

Investment Statement

31 January 2008

An offer of up to \$150 million (with oversubscriptions of up to \$50 million) of Perpetual Preference Shares in Quayside Holdings Limited, a wholly owned subsidiary of the Bay of Plenty Regional Council.

QUAYSIDE HOLDINGS LIMITED | INVESTMENT STATEMENT | 31 JANUARY 2008

Important Information

The information in this section is required under the Securities Act 1978.

Investment decisions are very important. They often have long-term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

Choosing an investment

When deciding whether to invest, consider carefully the answers to the following questions that can be found on the pages noted below:

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In addition to the information set out in this document, important information can be found in the current registered prospectus for the investment. You are entitled to a copy of that prospectus on request.

Choosing an investment adviser

You have the right to request from any investment adviser a written disclosure statement stating his or her experience and qualifications to give advice. That document will tell you -

- Whether the adviser gives advice only about particular types of investments; and
- Whether the advice is limited to the investments offered by 1 or more particular financial organisations; and
- Whether the adviser will receive a commission or other benefit from advising you.

You are strongly encouraged to request that statement. An investment adviser commits an offence if he or she does not provide you with a written disclosure statement within 5 working days of your request. You must make the request at the time the advice is given or within 1 month of receiving the advice.

In addition -

- If an investment adviser has any conviction for dishonesty or has been adjudged bankrupt, he or she must tell you this in writing; and
- If an investment adviser receives any money or assets on your behalf, he or she must tell you in writing the methods employed for this purpose.

Tell the adviser what the purpose of your investment is. This is important because different investments are suitable for different purposes.

Additional information about the Offer

This is an investment statement prepared for the purposes of the Securities Act and Securities Regulations (as modified by the Securities Act (Quayside Holdings Limited) Exemption Notice 2008 and the Securities Act (NZX Issuers) Exemption Notice 2007) as at and dated 31 January 2008. A copy of the registered Prospectus in respect of the Offer is available from the Joint Lead Managers or to view on the Companies Office website www.companies.govt.nz. The registered Prospectus is signed by the directors of Quayside Holdings and the Councillors of the Council for the purposes of the Securities Act and accompanied by the documents required by section 41 of the Securities Act (being the material contracts, the auditor's report, the signed consent of the auditor to the report appearing in the Prospectus, an acknowledgement from New Zealand Exchange Limited (NZX) and certain authorities for agents to sign the Prospectus) has been delivered to the Registrar of Companies for registration under section 42 of the Securities Act.

Definitions

Capitalised terms used in this Investment Statement have defined meanings which appear in the Glossary section, within the relevant section of this Investment Statement in which the term is first used, or in the terms and conditions of the Perpetual Preference Shares set out on pages 48 to 63. All references to \$ are to New Zealand dollars unless specified otherwise. All references to time in this Investment Statement are to time in New Zealand.

NZDX Listing

Application has been made to NZX for permission to list Quayside Holdings and quote the Perpetual Preference Shares on the NZDX, and all the requirements of NZX relating thereto that can be complied with on or before the date of this Investment Statement have been duly complied with. However, NZX accepts no responsibility for any statement in this Investment Statement.

Privacy

Quayside Holdings and the Council collect and hold personal information about investors for the purposes of administering the Perpetual Preference Shares and investors' holdings of them. You may request access to any personal information Quayside Holdings or the Council holds about you by contacting the Registrar on 09 488 8777 or enquiry@computershare.co.nz. You may also request correction of any personal information Quayside Holdings or the Council holds about you. Depending on the nature of your request, Quayside Holdings or the Council may impose a charge for providing you with or correcting any personal information. Failure to provide information requested of you in connection with your application for Perpetual Preference Shares could cause your application to be declined.





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Key Information

Important Dates

Margin Determination Date:	11 February 2008
Initial Minimum Rate set:	11 February 2008
Opening Date:	12 February 2008
Closing Date:	7 March 2008
Allotment Date:	12 March 2008
Expected date that holding statements sent:	13 March 2008
Expected Date of Quotation and Trading on NZDX:	13 March 2008
First Dividend Payment Date:	12 June 2008
First Dividend Rate Reset Date:	12 March 2011

THE ISSUER AND OFFEROR

The Bay of Plenty Regional Council, also known as Environment Bay of Plenty (the "Council"), is the indirect owner of approximately 55% of the shares in Port of Tauranga. This shareholding is held via a council-owned company, Quayside Holdings. Backed by the value of the Port of Tauranga shareholding and other assets, the Council is seeking to offer Perpetual Preference Shares in Quayside Holdings to the public. The proceeds from the sale will be available for the Council to invest in infrastructure projects in the Bay of Plenty region.

