Canterbury Sport Ltd, noting that there was a remedial works provision of \$400k in the Delta financials that could be applied towards the new intersection costs.

To protect its security position, Delta settled the purchase of Avanti's share of the first mortgage for \$2.19 million on 31 March 2015.

1 August 2016

On 29 July 2015, the Delta Board accepted the recommendation of its Audit & Risk sub-committee and resolved to adopt \$13.2 million as the fair value estimate of the secured loan receivables in Delta's 30 June 2015 annual accounts. The Board arrived at its updated fair value assessment by reference to a further independent registered valuation at that time.

CURRENT STATUS OF SECURED LOANS

Delta's secured loan advances presently comprise:

- The original \$6.35 million Precinct One loan which expired on 30 June 2013,
- The \$5 million Precinct Two loan which expired on 22 December 2013,
- Delta's share of the Gold Band Finance first mortgage loan which has been acquired in two tranches during 2013 and 2015 at a combined cost of \$3.390 million.

Most recently, the fair value of these secured loans was re-assessed as \$13.32 million as at 31 December 2015.

Interest is continuing to accrue on the Gold Band Finance first mortgage loan. As of May 2016, Delta's share of the first mortgage loan is estimated to be \$5.400 million.

MORTGAGEE SALE PROCESS

The first mortgage loan has been in default for some time.

Property Law Act (PLA) notices were issued by Gold Band Finance and expired on 15 July 2014. Subsequently, during March 2015, Gold Band Finance applied to the High Court for the neighbours' caveats to be removed with a view to clearing the way for a settlement of its intended mortgagee sale. The High Court decision was finally released in September 2015, when the Judge issued orders for the caveats to be removed immediately prior to the property being transferred by Gold Band Finance to the successful purchaser under its power of sale. The High Court decision was subsequently appealed, but that appeal was then deemed by the Courts to have been abandoned.

Notwithstanding the prior lengthy delays, Delta viewed the mortgagee sale process as a positive step towards the recovery of its secured debt. The property was advertised for sale last November and December, and tenders closed on 12 February 2016.

Gold Band Finance entered a \$21 million conditional sale and purchase agreement on 4 April 2016. We were advised that the conditions of that contract were required to be satisfied by 30 April 2016, at which point a non-refundable deposit of \$1 million was to have been paid by the purchaser.

Gold Band Finance also entered an \$18.3 million conditional 'back-up' contract with Infinity on 15 April 2016. The terms of this back-up contract were such that the higher priced \$21 million offer was to be avoided if it was not confirmed as unconditional by early May.

On 2 May 2016, Gold Band Finance advised Infinity that the conditions of the \$21 million offer were unable to be confirmed and Infinity was now in a position to proceed to satisfy the conditions of its own contract to purchase the property.

LOT 9 STAY APPLICATION

On 25 May 2016, Delta was advised that despite having previously allowed their initial appeal of last September's High Court decision to lapse, the Lot 9 caveators had now applied for an

1 August 2016

injunctive 'stay' to prevent settlement of the mortgagee sale, pending the outcome of a separate application to the Court of Appeal for their appeal to be reinstated.

This 'stay' hearing was heard in the High Court in Christchurch on 1 July 2016. The High Court dismissed the 'stay' in a further judgement dated 22 July 2016.

TIMELINE

Oct/Nov 2009	Precinct 1 Loan Approved	\$4.00 mil
July 2011	Precinct 2 Loan Approved	\$5.00 mil
June 2012	Precinct 1 Loan increased for additional works	\$1.50 mil
October 2012	Decision to suspend interest recognition	
December 2012	Precinct 1 Loan increased for additional works	<u>\$0.85 mil</u>
	Sub-total Delta loans	\$11.35 mil
May/June 2013	Security shortfall of circa \$5 mil identified	
August 2013	First tranche of First mortgage acquired to improve security position by \$5.1 mil	\$1.20 mil
March 2015	Second tranche of First mortgage acquired	<u>\$2.19 mil</u>
	Sub-total First mortgage	<u>\$3.39 mil</u>
	Total Secured Loans	\$14.74 mil
	Fair value assessed as at 31 Dec 2015	\$13.32 mil



