

Notes Subscription Agreement

PARTIES

New Zealand Local Government Funding Agency Limited

Issuer

The Local Authorities Listed in Schedule 1

Principal Shareholders

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AGREEMENT dated 7 December 2011 (as amended [and restated](#) by the ~~agreement~~[deed](#) to which this agreement is attached as an appendix)

PARTIES

New Zealand Local Government Funding Agency Limited
("Issuer")

The Local Authorities Listed in Schedule 1
("Principal Shareholders")

INTRODUCTION

- A. The Issuer and the Principal Shareholders wish to record the arrangements agreed between them in relation to the issue of Borrower Notes by the Issuer from time to time to the Principal Shareholders, and other Local Authorities [or CCOs](#) that may accede to this agreement, as Subscribers.
- B. This agreement records those arrangements.

AGREEMENT

1. INTERPRETATION

- 1.1 **Definitions:** In this agreement, unless the context otherwise requires:

"**Accession Deed**" means a deed in the form, or substantially in the form, of schedule 2.

"**Amortising Security**" has the meaning given to it in the Conditions.

"**Amortised Redemption Amount**" means, in relation to an Amortising Security, as at any date, the aggregate LG Redemption Amount that the relevant Subscriber (in its capacity as issuer of that LG Security) has repaid to the Issuer in respect of that LG Security in accordance with its terms.

"**Borrowed Money Indebtedness**" means any indebtedness of the Issuer to a person (other than indebtedness owed to a Subscriber in respect of Borrower Notes) in respect of money borrowed or raised or any other financial accommodation whatsoever in the nature of, or having a similar economic effect to, borrowing or raising money, including indebtedness under or in respect of a negotiable or other financial instrument, guarantee, interest or currency exchange hedge or other arrangement of any kind (calculated on a net and marked to market basis).

"**Borrower Note**" means each note issued by the Issuer under this agreement.

["BN Percentage" means, in respect of a date:](#)

[\(a\) _____ from 7 December 2011 until \(and excluding\) the Initial BN Change Date, 1.6%; and](#)

(b) from (and including) the Initial BN Change Date, 2.5% or such other percentage approved by the board of the Issuer and notified (in writing) by the Issuer to all Subscribers from time to time as being applicable from (and including) the date specified in such notification.

"BN Percentage Period" means, in relation to a BN Percentage, the period during which that BN Percentage applies (in respect of the then current BN Percentage) or was applicable (in respect of any historic BN Percentage).

"**Business Day**" means a day (other than a Saturday, Sunday or public holiday) on which registered banks are generally open for business in Christchurch, Wellington and Auckland.

"CCO Subscriber" means a Subscriber that is a CCO.

"**Commercial Paper**" means in relation to a Subscriber, any securities issued by the Subscriber under the Multi-~~Issuer~~ issuer Deed which have a maturity date falling no more than 364 days after the issue date of those securities.

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

"**Constitution**" means the Issuer's constitution.

"**Conversion**" means the conversion of Borrower Notes into Redeemable Shares in accordance with this agreement and "**Convert**", "**Convertible**" and "**Converted**" shall be construed accordingly.

"**Conversion Date**" means the date specified as such in a Conversion Notice, which may be a day on or following the date of the Conversion Notice.

"**Conversion Notice**" has the meaning given to it in clause 8.1.

"**Early Redemption Date**" has the meaning given to it in clause 7.1(c).

"**Extension Notice**" has the meaning given to it in clause 8.6.

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

"Initial BN Change Date" means, and includes, the date of the deed to which this agreement is attached as an appendix.

"**Issue Date**" means, in relation a Borrower Note, the date on which the Borrower Note is issued, as recorded as such in the Register. The Issue Date of a Borrower Note shall be the same as the "Issue Date" of the related LG Securities issued by the Subscriber under the Multi-~~Issuer~~ issuer Deed.

"**Issue Price**" means:

- (a) in relation to Borrower Notes issued to a Subscriber on a particular date under clause 4.1, an amount equal to the aggregate Principal Amount of those Borrower Notes determined in accordance with clause 4.1(a); and
- (b) in relation to Borrower Notes issued to a Subscriber following the giving of a Top-up Notice, an amount equal to the aggregate Principal Amount of the Borrower Notes to be issued to the Subscriber as specified in the Top-up Notice.

"Interest Rate" means the interest rate applicable to a Borrower Note from time to time as determined by the Issuer, which interest rate shall be a percentage rate (p.a.) and shall be determined by the Issuer by reference to the applicable interest rate which is (or would be) payable by the Issuer in respect of the Borrowed Money Indebtedness it incurs to subscribe for the LG Securities to which the Borrower Note relates, and includes the Issuer's "issuance margin", being all of the Issuer's costs and expenses relating to that Borrowed Money Indebtedness (including, without limitation, dealer fees, commissions, listing fees and any Approved Issuer Levy which is or may be payable by the Issuer under the terms of that Borrowed Money Indebtedness). The interest rate determined by the Issuer must not include any additional spread to its issuance margin which it applies in determining the interest rate for the applicable LG Security.

"LG Interest Rate" means:

- (a) in relation to an LG Security which is a Floating Rate Security or Fixed Rate Security, the "Interest Rate" for that LG Security; and
- (b) in relation to an LG Security which is a Zero Coupon Security, the "annual yield" for the LG Security.

"LG Issue Price" means, in relation to a Tranche of LG Securities, the "Issue Price" as specified in the applicable Final Terms, expressed as a dollar amount.

"LG Redemption Amount" means, in relation to a LG Security, the "Principal Amount" as specified in the applicable Final Terms.

"LG Securities" means, in relation to a Subscriber, the securities issued by the Subscriber under the Multi-~~Issuer~~issuer Deed, but excluding any Commercial Paper.

"Local Authority" means a ~~Local Authority~~local authority as defined in the Local Government Act 2002.

"Maturity Date" means, in relation to any Borrower Notes issued to a Subscriber, the date specified as such in the Register. Subject to clause 8.6, the Maturity Date of a Borrower Note shall be the same as the "Maturity Date" of the related LG Securities issued by the Subscriber under the Multi-~~Issuer~~issuer Deed.

"Multi-~~Issuer~~issuer Deed" means the deed dated on or about the date of this agreement between New Zealand Local Government Funding Agency Limited and various Local Authorities entitled "Multi-~~Issuer~~issuer Deed".