Quayside Holdings intends that dividend income on the shares in Port of Tauranga be used to service the Dividends on the Perpetual Preference Shares. In the event that Dividends are not paid on the Perpetual Preference Shares, the Council can be required to buy back the Perpetual Preference Shares (as set out in more detail below).

Summary of Relevant Entities

Bay of Plenty Regional Council	Quayside Group	Port of Tauranga Limited
Consolidated equity of \$873m (including \$290m attributable to minority interest) at 30 June 2007	Owns 55% of Port of Tauranga, which had a market capitalisation of \$814m at 24 January 2008*	Major cargo gateway for New Zealand Publicly listed company with 27th largest market capitalisation on NZSX as at 24 January 2008
100% owner of Quayside Holdings	Owns other investments at 30 June 2007, including equities and property, of \$108m	NPAT of \$38m at 30 June 2007 (determined under NZ FRS)
Rating power over Bay of Plenty region including Tauranga and Rotorua – a region which houses a population in excess of 260,000 including over 118,000 ratepayers		Track record of growing dividends from 2.1 cps (adjusted) in 1995 to 22 cps in 2007, a compound average growth rate of 21.6% per annum over this period.

* Market capitalisation has been determined by multiplying the number of shares in Port of Tauranga by the closing price of those shares on 24 January 2008.

Key Features of the Offer*

Offeror:	Bay of Plenty Regional Council
Issuer:	Quayside Holdings Limited
Type of Securities Offered:	Perpetual Preference Shares in Quayside Holdings (which are offered for onsale by the Council and which were previously redeemable preference shares)
Term:	No scheduled repayment date
Offer Price:	\$1.00
Offer Amount:	Up to \$150 million, with the right to accept oversubscriptions of \$50 million
Dividends:	The Perpetual Preference Shares are intended to pay a Dividend, quarterly on each 12 June, 12 September, 12 December and 12 March.
Margin:	The Margin will be set on 11 February 2008, along with the Initial Minimum Rate. These rates will be notified to NZX, and can be obtained from the Joint Lead Managers.
Imputation:	Dividends are expected to be fully imputed and accordingly the cash component of the Dividend is expected to be 67% of the total Dividend (assuming the tax paid creating the imputation credits was at a rate of 33%). If a Dividend is unimputed or partially imputed, the terms of the Perpetual Preference Shares provide for the cash component of the Dividend to be adjusted to compensate for the imputation shortfall.
Dividend Rate:	<p>The Dividend Rate (representing both the cash and imputation credit components) from the Allotment Date (scheduled to be 12 March 2008) to 12 March 2011 will be the greater of:</p> <ul style="list-style-type: none">• the Initial Minimum Rate; and• the Benchmark Rate (being the Three Year Swap Rate) plus the Margin. <p>This Dividend Rate will be reset every 3 years beginning on 12 March 2011 to the Benchmark Rate plus the Margin.</p>
Call Option:	<p>At any time after the date that is 2 years after the Allotment Date (12 March 2010), or earlier if there is a “Change in Relevant Regulation”, the Council may call all, or part (pro rata, and provided that at least 100 million Perpetual Preference Shares remain uncalled), of the Perpetual Preference Shares.</p> <p>The purchase price will be the greater of:</p> <ul style="list-style-type: none">• \$1.00 plus unpaid Dividends on the transfer date; and• the volume weighted average price at which the Perpetual Preference Shares have been trading on the NZDX on the 10 Business Days preceding the call notice, or if the Perpetual Preference Shares have not traded on the NZDX on more than 5 of those 10 Business Days, an independently determined fair market price, <p>(except where the option is exercised following a determination that there is or will be a “Change in Relevant Regulation”, in which case the price will be the first of those alternatives).</p>

* These key features are only a summary of the terms of the Offer and the Perpetual Preference Shares. Please ensure you read this Investment Statement in its entirety to understand the terms in detail.

Put Option:

If Quayside Holdings:

- (a) fails to make a Dividend payment within 5 Business Days of, or elects not to pay a Dividend on, a Dividend Payment Date; or
- (b) ceases to carry on business or operations; or
- (c) is subject to certain insolvency, liquidation, receivership or similar events or circumstances,

the Perpetual Preference Shares will be put to the Council.