Infinity Investment Group Holdings Limited

INFORMATION DOCUMENT FOR DELTA UTILITY SERVICES LIMITED

May 2016

Strictly Confidential – Not to be Released to any Third Party

Executive Summary – Yaldhurst Village

1. The biggest risk to the project and Delta's financial exposure is further delays.
2. Current interest costs and other holding costs are eroding Delta's financial position.
3. Infinity has secured funding from the BNZ for \$5.9m to ensure the project is de-risked by completing Stage 1 of the residential and commercial area.
4. The key to getting Delta repaid is to engage an experienced developer to complete the project.
5. The project is viable, can stand on its own and is not expecting any support from shareholders/stakeholders.
6. Infinity has the team and resources already in place to complete the project.
7. Infinity provides the project with a reputable developer that has an excellent track record.
8. Infinity already has a strong presence in the Christchurch market and has relationships with key builders, agents etc.

STRICTLY CONFIDENTIAL – NOT TO BE RELEASED TO ANY THIRD PARTY

Yaldhurst

1. Infinity has secured funding from the BNZ for \$5.9m to ensure the project is de-risked.
2. The funding ensures that titles for approximately 70 residential lots and 80% of the commercial area can be achieved in a very quick timeframe allowing significant cashflow back to the BNZ and to Delta.
3. Based on the Colliers valuation titling the lots as stated above will give an approximate gross realisation of \$15m.
4. Funds will as a priority be applied to repay BNZ and Delta debt.
5. The project is viable and can stand on its own and should not need any support from shareholders/stakeholders.
6. The biggest risk to the project are further delays.
7. Infinity is committed and ready to complete the project.
8. Infinity already has a strong presence in Christchurch and knows all key builders, agents etc.
9. The Yaldhurst development would complement our existing project to the north of Christchurch called Ravenswood, as most buyers at Ravenswood have shown strong interest in purchasing at Yaldhurst also.
10. We already have two key commercial buyers that have shown strong interest in the commercial area plus there are two large house builders who want 10-20 lots each. This has been achieved by our relationships at Ravenswood.

STRICTLY CONFIDENTIAL – NOT TO BE RELEASED TO ANY THIRD PARTY

Ravenswood

1. Infinity has an existing team of people already in Christchurch for its Ravenswood project.
2. Ravenswood is located to the north of Christchurch and is approximately a 30 minute drive from the city.
3. The project has no conflict with Yaldhurst and in fact complements the project as most house builders want to be involved in both projects.
4. Ravenswood is a subdivision of approximately 1300 residential sections and 15ha of commercial land.
5. To date we have secured deals with Foodstuffs, BP and MacDonald's. We are also in negotiations with Bunnings and we expect to conclude that deal within the next four to six weeks.
6. We also have subdivision consent for Stage 1 residential (197 lots) and the commercial area.
7. We have already sold approximately 50 sections in Stage 1 over the last two months.
8. We are planning a launch of the project on 2nd July 2016, where we believe we will achieve significantly more sales both in the commercial and residential area.
9. We have been working with the BNZ over the last six months to fund this project and we are expecting to receive a term sheet within the next four weeks for \$50m to fund this project.
10. Please see separate Information Document on Ravenswood.

STRICTLY CONFIDENTIAL – NOT TO BE RELEASED TO ANY THIRD PARTY

Infinity - Track Record



Peninsula Bay, Wanaka

Premium 340-lot community development with magnificent lake and mountain views, large lots, extensive reserves and community facilities for residents. In 2013 Peninsula Bay won the NZ Property Council award for 'Best Urban Land Development in NZ'.



Far Horizon Park, Wanaka

Themed on an English Park, 45 4000m² sections with stunning views and community facilities including swimming pools and gym. Winner of a NZ Property Council Merit Award in 2007.



First National, Wanaka

First National Wanaka was established in 2010. Following the National Awards 2016 First National Wanaka is ranked first place office in the lower South Island.



Riverside Village, Wanaka

437-section residential community at Albert Town, four kilometres from the centre of Wanaka.