"Principal Amount" means, for each Borrower Note, \$1.00.

"Redeemable Share" has the meaning given to it in the Constitution.

"Redemption Amount" means, in relation to a Borrower Note, an amount equal to:

- (a) the Principal Amount or, in the case of a Borrower Note that is issued in relation to a LG Security that is an Amortising Security, the amount of the Principal Amount that remains outstanding as at the Maturity Date, Early Redemption Date, Sale Redemption Date or Conversion Date (as applicable); and

- (b) the aggregate of interest accrued and unpaid on the Borrower Note from (and including) the Issue Date to (but excluding) the Maturity Date, Early Redemption Date, Sale Redemption Date or -Conversion Date (as applicable).

"**Registrar**" means the Issuer or such other person appointed by the Issuer to maintain the Register on the Issuer's behalf.

"**Register**" means the register of Borrower Notes established and maintained by the Issuer in accordance with this agreement.

"**Repo Arrangement**" has the meaning given to it in clause 7.1(b).

"**RWT-Exempt Status**" has the meaning given to it in the Taxation (Annual Rates for 2017–18, Employment and Investment Income, and Remedial Matters) Act 2018.

"**Sale Redemption Date**" has the meaning given to it in clause 7.1(b).

"**Securities Act**" means the Securities Act 1978.

"**Senior Creditors**" means all creditors (present and future) of the Issuer:

- (a) whose claims are or would be admitted in the Winding-Up of the Issuer; and
- (b) who are not the holders of indebtedness, the right to payment of which by its terms is, or is expressed to be, subordinated in the event of the Winding-Up of the Issuer to the claims of all unsubordinated creditors of the Issuer.

"**Shareholders' Agreement**" has the meaning given to it in the Constitution.

"**Subscriber**" means a Local Authority set out in schedule 1 or any other Local Authority or CCO which is or becomes a Subscriber in accordance with clause 2.3- or 2A.3 (as applicable).

"**Subscription Price**" means, in relation to a Subscriber, an amount equal to the Redemption Amount of the Borrower Notes held by that Subscriber that are required to be Converted as determined under clauses 8.1 and 8.2.

"**Top-up Notice**" has the meaning given to it in clause 4.3(a).

"**Winding Up**" means any procedure, brought or instigated by any person, for the dissolution of the Issuer otherwise than for the purposes of, and followed by, an amalgamation or solvent reconstruction on terms previously approved by the Subscribers, and "**Wound Up**" shall have a corresponding meaning.

1.2 **Multi-Issuer**issuer **Deed**: Words and expressions defined in the Multi-~~Issuer~~issuer Deed and used in this agreement shall have the same meanings in this agreement, unless the context requires otherwise.

1.3 **References**: Except to the extent that the context otherwise requires, any reference in this agreement to:

an "**authorisation**" includes:

- (a) any consent, authorisation, registration, filing, agreement, notarisation, certificate, permission, licence, approval, authority or exemption from, by or with a governmental agency; or
- (b) in relation to anything which will be proscribed or restricted in whole or part by law if a governmental agency intervenes or acts in any way within a specified period after lodgement, filing, registration or notification, the expiry of such period without such intervention or action.

a "**clause**" or "**schedule**" is a reference to a clause of, or schedule to, this agreement.

"**dollars**" and "\$" means the lawful currency of New Zealand.

the "**dissolution**" of any person includes the bankruptcy, winding up or liquidation of that person, and any equivalent or analogous procedure under the law of any jurisdiction in which that person is incorporated, domiciled or resident or carries on business or has assets.

"**indebtedness**" means any obligation (whether present or future, actual or contingent, secured or unsecured, as principal or surety or otherwise) for the payment or repayment of money.

1.4 **Miscellaneous:**

- (a) The introduction to and headings in this agreement are inserted for convenience only and shall be ignored in construing this agreement.
- (b) Unless the context otherwise requires words denoting only the singular number shall include the plural and vice versa and words denoting any gender shall include all genders.
- (c) References to any legislation or to any provision of any legislation are deemed to be references to that legislation or provision as from time to time amended, re-enacted or substituted and, unless the context otherwise requires, shall also include any statutory instruments issued under any such legislation or provision.
- (d) References to any document (however described) shall include references to such document as modified, novated, supplemented, varied or replaced from time to time.
- (e) References to any party to this agreement or any other document shall include its successors or permitted assigns.
- (f) References to a time of day are references to New Zealand time unless otherwise stated.
- (g) Anything which may be done at any time may also be done from time to time.

2. **ACCESSION OF LOCAL AUTHORITY AS A SUBSCRIBER**

2.1 **Local Authority to sign Accession Deed:** A Local Authority may become a Subscriber under this agreement by:

- (a) completing and signing an Accession Deed and delivering it to the Issuer;

- (b) delivering to the Issuer a legal opinion from counsel acceptable to the Issuer in a form satisfactory to the Issuer;
- (c) providing the Issuer with evidence (in a form satisfactory to the Issuer) that all necessary regulatory and statutory authorisations, consents, approvals and licences in relation to its entry into this agreement and the Accession Deed have been obtained and are current and satisfactory; and
- (d) providing the Issuer with such evidence or documentation as the Issuer may require so as to be satisfied that the Subscriber is permitted to be a party to this agreement and subscribe for Borrower Notes in accordance with clause 15.4(a).

2.2 **Subscriber to countersign Accession Deed:** On receipt of the documents described in clause 2.1 in form and substance satisfactory to the Issuer, the Issuer shall:

- (a) countersign the counterpart of the Accession Deed;
- (b) enter the Accession Deed in a register kept by it (which shall be conclusive); and
- (c) retain one counterpart and deliver the other to the relevant Local Authority.

2.3 **Accession effective:** On an Accession Deed being countersigned by the Issuer in accordance with clause 2.2, the Local Authority shall be bound by this deed as if it were a party hereto and named herein as a Subscriber.

2A. ACCESSION OF CCO AS A SUBSCRIBER

2A.1 CCO to sign Accession Deed: A CCO may become a Subscriber under this agreement by:

- (a) completing and signing and procuring each LA shareholder to sign an Accession Deed and delivering it to the Issuer;
- (b) delivering to the Issuer a legal opinion from counsel acceptable to the Issuer in a form satisfactory to the Issuer;
- (c) providing the Issuer with evidence (in a form satisfactory to the Issuer) that all necessary regulatory and statutory authorisations, consents, approvals and licences in relation to its and each LA Shareholder's entry into this agreement and the Accession Deed have been obtained and are current and satisfactory; and
- (d) providing the Issuer with such evidence or documentation as the Issuer may require so as to be satisfied that the Subscriber is permitted to be a party to this agreement and subscribe for Borrower Notes in accordance with clause 15.4(a).