If Quayside Holdings:

- (d) ceases to have a majority shareholding in Port of Tauranga; or
- (e) reduces the existing uncalled obligations* of the holder(s) of its partly paid shares (other than as a result of payment following a call),

then Holders may, by a Special Resolution, determine that the Perpetual Preference Shares be put to the Council.

If the Put Option is exercised, the Council must purchase the Perpetual Preference Shares at \$1.00 plus unpaid Dividends up until the transfer date.

Voting:

The Perpetual Preference Shares have class voting rights only.

Other:

The Offer is not underwritten and the Perpetual Preference Shares have not been rated by a credit rating agency.

The Perpetual Preference Shares are not guaranteed by the Crown, the Council or any other person. However, Holders will have the benefit of the Put Option described above.

Interest on Subscriptions:

Successful Applicants will receive interest on application money from the date the application money is deposited into a trust account operated in respect of the Offer to (but not including) the Allotment Date at the Official Cash Rate. That interest will be paid (less any withholding tax required to be deducted) within 5 Business Days after the Allotment Date.

Applications:

Applications must be made on the Application Form in this Investment Statement.

Applications must be received by the Registrar by 5.00pm on 7 March 2008.

* The partly paid redeemable preference shares issued by Quayside Holdings and held by the Council, on which an aggregate of \$81,829,918.17 is payable when called.

Introductory Letter

31 January 2008

Dear Investor

On behalf of the Bay of Plenty Regional Council, I am pleased to present New Zealand investors with an opportunity to acquire up to \$150 million of Perpetual Preference Shares (with an ability for the Council to accept oversubscriptions of \$50 million) issued by the Council's wholly owned subsidiary, Quayside Holdings Limited.

Quayside Holdings is a holding company which, through the other members of the Quayside Group, conducts a range of commercial investment and funding activities. The most significant of these investments is a 55% shareholding in Port of Tauranga. The Council is seeking to leverage this indirect investment by the offer of Perpetual Preference Shares to New Zealand resident investors for the primary purpose of investing in infrastructure projects within the Bay of Plenty region.

The Perpetual Preference Shares are an attractive investment intended to pay a fixed rate of return reset every 3 years, payable quarterly in the form of imputed Dividends, funded primarily through dividends paid by the Port of Tauranga.

Holders of the Perpetual Preference Shares will also have the benefit of a "put option" which will allow them to sell the Perpetual Preference Shares back to the Council if Dividends are not paid or in certain other circumstances.

The Council believes that continued investment in infrastructure is vital to the long term growth and prosperity of the Bay of Plenty region. This offer is viewed as an important part of the Council's long-term capital management and funding plans. In particular, the Council intends to fund projects in the following categories:

- Roading and transport infrastructure
- Passenger transport
- Regional parks
- Flood control/drainage
- Broadband infrastructure
- Sewerage systems
- Bay of Plenty regional transport modes
- Environmental enhancement fund
- Rotorua lakes protection and restoration
- Tauranga harbour protection and restoration