Sunrise Bay, Wanaka

A premium 22.1-acre section lakefront estate on the lakefront. On-site facilities include clubrooms, gym, changing rooms, swimming, spa and children's pools.



Pegasus Town, Christchurch

Pegasus is a master planned town for an estimated population of 7,000 residents consisting of 1,500 residential sections and a large commercial precinct.

STRICTLY CONFIDENTIAL – NOT TO BE RELEASED TO ANY THIRD PARTY

Infinity Financial Position

1. As at 31st March 2015 Infinity's net assets were \$20.46m.
2. PWC is the Auditor of Infinity Investment Group.
3. Due to the strong Central Otago market we are currently in the strongest financial position we have been in the last seven years.
4. We have developed over 2,500 residential lots over the last 10 years and have an existing pipeline of a further 1,300 residential lots that will ensure we have a strong financial position going forward.
5. Significant cashflow (\$6.5m) being released by final stages of our Wanaka projects over the next two to four months. All lots are unconditionally sold.
6. Strong support from our funders.
7. We are one of the few medium sized property developers in New Zealand to survive the Global Financial Crisis.

STRICTLY CONFIDENTIAL – NOT TO BE RELEASED TO ANY THIRD PARTY

1 August 2016

Infinity – Key Management

1. **Paul Croft – Managing Director (7 years at Infinity Investment Group)**
A chartered accountant, Paul has extensive property-focused experience. Before returning to New Zealand in 2009, Paul worked for almost a decade in Europe, managing large financial and property portfolios for leading investment companies, including UBS Global Asset Management, Equion PLC and Henderson Global Investors. He was senior fund accountant for UBS' flagship UK fund (UBS Triton Property Fund) which managed commercial properties worth over \$1.5 billion sterling. Paul was instrumental in establishing and creating the European real estate accounting platform for UBS. Currently also Managing Director of Infinity Investment Group, Paul has had extensive property development experience as part of the project team responsible for the development of award-winning Peninsula Bay and Riverside Park in Wanaka, and Pegasus in North Canterbury.
2. **Iain Weir – Development Manager (3 years at Infinity Investment Group)**
Iain is a registered valuer with more than 25 years' experience in property consultancy and development covering a range of property classes including commercial, tourism, hospitality, lifestyle and residential projects in New Zealand, Australia and the UK. Iain manages a number of Infinity Investment Group developments in Wanaka and the West Coast and is heavily involved in the development and sales programme for the commercial land at Ravenswood. He was engaged by Queenstown Lakes District Council to manage the development and sale programme for both Scurr Heights and Anderson Heights residential and commercial subdivisions in Wanaka from 2000-2006. He is also an experienced project manager and recently completed a large commercial building on Wanaka's waterfront.
3. **Patrick Waser – Sales Manager (9 years at Infinity Investment Group)**
Patrick originates from Sweden and has lived and worked in several countries and can speak several languages fluently. He has a strong hospitality background in both sales and marketing and operations and has been both General Manager/Owner for hotel properties in both Melbourne and New Zealand. These large properties have involved major construction and renovations. He has also had many years' experience in commercial business brokering in the North Island as well as being Sales Manager for a commercial services company in Auckland. Patrick has worked in a Sales Management role on all Infinity Group projects since 2007 involving several subdivisions and projects including Pegasus Town in North Canterbury, Marina Apartments, Peninsula Bay and Riverside Park in Wanaka.
4. **Hetty van Hale – Communications Manager (11 years at Infinity Investment Group)**
Hetty has over 25 years' experience in communications, marketing, sponsorship and event management, having worked for a number of large New Zealand corporates including Brierley Investments, Carter Holt Harvey and Tourism Holdings. She has worked for Infinity for over 10 years and implements and manages the marketing and communications for all group projects including the one-day Pegasus land sale when \$122m of property was sold in one day. In addition she has wide governance experience and is a current Director of Snow Sports New Zealand, Winter Games New Zealand, Badminton New Zealand, and Chairs the Southern Lakes Arts Festival Trust.