2A.2 Subscriber to countersign Accession Deed: On receipt of the documents described in clause 2A.1 in form and substance satisfactory to the Issuer, the Issuer shall:

- (a) countersign the counterpart of the Accession Deed;
- (b) enter the Accession Deed in a register kept by it (which shall be conclusive); and

(c) retain one counterpart and deliver the other to the relevant CCO.

2A.3 Accession effective: On an Accession Deed being countersigned by the Issuer in accordance with clause 2A.2, the CCO shall be bound by this deed as if it were a party hereto and named herein as a Subscriber.

3. OBLIGATIONS SEVERAL

3.1 The obligations of each Subscriber under this agreement are several. No Subscriber shall be responsible for the obligations of any other Subscriber under this agreement. The failure of a Subscriber to perform its obligations under this agreement shall not release any other Subscriber from its obligations under this agreement.

4. ISSUE AND SUBSCRIPTION

4.1 **Issue and subscription relating to issue of LG Securities:** Subject to clause ~~15.4~~, 15.4, on each date on which a Subscriber issues LG Securities to the Issuer under the Multi-~~Issuer~~ issuer Deed:

- (a) the Issuer shall issue to the Subscriber Borrower Notes in an aggregate Principal Amount (rounded to the nearest dollar, with \$0.50 being rounded up) equal to ~~1.6 percent~~ the BN Percentage on that date of the ~~aggregate~~ LG Issue Price of the related LG Securities; and
- (b) the Subscriber shall subscribe for those Borrower Notes and pay to the Issuer the Issue Price for those Borrower Notes.

4.2 **Set-off:** On each Issue Date, unless the Issuer and the relevant Subscriber agree otherwise, the Subscriber's obligation to pay the Issue Price to the Issuer automatically shall be set-off against the Issuer's obligation to pay the LG Issue Price to the Subscriber for the related Tranche of LG Securities.

4.3 **Issue and subscription following Conversion:**

(a) If, following the Conversion of Borrower Notes in accordance with clause 8.1, in respect of each BN Percentage Period and a Subscriber:

(i) the aggregate Principal Amount of Borrower Notes (in respect of related LG Securities issued by the Subscriber during that BN Percentage Period) held by ~~the~~ the Subscriber;

is less than ~~1.6% of the aggregate~~;

(ii) the BN Percentage for that BN Percentage Period of the LG Issue Price of the related LG Securities (issued by the Subscriber during that BN Percentage Period) and then held by the Issuer (less, where the related LG Securities are Amortising Securities, the aggregate Amortised Redemption Amount of such Amortising Securities on the date of the Top-up Notice),

(such a BN Percentage Period a "Relevant BN Percentage Period") the Issuer may, by giving written notice to the Subscriber ("**Top-up Notice**") require the

Subscriber on the date specified in the Top-up Notice (which must be a date not less than 3 months after the date of the Top-up Notice) to subscribe for such number of additional Borrower Notes as are required to be issued to the Subscriber so that:

(iii) the aggregate Principal Amount of Borrower Notes (in respect of related LG Securities issued by the Subscriber during that BN Percentage Period) held by the Subscriber;

will be equal to ~~1.6% of the aggregate;~~

~~(a)(iv)~~ the BN Percentage for that BN Percentage Period of the LG Issue Price of those related LG Securities (issued by the Subscriber during that BN Percentage Period) and then held by the Issuer (less, where the related LG Securities are Amortising Securities, the aggregate Amortised Redemption Amount of such Amortising Securities on the date of the Top-up Notice).

- (b) If a Subscriber receives a Top-up Notice in accordance with clause 4.3(a), on the date specified in the Top-up Notice as the date on which the additional Borrower Notes are to be issued:
- (i) the Issuer shall, subject to the board of directors of the Issuer complying with section 49 of the Companies Act, issue to the Subscriber the amount of Borrower Notes as is specified in the Top-up Notice; and
 - (ii) the Subscriber shall subscribe for those Borrower Notes and pay to the Issuer the Issue Price for those Borrower Notes.
- (c) The Issuer shall not give a Top-up Notice to a Subscriber in accordance with clause 4.3(a) unless it gives a Top-up Notice in respect of all Relevant BN Percentage Periods of that Subscriber and at the same time to all other Subscribers who meet the criteria set out in clause ~~4.3(a)~~, (a) in respect of all Relevant BN Percentage Periods of those other Subscribers, with the intent that the requirement to subscribe for additional Borrower Notes is made to all applicable Subscribers, provided that the Issuer is not obliged to deliver a Top-up Notice to a Subscriber that does not meet the criteria set out in clause ~~15.4(a)~~ 15.4(a) as at the date of the Top-Up Notice.
- (d) For the purposes of this clause 4.3, LG Securities which have been sold by the Issuer pursuant to a Repo Arrangement shall be treated as being held by the Issuer.
- (e) Where the Issuer proposes to give Top-up Notice(s) under clause ~~4.3(a)~~ (a) it may require a Subscriber to provide evidence or documentation in accordance with clause ~~15.4(b)~~ 15.4(b).

4.4 **Creation and issue:** Borrower Notes are issued and created by the Registrar entering into the Register the particulars of the Borrower Notes.

4.5 **Warranty:** Each Subscriber warrants:

- (a) as at the date it becomes a Subscriber, that it is permitted to be a party to this agreement in accordance with clause ~~15.4(a)~~; 15.4(a); and
- (b) as at the date it subscribes for any Borrower Notes, it met the criteria set out in clause ~~15.4(a)~~ 15.4(a) as at the date the offer of the Borrower Notes was made to it by the Issuer and continues to meet the criteria as at the date it subscribes for the Borrower Notes.

5. LIMITED RIGHTS FOR SUBSCRIBERS

- 5.1 **No voting rights:** The Borrower Notes do not confer on a Subscriber any right to attend and/or vote at any meeting of the Issuer.
- 5.2 **Corporate events:** The Borrower Notes do not confer on any Subscriber the right to participate in any rights issue or bonus issues of the Issuer.
- 5.3 **Transfer:** The Borrower Notes are not transferrable by a Subscriber, except with the prior written approval of the Issuer ~~or in accordance with clause 8.5(ia)~~.