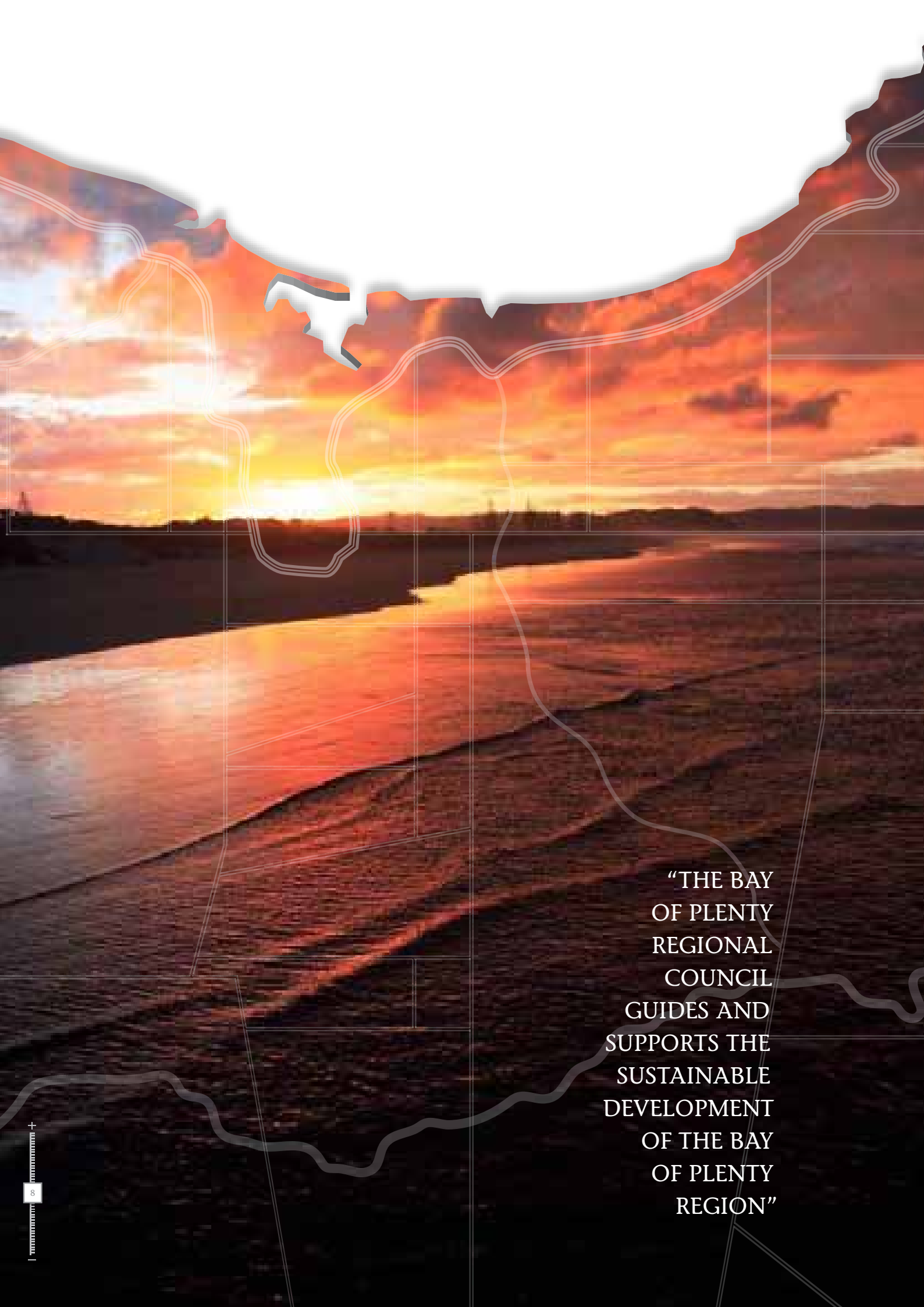
The key features of the Offer are set out on page 5. Further details of this investment opportunity, including further information about the Perpetual Preference Shares, the Council and Quayside Holdings, are set out in this Investment Statement and in the Prospectus.

On behalf of the Council, I am delighted to offer investors an opportunity to participate in this capital raising and contribute to the future growth of the Bay of Plenty region.

Yours faithfully



John Cronin
Chairman of the Council

A full-page background image showing a sunset over a body of water. The sky is filled with vibrant orange, red, and yellow clouds. The sun is low on the horizon, creating a bright glow. The water in the foreground reflects the colors of the sky. A white map outline of the Bay of Plenty region is overlaid on the image, showing the coastline and major roads. The text is positioned in the lower right corner of the image.

“THE BAY
OF PLENTY
REGIONAL
COUNCIL
GUIDES AND
SUPPORTS THE
SUSTAINABLE
DEVELOPMENT
OF THE BAY
OF PLENTY
REGION”

Main Terms of the Offer

The following is a summary of the main terms of the Offer. Investors should also refer to the more detailed information in the other sections of this Investment Statement and in the Prospectus, including the section entitled “Answers to Important Questions”. The full terms of the Perpetual Preference Shares and the Options Deed are set out on pages 48 to 63 and 64 to 74 respectively. In the event of any inconsistency between the full terms of the Perpetual Preference Shares and the Options Deed and any other portion of this Investment Statement, the full terms prevail.

This Offer

The Council is offering for sale up to 150 million Perpetual Preference Shares in Quayside Holdings at a price of \$1.00 each (with the ability to accept oversubscriptions of 50 million Perpetual Preference Shares). This Offer is available to New Zealand resident institutional investors and retail investors only, at a price of \$1.00 per Perpetual Preference Share.