STRICTLY CONFIDENTIAL – NOT TO BE RELEASED TO ANY THIRD PARTY

Infinity Stakeholder Committee

On 16th November 2014 after a short illness the co-founding shareholder Bob Robertson passed away.

At that time Paul Croft was made the sole director of Infinity Investment Group and a stakeholder committee was formed.

Nick Davidson QC (now presiding judge) was appointed to represent Jen Robertson's interest in Infinity. Nick has now been replaced by Mark Russell after his appointment to being a judge.

George Berry, founder of Berry & Co, was appointed to represent Bob's Estate. George retired at the end of 2015 and has now been replaced by David Jackson who is a Partner at Berry & Co.

We are currently in the process of winding up the Stakeholder committee and appointing a more conventional board. We expect this to be concluded during the 2016 year.

Please find below the profiles of Mark Russell and David Jackson.

1. **Mark Russell**
Mark studied at Canterbury and Cambridge Universities before lecturing in company and banking law at the University of Canterbury for four years. Mark went into legal practice in 1985, with Weston Ward & Lascelles, some partners of which left to form Brookman Stock (a boutique commercial firm) in 1986. Brookman Stock merged with Buddle Findlay in 1989 and Mark was a partner in the Christchurch office of Buddle Findlay for 25 years before joining the Bar as a commercial barrister at the beginning of 2015. Mark specialises in company, banking, commercial and insolvency law. Mark also holds governance appointments as director of Lifetime Group Limited, an independent member of the Christchurch City Council Audit & Risk Management Committee and director of Diligent Corporation Inc. Mark is a Chartered Member of the Institute of Directors.
2. **David Jackson, LLM(Hons) | Partner**
David has a wide range of litigation and commercial experience having worked as a Crown Prosecutor (for the Crown Solicitor at Christchurch), a government legal adviser (to the Treasury Solicitor's Department, London) and as a general commercial and insurance litigator for national New Zealand and City of London law firms. David's current litigation practice is wide-ranging and includes criminal, employment, resource management, commercial and insurance litigation instructions. Further, David is asked to advise on commercial contracts with a particular focus on allocation of risk, dispute resolution and termination provisions. In recent years David has advised small to medium business owners on contract formation, management and employment issues.

STRICTLY CONFIDENTIAL – NOT TO BE RELEASED TO ANY THIRD PARTY

Infinity Shareholders

When Bob Robertson passed away, he gifted 25% of his shareholding in Infinity Investment Group to Paul Croft to ensure the long term survival of the Company. The other shareholders of Infinity Investment Group are the following.

- 1. Jen Robertson – 37.5%**
Co-founder
- 2. Pamela Higgins – Executor of Bob Robertson’s Estate – 37.5%**
Bob Robertson’s sister
- 3. Paul Croft – Managing Director – 25%**

STRICTLY CONFIDENTIAL – NOT TO BE RELEASED TO ANY THIRD PARTY

Pegasus Town

During the Global Financial Crisis, the Bank of Scotland was under significant financial pressure, which resulted in them selling their entire New Zealand and part of their Australian loan books.

As part of that deal NZ Property Finance Partners, which was a consortium owned by Australia’s Brookfield group and investment banker Goldman Sachs purchased the New Zealand loan book.

Pegasus was one of 22 loans that NZ Property Finance Partners purchased in New Zealand.

NZ Property Finance Partners tendered the Pegasus loan at which time we secured funding from the BNZ and ANZ to complete the loan buyback. However, under the arrangements with both banks we needed an additional \$15m of equity.

We then entered into an arrangement with Todd Property where we would JV the project 50/50.

We had delays finalising the agreement with Todd Property and the ANZ at which time NZ Property Finance Partners placed Pegasus into receivership.

Shortly after Todd Property entered into an agreement to purchase Pegasus from NZ Property Finance Partners. Todd Property also had another loan with the Bank of Scotland.

The receivership was not an insolvency issue but more related to a corporate takeover. In fact Pegasus had already completed \$40m of future presales when the receivership occurred.

The Pegasus project was ring-fenced from all other Infinity development interests.

STRICTLY CONFIDENTIAL – NOT TO BE RELEASED TO ANY THIRD PARTY