6. INTEREST

- 6.1 Interest shall accrue on the Principal Amount of each Borrower Note at the applicable Interest Rate. Interest shall accrue daily, shall not compound and, subject to clause 8.3, shall be paid to the relevant Subscriber on the Maturity Date.

7. REDEMPTION

- 7.1 **Redemption:** The Issuer shall redeem each Borrower Note (in full) on the earliest of:
 - (a) its Maturity Date;
 - (b) the date the Issuer ceases to be the holder of the related LG Security (other than pursuant to a repurchase arrangement with the Reserve Bank of New Zealand ("**Repo Arrangement**") ("**Sale Redemption Date**")); and
 - (c) the date the Subscriber redeems the related LG Security (in full), other than on the "Maturity Date" of that LG Security, in accordance with the terms and conditions applicable to that LG Security ("**Early Redemption Date**").

Such redemption is to be made in accordance with this clause 7, provided however that, clause ~~7.4(e)~~ 7.1(c) shall not apply to any Borrower Note to which clause ~~8.6~~ 8.6 applies.

- 7.2 **Redemption by set-off:** Where a Borrower Note is being redeemed on its Maturity Date or Early Redemption Date, unless:

- (a) the Issuer and the relevant Subscriber agree otherwise; or
- (b) ~~clause 8.6~~ applies to the Borrower Note,

(in which case clause 7.4 shall apply), and subject to clause 12.1, the Issuer's obligation to pay the Redemption Amount to the Subscriber automatically shall be set-off against the

Subscriber's obligation to pay the LG Redemption Amount (or portion thereof) for the related LG Securities and accrued and unpaid interest thereon (if any).

7.3 **Payment in instalments:** If a Borrower Note is issued in relation to a LG Security that is an Amortising Security:

- (a) the Principal Amount of the Borrower Note shall be repayable in instalments on each of the same dates (each an "**instalment date**") that a portion of the LG Redemption Amount of the related LG Security is repayable;
- (b) the amount of the Principal Amount of the Borrower Note that is repayable on each instalment date shall be an amount that bears the same proportion to the Principal Amount as the amount of the LG Redemption Amount repayable on the instalment date bears to the LG Redemption Amount of the related LG Security; and
- (c) unless the Issuer and the relevant Subscriber agree otherwise or the Issuer has ceased to be the holder of the corresponding LG Security and subject to clause 12.1, the Issuer's obligation to repay a portion of the Principal Amount of the Borrower Note on an instalment date automatically shall be set-off against the Subscriber's obligation to repay the portion of the LG Redemption Amount of the related LG Security on the instalment date.

7.4 **Redemption other than by set-off:** Where a Borrower Note is being redeemed on its Sale Redemption Date or, if in accordance with clause 7.2, this clause 7.4 applies to the redemption of a Borrower Note, on the applicable redemption date the Issuer shall, subject to clause 12.1, redeem the Borrower Note by paying the Redemption Amount to the Subscriber.

8. CONVERSION

8.1 **Right to Convert:** If, following the Issuer having made calls for all unpaid capital of the Issuer to be paid in full, the board of directors of the Issuer has determined that there is a risk of imminent default by the Issuer under the terms of any of its Borrowed Money Indebtedness the Issuer may, by giving written notice to each Subscriber ("**Conversion Notice**") elect to Convert such number of the Borrower Notes as the Issuer determines.

8.2 **Pro rata Conversion:** If a Conversion Notice is given in accordance with clause 8.1, the Conversion shall be made proportionally across all Borrower Notes so that the proportionate holdings of Borrower Notes by each Subscriber remains unchanged [\(subject, in the case of a CCO Subscriber, to the transfers of Borrower Notes required to its LA Shareholders under clause 8.5\)](#) following the Conversion (unless all Borrower Notes are Converted).

8.3 **Conversion:** If a Conversion Notice is given in accordance with clause 8.1, on the Conversion Date, the number of Redeemable Shares to be issued to each Subscriber [that is a Local Authority \(including, in respect of a CCO Subscriber, each LA Shareholder, as contemplated by clause 8.5\(ia\)\)](#) on Conversion of the relevant Borrower Notes shall be determined by the Issuer in accordance with the following formula:

$$N = RA \div IP$$

Where:

- N = the number of Redeemable Shares to be issued to the Subscriber (rounded to the nearest whole unit, with 0.5 being rounded up);
- RA = the aggregate Redemption Amount of the Borrower Notes held by the Subscriber that are to be Converted on the Conversion Date; and
- IP = \$1.00, being the issue price per Redeemable Share.

8.4 **Selection by Issuer:** The Issuer shall select the Borrower Notes held by each Subscriber that are to be Converted on a Conversion Date in accordance with clause 8.2 and, if it is not also the Registrar, shall notify the Registrar of the selection.

8.5 **Settlement:** On the relevant Conversion Date without the need for any further act or step by the Issuer, any Subscriber or any other person:

(ia) first, each Borrower Note held by a CCO Subscriber (that is to be Converted on the Conversion Date) shall be automatically and immediately transferred to each LA Shareholder in the number determined by the following formula:

$$N = TBN \times (SH / TSH)$$

Where:

N = the number of Borrower Notes to be transferred to the LA Shareholder (rounded up or down to the nearest whole unit at the Issuer's discretion);

TBN = the total number of Borrower Notes held by the CCO Subscriber that are to be Converted on the Conversion Date;

SH = the number of equity securities in the CCO Subscriber held by the LA Shareholder; and

TSH = the aggregate number of equity securities in the CCO Subscriber held by the LA Shareholders.