Up to 200 million Perpetual Preference Shares (being 100% of the Perpetual Preference Shares being offered under the Offer, including oversubscriptions) may be reserved for Firm Allocations to clients of the Joint Lead Managers and other Primary Market Participants and invited financial institutions.

Any remaining Perpetual Preference Shares being offered under the Offer will be available to the public and will be allotted on a first come, first served basis.

Type of Security

The securities are perpetual preference shares in Quayside Holdings. Holders have the benefit of the Put Option exercisable by the Administrative Agent (on behalf of Holders) in relevant circumstances.

Offer Price

The offer price of \$1.00 per Perpetual Preference Share must be paid in full on application.

Issuer

The original allotter and issuer of the Perpetual Preference Shares is Quayside Holdings. Quayside Holdings was established by the Council in July 1991 and is the Council's commercial investment/funding arm.

The Quayside Group has held a majority shareholding in Port of Tauranga since 1991, and these shares continue to be the major asset of the Quayside Group and the Council. As explained in more detail on page 30, a subsidiary of ANZ holds security over that shareholding as part of the \$53.48 million financing arrangement which funded the initial acquisition of that shareholding.

Quayside Holdings is wholly owned by the Council and is a council-controlled organisation, as that term is defined in the Local Government Act 2002. Further information regarding Quayside Holdings is set out in the section of this Investment Statement entitled “Structure Overview” on pages 23 to 30.

Offeror

The Offeror of the Perpetual Preference Shares is the Bay of Plenty Regional Council, also known as Environment Bay of Plenty. The Council is a local authority under the Local Government Act 2002.

Use of Proceeds

The Council is the regional council for the Bay of Plenty region. It intends to use the proceeds of this offer of Perpetual Preference Shares to undertake various infrastructure projects within the Bay of Plenty region.

Until such time as the funds are required for a particular project, the Council will invest the proceeds in accordance with the Investment Policy in the Council's Long Term Council Community Plan and/or use those funds to repay loans made to the Council under revolving credit facilities.

Dividend Rate

The terms of the Perpetual Preference Shares provide for quarterly Dividends at a fixed rate which is reset every 3 years from the Allotment Date. Dividends may be paid in cash or a combination of cash and imputation credits. As the Dividends are expected to be fully imputed, the cash component of the Dividends is initially expected to be 67% of the total Dividend (assuming a corporate tax rate of 33%, or that Quayside Holdings has chosen to attach imputation credits based on the 33% tax rate even after the corporate tax rate has changed to 30%, which it may be entitled to do). When the corporate tax rate is 30%, if Quayside Holdings has not chosen to continue to impute on the basis of a 33% tax rate, the cash component of the Dividends is expected to be 70% of the total Dividend. If Dividends are not fully imputed, the terms of the Perpetual Preference Shares provide for Quayside Holdings to increase the cash component of the Dividend to the extent of the imputation shortfall.

The Dividend Rate from the Allotment Date until the first Dividend Rate Reset Date will be the greater of (a) the Initial Minimum Rate and (b) the Benchmark Rate plus the Margin. Thereafter the Dividend Rate will be reset every 3 years based on the Benchmark Rate on each Dividend Rate Reset Date, plus the Margin. The first Dividend Rate Reset Date will be 12 March 2011. The Benchmark Rate is the Three Year Swap Rate on the Allotment Date or the relevant Dividend Rate Reset Date.



Payment of Dividends

The first Dividend is intended to be paid on 12 June 2008, calculated on a daily basis in respect of the period from the Allotment Date to (but not including) 12 June 2008. Dividends are intended to be paid thereafter on 12 September, 12 December, 12 March and 12 June each year (or, if any such day is not a Business Day, the next Business Day).

Minimum Application and Early Application Interest

The minimum application amount in respect of the Perpetual Preference Shares is \$5,000, and applications must be made in multiples of \$1,000 thereafter.

Interest will be paid at the Official Cash Rate on application money received in respect of accepted Applications from (and including) the date the cheque is banked or the Application is settled by direct credit or through the Austraclear System until (but not including) the Allotment Date. Such interest (less any applicable withholding tax) will be paid to successful Applicants within 5 Business Days after the Allotment Date. If any Application is not accepted in full the relevant application monies will be refunded without interest.

Declaration of Dividends

Quayside Holdings is not obliged to declare, make or pay a Dividend in respect of the Perpetual Preference Shares. However, it is the intention that Dividends will be paid on the Perpetual Preference Shares in the amounts and at the times described in this Investment Statement.