The consideration for such transfer shall be as agreed between the CCO Subscriber and relevant LA Shareholder;

(a) second:

(i) each Borrower Note to be Converted will immediately be required to be redeemed for its Redemption Amount;

(ii) each Subscriber holding such Borrower Note that is to be Converted agrees to subscribe for the number of Redeemable Shares to be issued to it (calculated in accordance with clause 8.3);

(iii) each Subscriber agrees to pay the Subscription Price to the Issuer on the Conversion Date in consideration for the Issuer issuing Redeemable Shares to it on the Conversion Date;

(iv) the Issuer will immediately and irrevocably apply, on the Subscriber's behalf, the Redemption Amount of the Borrower Notes required to be Converted in satisfaction of the Subscription Price for the Redeemable Shares to be issued to that Subscriber (calculated in accordance with clause 8.3); and

~~(v)~~(v) the Issuer shall (in respect of each Subscriber) issue to that Subscriber the number of Redeemable Shares to be issued to it (calculated in accordance with clause 8.3), enter the name of that Subscriber in the share register of the Issuer as the holder of such Redeemable Shares, and issue to that Subscriber a share certificate for such Redeemable Shares; and

- (b) if requested by the Issuer, each Subscriber shall (if that Subscriber is not an existing shareholder of the Issuer) deliver a signed deed of accession to the Shareholders' Agreement. The Subscriber shall (upon entry of its name in the share register in accordance with clause ~~8.5(a)~~(a)) be deemed to have agreed to be bound by the terms of the Shareholders' Agreement in the event it does not sign such a deed of accession.

8.6 **Exception:** If the board of directors of the Issuer determines:

- (a) having taken legal advice, that the Issuer cannot, with sufficient certainty, determine that it is able to (in compliance with all laws) Convert Borrower Notes; or
- (b) that the Issuer cannot, with sufficient certainty, determine that it is able to (in compliance with all laws) Convert Borrower Notes on or before a date it considers appropriate having regard to the risk of default referred to in clause 8.1,

then the Issuer may, in lieu of Converting Borrower Notes under clause 8.1, by giving written notice to each Subscriber ("**Extension Notice**"), elect to extend the Maturity Date (for such period as the Issuer determines) of such number of Borrower Notes as the Issuer determines. If an Extension Notice is given under this clause 8.6, the extension shall be made in respect of the Borrower Notes that would otherwise have been Converted in accordance with clause 8.2.

8.7 **Effect of Conversion:** Notwithstanding anything to the contrary in any Transaction Document:

(a) if a Borrower Note is transferred to a LA Shareholder in accordance with clause 8.5(ia), then with effect from the Conversion Date:

(i) the LA Shareholder will be the holder of the Borrower Note; and

(ii) the Borrower Note will immediately be required to be Converted in accordance with clause 8.5(a); and

(b) if a Borrower Note is required to be Converted in accordance with clause 8.5(a):

(i) all of the Issuer's obligations to pay, and the relevant Subscriber's rights to receive, interest on the Borrower Note (including any accrued but unpaid interest) are immediately and irrevocably terminated, and interest will cease to accrue on the Borrower Note; and

(ii) clause 7 will cease to apply to the Borrower Note.

9. PAYMENTS

9.1 **Payments:** Unless otherwise agreed in writing between the parties and subject to clauses 4.2, 7.2-~~and~~ 7.3(c), 8.5(a) and 9.4, all amounts payable under this agreement shall be paid in dollars in immediately available funds to the respective bank account each party may nominate from time to time.

9.2 **Payments to be free and clear:** All amounts payable under this agreement shall be paid:

- (a) on an irrevocable basis free and clear of any restriction or condition;
- (b) free and clear of and (except to the extent required by law) without any deduction or withholding on account of any tax. If any such deduction or withholding is required, the Issuer shall not be required to pay any additional amounts in respect of the amounts deducted or withheld; and
- (c) unless otherwise agreed in writing and subject to clauses 4.2, 7.2-~~and~~ 7.3(c), 8.5(a) and 9.4, without any deduction or withholding on account of any other amount, whether by way of set-off, counterclaim or otherwise.

9.3 **Resident Withholding Tax:** New Zealand resident withholding tax will be deducted from payments of interest (or payments deemed by law to be interest) to Subscribers who are tax resident unless an appropriate exemption certificate is produced to the Issuer (or, on or after 1 April 2020, the Issuer is satisfied that the relevant Subscriber has RWT-Exempt Status) on or before the date 10 days before the date of the relevant payment.

9.4 **No gross-up:** The Issuer will not be required to and will not make any additional payment by way of gross-up or otherwise with respect to the deduction or withholding from any payment made in respect of the Borrower Notes under clause 9.3. If, in respect of any Borrower Note, the Issuer becomes liable to make any payment of, or on account of, tax payable by any Subscriber, then the Issuer shall be indemnified by the relevant Subscriber in respect of such liability. Any moneys paid by the Issuer in respect of such liability may be recovered from the Subscriber as a debt due to the Issuer and may be withheld from any further payments to that Subscriber. Nothing in this clause will prejudice or affect any other right or remedy of the Issuer.

9.5 **Maximum rate:** Deductions of resident withholding tax will be made at the maximum rates from time to time applicable unless a Subscriber provides evidence to the Issuer (acceptable to it) that a lesser rate is applicable.

9.6 **Tax status:** The Issuer shall be entitled for the purposes of this clause 9 to rely, without further enquiry, upon any statement made by or on behalf of a Subscriber in relation to that Subscriber's tax status or tax residency.

9.7 **Refund of payments:** If any payment received or recovered by a Subscriber or any other person on behalf of the Subscriber is or may be avoided, whether by law or otherwise, then:

- (a) such payment shall be deemed not to have affected or discharged the liability of the Issuer under this agreement and the Subscriber shall, to the maximum extent permitted by law, be restored to the position in which it would have been if such payment had not been received or recovered; and
- (b) the Subscriber shall be entitled to exercise all rights which the Subscriber would have been entitled to exercise if such payment had not been received or recovered.

9.8 **Business Days:** Any payment which is due to be made on a day that is not a Business Day shall be made on the next Business Day in the same calendar month (if there is one) or the preceding Business Day (if there is not).

10. REGISTER

10.1 **Register:** The Issuer agrees to establish and maintain the Register in which the Issuer will record such details as it considers fit, including:

- (a) the name and address of each Subscriber;
- (b) the Issue Date and Maturity Date (and any extension made under clause 8.6) of the Borrower Notes;
- (c) the related LG Securities; and
- (d) each redemption or Conversion of the Borrower Notes.

10.2 **Register conclusive:** Each Subscriber and the Issuer is:

- (a) entitled to rely upon the entries in the Register as constituting the sole and conclusive record of each Borrower Note and as to the person entitled to the Borrower Notes; and
- (b) to have the power, in its absolute discretion, to correct (or, in the case of the Subscriber and in respect of its Borrower Notes only, require correction of) the Register if the Register is incorrect.

10.3 **Inspection:** The Issuer shall make that part of the Register that relates to a Subscriber available for inspection by a Subscriber at the Issuer's principal place of business during normal office hours upon receiving reasonable notice from the Subscriber.

10.4 **Appointment of Registrar:** The Issuer shall be entitled to appoint an appropriately qualified person to maintain the Register in accordance with clause 10.1 on its behalf.

11. RANKING OF NOTES

11.1 The Borrower Notes are unsecured debt securities issued by the Issuer, subordinated in accordance with clause 12, and an unsecured liability of the Issuer. The Borrower Notes

rank pari passu without any preference among themselves. The Issuer may issue securities ranking equally with or in priority to the Borrower Notes.

12. SUBORDINATION

12.1 **Subordination:** The rights and claims of Subscribers are, in a Winding Up of the Issuer, subordinated to the claims of the Senior Creditors (with the intent that all claims of Senior Creditors shall be paid in full before any claims of the Subscribers are paid), and prior to the commencement of a Winding Up of the Issuer:

- (a) the obligation of the Issuer to make any payment in respect of the Borrower Notes is conditional upon the Issuer being solvent at the time the relevant payment falls due; and
- (b) no payment shall be made in respect of the Borrower Notes except to the extent that the Issuer may make such payment and still be solvent immediately thereafter.

12.2 **Solvency:**

- (a) For the purposes of clause 12.1, the Issuer shall be considered to be solvent at any time if at that time it is able to meet the solvency test in section 4 of the Companies Act.
- (b) A certificate as to whether the Issuer is solvent signed by two authorised signatories of the Issuer shall be prima facie evidence of the information contained therein.

12.3 **Contingent debt:** On a Winding Up of the Issuer, the Subscribers shall only be entitled to prove for any sum payable in respect of the Borrower Notes as a debt which is subject to and contingent upon prior payment in full of the Senior Creditors. Each Subscriber agrees, and by subscribing for a Borrower Note each Subscriber of the Borrower Note will be deemed to agree, that:

- (a) in accordance with section 313(3) of the Companies Act, it is accepting a lower priority in respect of the debt represented by the Borrower Note than that which it would otherwise have under section 313; and
- (b) nothing in section 313 will prevent this agreement from having effect in accordance with its terms.

12.4 **No set-off:** No Subscriber shall be entitled to set-off against any amounts due in respect of the Borrower Notes held by that Subscriber any amount held by the Subscriber to the credit of the Issuer or otherwise to reduce the amount due to such Subscriber in respect of a Borrower Note by merger of accounts or lien or the exercise of any other rights of like effect, except to the extent permitted by clause 7.2 or 7.3(c). To the extent any set-off (other than a set-off permitted by clause 7.2 or 7.3(c)), merger, lien or other right is required by law to be exercised that exercise shall be subject to clause 12.5.

12.5 **Trust:** Any payment, whether voluntarily or in any other circumstances, received by a Subscriber from or on account of the Issuer (including by way of credit, set-off or otherwise) or from any liquidator, receiver, manager or statutory manager of the Issuer in breach of this clause 12 will be held by the relevant Subscriber in trust for and to the order of the Senior

Creditors. The trust hereby created shall be for a term expiring on the earlier of the date on which all Senior Creditors have been paid in full or eighty years [\(or such longer period as permitted by law\)](#) from the date of this agreement. No Subscriber shall have any obligation under this clause 12 in respect of any payment received by anyone other than itself.

- 12.6 ~~Contracts Privity~~[Contract and Commercial Law Act](#): For the purposes of the ~~Contracts (Privity)~~[Contract and Commercial Law Act 1982](#)~~2017~~ the provisions of this clause 12 are intended to confer a benefit upon the Senior Creditors and to be enforceable by the Senior Creditors directly, but no consent of the Senior Creditors shall be required to any modification or amendment to this clause 12 in accordance with clause 14.

13. NOTICES

- 13.1 **Writing:** Each notice or other communication to be given or made under this agreement to any person must:

- (a) **Writing:** be given or made in writing by email or letter and be signed by the sender or an authorised officer of the sender;
- (b) **Address:** be given or made to the recipient at the address or email address, and marked for the attention of the person (if any), from time to time designated by the recipient to the other for the purposes of this agreement;
- (c) **Deemed delivery:** not be effective until received by the recipient, and any such notice or communication shall be deemed to be received:
 - (i) (if given or made by letter) when left at the address of the recipient or 5 Business Days after being put in the post, postage prepaid, and addressed to the recipient at that address; or
 - (ii) (if given or made by email) when dispatched in tangible, readable form by the sender to the email address advised by the recipient from time to time,

provided that any notice or communication received or deemed received after 5pm on a working day in the place to which it is sent, or on a day which is not a working day in that place, shall be deemed not to have been received until the next working day in that place.

- 13.2 **Initial address and numbers:** The initial address, email address and person (if any) designated for the purposes of this agreement, are set out below:

- (a) **The Subscribers:** those details set out under the heading "Details for notices" for the relevant Subscriber in schedule 1 or otherwise provided in the relevant Accession Deed.
- (b) **The Issuer:**

City Chambers
Level 8, 142 Featherston Street
PO Box 5704, Wellington, 6145

Email: lgfa@lgfa.co.nz
Attention: Chief Executive

14. AMENDMENTS

14.1 This agreement shall not be amended except with the written agreement of the Issuer and all of the Subscribers, provided that the Issuer may, by notice to all parties to this agreement, vary clause ~~15.4~~[15.4](#) to permit persons to become parties to this agreement and Subscribers to subscribe for Borrower Notes (as applicable) if they satisfy the terms of any exemption obtained by the Issuer from the requirements of the FMC Act with respect to this agreement, but any such variation shall not affect the status of any existing Subscriber as a Subscriber under this agreement.

15. MISCELLANEOUS

15.1 **Waivers and remedies:** Time shall be of the essence of this agreement but no delay in acting, or failure to act, by the Issuer is a waiver of any of the Issuer's rights. The rights provided in this agreement do not exclude any rights provided by law.

15.2 **Partial invalidity:** An invalid provision in this agreement shall not affect the enforceability of the remaining provisions of this agreement.

15.3 **Sections 40 and 49 of the Companies Act:** This agreement is subject to the board of directors of the Issuer complying with section 49 of Companies Act.