Put Option

In certain circumstances the Put Option, exercisable by the Administrative Agent on behalf of all the Holders, requiring all of the Perpetual Preference Shares to be acquired by the Council (or its nominee) may be exercised.

In the event that Quayside Holdings:

- fails to pay a Dividend in full within 5 Business Days of a Dividend Payment Date; or
- elects not to pay a Dividend on a Dividend Payment Date; or
- ceases to carry on business or operations, is unable to pay its debts as they fall due or becomes insolvent or subject to certain other insolvency, liquidation, receivership or similar events, circumstances or actions;

the Administrative Agent, on behalf of all the Holders of the Perpetual Preference Shares, will be obliged (on receipt of notice) to put all the Perpetual Preference Shares to the Council (i.e. require the Council (or its nominee) to repurchase all the Perpetual Preference Shares from Holders).

In the event that:

- Quayside Holdings ceases to have a majority shareholding (whether directly or indirectly) in Port of Tauranga; or
- the liability to Quayside Holdings of the holder(s) of its Uncalled Capital is reduced (other than by payment to Quayside Holdings of any amount called by it),

the Administrative Agent, on behalf of all the Holders of the Perpetual Preference Shares, shall (on receipt of notice) require a meeting of Holders to be called (or their directions in writing by a Special Approval Notice sought) and, if instructed to do so by the requisite number of Holders, put all the Perpetual Preference Shares to the Council (i.e. require the Council to repurchase all the Perpetual Preference Shares from the Holders).

In either case, the exercise price in respect of the Put Option will be, in respect of each Perpetual Preference Share, the aggregate of the Price of \$1.00 plus any Unpaid Amount plus (unless Quayside Holdings has elected to pay a Dividend prior to and in anticipation of the transfer of all the Perpetual Preference Shares following the exercise of the Put Option) an amount representing a return on that Perpetual Preference Share at the prevailing Dividend rate from (and including) the last Dividend Payment Date to (but excluding) the Transfer Date.

The Put Option is exercisable under, and in accordance with, Condition 13 of the Conditions and the terms of the Options Deed. If the Put Option is exercised, the Council's obligation to pay the Put Option Exercise Price will rank pari passu in point of priority of payment with all the Council's other present and future unsecured and unsubordinated indebtedness (actual or contingent) except indebtedness preferred by operation of law.

Call Option

The Council may purchase some or all of the Perpetual Preference Shares:

- at any time after the occurrence of a Change in Relevant Regulation (as defined in the Conditions); or
- at any time (and for any reason) after the second anniversary of the Allotment Date.

If the Council elects to call only some of the Perpetual Preference Shares, it must do so pro rata across all Holders. In addition, if the Council elects to call only some of the Perpetual Preference Shares, it may only do so to the extent that the number of Perpetual Preference Shares held by Holders other than the Council after the relevant Transfer Date is at least 100 million.

The Transfer Date for any exercise of the Call Option must be a Dividend Payment Date. The exercise price in respect of the Call Option will be, in respect of each Perpetual Preference Share, the greater of:

- (a) the aggregate of the Price of \$1.00 plus any Unpaid Amount, including the Dividend payable on the Transfer Date; and
- (b) the amount determined by the Council as representing the volume weighted average sale price at which Perpetual Preference Shares have been traded on NZX during the 10 Business Days preceding (but not including) the date notice of exercise of the Call Option is given, adjusted if necessary to reflect any Record Date occurring within the 10 Business Day period, or if the Perpetual Preference Shares have not traded on NZX on more than 5 of those 10 Business Days, an independently determined fair market price,

provided that, if the Call Option is exercised following a determination that there is or will be a "Change in Relevant Regulation", the exercise price shall be the amount determined in accordance with (a) above.

The Call Option is exercisable under, and in accordance with, Condition 12 of the Conditions and the terms of the Options Deed. If the Call Option is exercised, the Council's obligation to pay the Call Option Exercise Price will rank pari passu in point of priority of payment with all the Council's other present and future unsecured and unsubordinated indebtedness (actual or contingent) except indebtedness preferred by operation of law.

Voting Rights

None, except for matters which affect the rights attaching to the Perpetual Preference Shares (in accordance with section 117 of the Companies Act 1993) or at meetings of Holders.

Rights in Liquidation

In the event of a liquidation of Quayside Holdings, the Put Option will be exercised, if it has not already been exercised, and Holders will accordingly be entitled to receive (from the Council) the Put Option Exercise Price. This means that only the Council will be entitled to the Liquidation Preference (unless for some reason the Put Option is not exercised - for example, because Holders have agreed to a change in the terms of the Put Option so that it is not then exercisable). The Liquidation Preference for each Perpetual Preference Share is the sum of \$1.00 plus any Unpaid Amount plus an amount representing a return on that Perpetual Preference Share at the prevailing Dividend Rate from (and including) the last Dividend Payment Date to (but excluding) the date of commencement of the liquidation.

Holders will not be entitled to participate further in the assets of Quayside Holdings on its liquidation.

Transfer

The Perpetual Preference Shares are transferable to other persons as provided in Conditions 19(a) and (b) of the Conditions. The effect of these provisions is that a transfer of any Perpetual Preference Shares is not permitted:

- (a) where the transfer is not for a multiple of 1,000 Perpetual Preference Shares or would result in the purchaser or the vendor (if the vendor continues to hold Perpetual Preference Shares) holding less than 5,000 Perpetual Preference Shares or, if greater, the Minimum Holding of Perpetual Preference Shares required by NZX from time to time, unless the transfer is of all of the transferee's Perpetual Preference Shares or the Board of Quayside Holdings has given its prior written approval to the transfer or the transfer is being made pursuant to the exercise of the Call Option or the Put Option; or
- (b) after the Record Date in respect of the exercise of the Put Option or the Call Option, except for transfers of Perpetual Preference Shares to the Council (or its nominee) pursuant to settlement following exercise of the Put Option or the Call Option. However, in the event that the Call Option is exercised in respect of fewer than all of the Perpetual Preference Shares, a Holder may transfer Perpetual Preference Shares to the extent that the number of Perpetual Preference Shares held by that Holder after that transfer is not less than the number that Holder is required to transfer to the Council (or its nominee) on the Transfer Date.

How to Apply

Instructions on how to make an application are contained below and in the Application Form attached to this Investment Statement. If you wish to apply for Perpetual Preference Shares you should complete the Application Form in accordance with the instructions.

Broker Firm Offer

Applicants accepting a Firm Allocation through an NZX Firm or approved financial intermediary need to return the relevant Application Form to that NZX Firm or approved financial intermediary in time for it to be forwarded to and received by the Registrar before 5.00pm on the Closing Date.

General Offer

Completed Applications (other than Applications in respect of Firm Allocations) should be sent to:

Bay of Plenty Regional Council
Perpetual Preference Share Offer
c/ Computershare Investor Services Limited
Level 2, 159 Hurstmere Road, Takapuna
Private Bag 92119, North Shore City 0622
Auckland 1142,

so as to be received before 5.00 pm on the Closing Date. Applicants may also deliver their Application Forms to any Primary Market Participant, the Organising Participant or any other channel approved by NZX in sufficient time for the Application Form to be forwarded to and received by the Registrar before 5.00pm on the Closing Date.

Council Discretion

The Council may, at its discretion, but shall not be required to, treat any Application Form as valid even if it does not comply with the requirements above or is otherwise irregular (including if it is received after 5.00pm on the Closing Date) and may complete any incomplete Application Form in such manner as it considers appropriate (and shall have no liability for doing so). By signing the Application Form, an Applicant irrevocably offers to acquire up to the number of Perpetual Preference Shares specified in the Application Form on the terms set out in this Investment Statement, the Prospectus and the Application Form.

Brokerage

NZX has authorised Primary Market Participants to act in respect of this Offer. Applicants are not required to pay brokerage directly for Perpetual Preference Shares under this Offer. More information about the expenses and brokerage in relation to this Offer is set out on page 36 – Answers to Important Questions – under the heading “What are the charges?”.

Payment of the Price

The Price for each Perpetual Preference Share applied for in an Application Form must be paid in full on application. Payment in respect of any Application for 500,000 or more Perpetual Preference Shares must be made by direct credit, bank cheque or through the Austraclear System, and as described in the Application Form. Cheques must be made payable to “Bay of Plenty Regional Council – Perpetual Preference Share Offer”, must be crossed “Not Transferable” and must be for immediate value. If a cheque is dishonoured, the Council may pursue any remedies available at law.