15.4 **Securities Act and FMC Act:**

- (a) The only persons which are permitted to become parties to this agreement and/or subscribe for Borrower Notes are:
- (i) prior to 1 June 2015:
 - (aa) "eligible persons" for the purposes of sections 5(2CB) and 5(2CBA) of the Securities Act, as defined in section 5(2CC) of the Securities Act; and
 - (bb) persons who fall within 1 or more of the categories set out in subparagraphs (i) to (iii) of section 3(2)(a) of the Securities Act, and
 - (ii) on and from 1 June 2015, "wholesale investors" as that term is defined in clauses 3(2)(a), (c) and (d) and (in the case of a CCO Subscriber only) clause 3(3)(a) of Schedule 1 to the FMC Act, being a person who is:
 - (aa) an "investment business";
 - (bb) "large"; ~~or~~
 - (cc) a "government agency"; ~~or~~ or
 - (dd) an "eligible investor" (in the case of a CCO Subscriber only).

in each case as defined in Schedule 1 to the FMC Act. ~~For the avoidance of doubt, "eligible investors" (as defined in (each a "wholesale investor"), or an entity controlled by a wholesale investor where "control" has the FMC Act), among others, may not become parties to this agreement and/or subscribe for Borrower Notes, meaning given in clause 48 of Schedule 1.~~

- (b) Prior to the Issuer offering to issue Borrower Notes to a Subscriber and/or a Subscriber subscribing for any Borrower Notes in each case in accordance with clauses ~~4.1 or 4.3~~, 4.1 or 4.3, the Subscriber must promptly (if requested by the Issuer) provide the Issuer with evidence or documentation (in a form satisfactory to the Issuer) which satisfies the Issuer that the Subscriber meets the criteria set out in sub-clauses ~~15.4(a)(i) or (ii)~~ (a)(i) or (a)(ii) as at the date of the offer by the Issuer and subscription by the Subscriber.

15.5 **Counterparts:** This agreement may be signed in any number of counterparts, all of which together constitute one and the same instrument, and any of the parties may execute this agreement by signing any such counterpart.

16. GOVERNING LAW

16.1 This agreement shall be governed by New Zealand law.

17. NO CROWN GUARANTEE

17.1 The parties acknowledge that the obligations and liabilities of the Issuer under this agreement are not guaranteed by the Crown.

SIGNATURES
[ORIGINAL EXECUTION BLOCKS INTENTIONALLY DELETED]

SCHEDULE 1 - PRINCIPAL SHAREHOLDERS

Local Authority name:

Details for notices:

| | |
|---------------------------------------|--|
| <p>Auckland Council</p> | <p>Delivery Address: 1 Greys Avenue 135 Albert Street Auckland Central 1010</p> <p>Postal Address: Private Bag 92300 Victoria Street West Auckland 1142</p> <p>Fax: (09) 368 5964</p> <p>Email: john.bishop@aucklandcouncil.govt.nz</p> <p>Attention: Mark Butcher John Bishop, Group Treasurer</p> |
| <p>Bay Of Plenty Regional Council</p> | <p>Delivery Address: 5 Quay Street Whakatāne</p> <p>Postal Address: P O Box 364 Whakatāne 3158</p> <p>0800 884 882</p> <p>Email: mat.taylor@boprc.govt.nz</p> <p>Attention: Brian Trott Mat Taylor</p> |
| <p>Christchurch City Council</p> | <p>Delivery Address: Civic Offices 53 Hereford Street Christchurch</p> <p>Postal Address: P O Box 73016 Christchurch 8154</p> <p>Fax: 03 941 8811</p> <p>Email: Treasury@ccc.govt.nz</p> <p>Attention: Paul Anderson Andrew Jefferies</p> |
| <p>Hamilton City Council</p> | <p>Delivery Address: 260 Anglesea Street Council Building Garden Place Hamilton 3240</p> |

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| | <p>Postal Address: Private Bag 3010 Hamilton 3240</p> <p>Fax: 07-838-6616</p> <p>Email: david.bryant@hcc.govt.nz</p> <p>Attention: Matthew Walker David Bryant</p> |
| Hastings District Council | <p>Delivery Address: 207 Lyndon Road East Hastings 4122</p> <p>Postal Address: Private Bag 9002 Hastings 4156</p> <p>Fax: 06-871-5101</p> <p>Email: brucea@hdc.govt.nz</p> <p>Attention: Tony Gray Bruce Allan</p> |
| Masterton District Council | <p>Delivery Address: 64 Chapel Street 27 Lincoln Road Masterton 5840 5810</p> <p>Postal Address: PO Box 444 Masterton 5840</p> <p>Fax: 06-378-8400</p> <p>Email: davidp@mstn.govt.nz</p> <p>Attention: David Paris Manager Finance</p> |
| New Plymouth District Council | <p>Delivery Address: Liardet St New Plymouth</p> <p>Postal Address: Private Bag 2025 New Plymouth 4342</p> <p>Fax: 06-759-6072</p> <p>Email: alison.trustrumrainey@npdc.govt.nz / carla.freeman@npdc.govt.nz</p> <p>Attention: Philip Armstrong Alison TrustrumRainey / Carla Freeman</p> |

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|---|---|
| <p>OtorohangaOtorohanga District Council</p> | <p>Delivery Address: 17 Maniapoto Street OtorohangaOtorohanga 3940</p> <p>Postal Address PO Box 11 OtorohangaOtorohanga 3940 Fax: 07-873-4300 Email: grahamb@otodc.govt.nz</p> <p>Attention: Graham Bunn</p> |
| <p>Selwyn District Council</p> | <p>Delivery Address: 2 Norman Kirk Drive Rolleston</p> <p>Postal Address: P O Box 90 Rolleston 7643 Fax: 03-347-2799</p> <p>Email: Treasury.management@selwyn.govt.nz</p> <p>Attention: Douglas MarshallGreg Bell</p> |
| <p>South Taranaki District Council</p> | <p>Delivery Address: 105-111 Albion Street Hawera 4610</p> <p>Postal Address: Private Bag 902 Hawera 4640</p> <p>Fax: 06-278-8757 Email: Vipul.mehta@stdc.govt.nz</p> <p>Attention: Vipul Mehta</p> |
| <p>Tasman District Council</p> | <p>Delivery Address: 189 Queen Street, Richmond, Nelson 7050</p> <p>Postal Address Private Bag 4 Richmond, Nelson 7050</p> <p>Fax: 03-543-9524 Email: treasury@tasman.govt.nz</p> <p>Attention: Murray StaitCorporate Services Manager</p> |
| <p>Taupo District Council</p> | <p>Delivery Address: 72 Lake Terrace Taupo 3330</p> |

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| | <p>Postal Address: Private Bag 2005 Taupo 3352</p> <p>Fax: 07 377 2985</p> <p>Email: nward@taupo.govt.nz</p> <p>Attention: Rob Williams Neil Ward</p> |
| Tauranga City Council | <p>Delivery Address: 91 Willow Street Tauranga 3143</p> <p>Postal Address: Private Bag 12022 Tauranga 3143</p> <p>Fax: 07 577 7056</p> <p>Email: treasury.settlements@tauranga.govt.nz</p> <p>Attention: Mohan De Mel</p> |
| Waipa District Council | <p>Delivery Address: 101 Bank Street Te Awamutu</p> <p>Postal Address: Private Bag 2402 Te Awamutu 3800</p> <p>Fax: 07 872 0033</p> <p>Email: Farrah.Templeton@waipadc.govt.nz Sarah.Davies@waipadc.govt.nz Ken.Morris@waipadc.govt.nz</p> <p>Attention: Ken Morris</p> |
| Wellington City Council | <p>Delivery Address: 101 Wakefield Street Wellington City Council 113 The Terrace Wellington</p> <p>Postal Address: PO Box 2199 Wellington 6140</p> <p>Fax: 04 801 3090</p> <p>Email: martin.read@wcc.govt.nz</p> <p>Attention: Danny McComb Martin Read</p> |
| Wellington Regional Council | <p>Delivery Address: 142 Wakefield Street</p> |

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| | <p>Shed 39, 2 Fryatt Quay, Pipitea Wellington 6011</p> <p>Postal Address: P O Box 11646 Manners Street Wellington 6142</p> <p>Fax: 04 385 3973 Email: mike.timmer@gw.govt.nz matthias.zuschlag@gw.govt.nz</p> <p>Attention: Mike Timmer</p> |
| Western Bay Of Plenty District Council | <p>Delivery Address: Barkes Corner Greerton Tauranga</p> <p>Postal Address: Private Bag 12803 Tauranga 3143</p> <p>Fax: 07 577 9280 Email: kumaren.perumal@westernbay.govt.nz</p> <p>Attention: Matthew Potton Kumaren Perumal</p> |
| Whangarei District Council | <p>Delivery Address: Forum North Rust Avenue Whangarei</p> <p>Postal Address: Private Bag 9023 Whangarei 0148</p> <p>Fax: 09 438 7632 Email: alan.adcock@wdc.govt.nz</p> <p>Attention: Alan Adcock</p> |

SCHEDULE 2 - FORM OF ACCESSION DEED

~~ACCESSION DEED~~ dated [●].
~~BETWEEN [—] PARTIES~~

[●]

("Acceding Party"), ~~and~~

New Zealand Local Government Funding Agency Limited

("Issuer")

pursuant to the Notes Subscription Agreement defined below.

INTRODUCTION

- A. The Issuer has agreed that the Acceding Party may accede to the Notes Subscription Agreement as a "Subscriber".
- B. This deed records the accession.

AGREEMENT:**1. INTERPRETATION****1.1 Interpretation:** In this deed:

"Local Authority" means has the meaning given to it in the Local Government Act 2002.

"Notes Subscription Agreement" means the notes subscription agreement dated [●] ~~2014~~ 7 December 2011 (as amended from time to time) between the Issuer and various Local Authorities.

- 1.2 Notes Subscription Agreement:** Terms defined in the Notes Subscription Agreement have the same meaning in this deed unless the context requires otherwise.

2. ACCESSION

- 2.1 Accession:** The Acceding Party hereby agrees with the Issuer that with effect on and from the date this deed is counter-signed by the Issuer, it will be bound by the Notes Subscription Agreement as a Subscriber as if it had been an original party thereto and named therein as a Subscriber, and agrees to be bound by the terms of, and perform its obligations under, the Notes Subscription Agreement.
- 2.2 Acknowledgement:** The Issuer acknowledges and agrees to the accession made under this deed.
- 2.3 Implied provisions:** For the purposes of section 14 of the Property Law Act 2007, the Acceding Party acknowledges that this deed is, and for all purposes and at all times shall be construed as being, supplemental to the Notes Subscription Agreement.

3. NOTICE

The details for notices for the Acceding Party for the purposes of the Notes Subscription Agreement are: *[specify]*

4. GOVERNING LAW

This deed shall be governed by the laws of New Zealand.

5. NO CROWN GUARANTEE

The obligations and liabilities of the [Acceding Party and] Issuer under this deed and the Notes Subscription Agreement are not guaranteed by the Crown. [\[Note: Delete reference to Acceding Party if CCO is acceding as no equivalent to section 122 of the Act for CCO.\]](#)

6. COUNTERPARTS

[This deed may be signed in any number of counterparts, all of which together constitute one and the same instrument, and any of the parties may execute this deed by signing any such counterpart.](#)

EXECUTED AS A DEED

Acceding Party

[Local Authority/CCO] by:

Signature of [Elected Member/Director]

Signature of [Elected Member/Director]

Name of [Elected Member/Director]

Name of [Elected Member/Director]

Issuer

NEW ZEALAND Local Government Funding

AGENCY LIMITED by:

Signature of ~~director~~Director

Signature of ~~director~~Director

Name of ~~director~~Director

Name of ~~director~~Director

By signing the acknowledgement below, each entity identified in the annexure to this deed as a "LA Shareholder":

- (a) _____ acknowledges the terms of this deed and the Notes Subscription Agreement; and
- (b) _____ agrees to the automatic and immediate transfer to it of any Borrower Notes held by the Acceding Party in the manner contemplated by clause 8 of the Notes Subscription Agreement.

ACKNOWLEDGED BY:
[LA SHAREHOLDER] by:

Signature of Elected Member

Signature of Elected Member

Name of Elected Member

Name of Elected Member

ANNEX TO THE ACCESSION DEED

1. LA Shareholder: As at the date of this deed, for the purposes of the Notes Subscription Agreement, the LA Shareholder[s] in respect of the Acceding Party is: [specify].