Allotment of Perpetual Preference Shares

Processing of Applications and the banking of cheques will take place on the day of receipt by the Registrar (or the first Business Day after that day if it is not a Business Day or if it is received after business hours on a Business Day), with application amounts received held in trust until the allotment of Perpetual Preference Shares. The banking of application amounts will not constitute allotment of any of the Perpetual Preference Shares or a confirmation of allocation of any Perpetual Preference Shares.

The Council may in its sole discretion refuse all or any part of any Application without giving a reason.

Perpetual Preference Shares will be transferred to successful Applicants on the Allotment Date. The Registrar will advise successful Applicants of the allotment of Perpetual Preference Shares to them, and their FASTER Identification Number (*FIN*) if they do not already have one, as soon as possible after allotment. Further FASTER statements can be requested at any time.

The Allotment Date will be the first day of the first Dividend Period.

Applicants attempting to sell Perpetual Preference Shares prior to receiving holding statements will do so at their own risk.

None of Quayside Holdings, the Council, or the Joint Lead Managers, nor any of their respective directors, councillors, officers, employees, consultants, agents, partners or advisers, accepts or shall have any liability or responsibility should any person attempt to sell or otherwise deal with Perpetual Preference Shares before the statement showing the number (if any) of Perpetual Preference Shares allotted to the relevant Applicant is received by that Applicant.

Allocation Policy

Up to 200,000,000, being 100% of the Perpetual Preference Shares being offered, may be reserved for acquisition by clients of the Joint Lead Managers or other Primary Market Participants and/or approved financial intermediaries.

The number of Perpetual Preference Shares so reserved will be determined by the Joint Lead Managers in consultation with the Council and notified by way of general announcement to NZX on or before the Opening Date. The Council reserves the right to continue to reserve further Perpetual Preference Shares for acquisition by clients of the Joint Lead Managers or other Primary Market Participants and/or approved financial intermediaries throughout the Offer Period. Any amount not reserved either on or before the Opening Date or during the Offer Period will form part of a public pool.

If the value of Applications is greater than the value of Perpetual Preference Shares available, the Perpetual Preference Shares will be allotted firstly to Applicants in respect of whom a Firm Allocation has been made, and thereafter on a first come, first served basis.

There are 783 Perpetual Preference Shares (being less than 1% of the total number of Perpetual Preference Shares) which are held by the Council and not being offered under the Offer. These 783 Perpetual Preference Shares held by the Council have identical terms to the 200,000,000 Perpetual Preference Shares being offered. The 200,000,783 Perpetual Preference Shares resulted from the subdivision of fully paid redeemable preference shares in Quayside Holdings held by the Council, and the amendment of the terms of those fully paid redeemable preference shares.

Refunds	If the Council accepts an Application in part, the balance of the application money will be refunded no later than 5 Business Days after the Allotment Date of the Perpetual Preference Shares to the Applicant under that Application. If an Application is not accepted in full by the Council, the relevant application money received with that Application will be refunded to the Applicant no later than 5 Business Days after the Closing Date. Interest will not be paid on any application money which is refunded.
Offer Period	Applications will only be accepted during the Offer Period which is expected to open on 12 February 2008 (<i>Opening Date</i>) and close at 5.00pm on 7 March 2008 (<i>Closing Date</i>).
Independent Advice	Investors should obtain their own independent advice in relation to applying for, and holding, Perpetual Preference Shares. The information (including tax information) contained in this Investment Statement and the Prospectus is general in nature and may not apply to investors' individual circumstances.
Listing on the NZDX	<p>Application has been made to NZX for permission to list Quayside Holdings and quote the Perpetual Preference Shares on the NZDX and all requirements of NZX relating to the listing and quotation that can be complied with on or before the date of this Investment Statement have been duly complied with. However, NZX accepts no responsibility for any statement in this Investment Statement.</p> <p>Initial quotation of the Perpetual Preference Shares on the NZDX is expected to occur under the symbol QHLHA on Thursday, 13 March 2008.</p>
Offer in New Zealand only	The Perpetual Preference Shares are being offered only to persons who are resident in New Zealand and no other offer is being made in any jurisdiction other than New Zealand. No action has been or will be taken by Quayside Holdings or the Council which would permit an offer of Perpetual Preference Shares, or possession or distribution of any offering material, in any other jurisdiction. No person may offer, sell, distribute or deliver any Perpetual Preference Shares, any offering material or any documents in connection with the Perpetual Preference Shares to any person outside New Zealand. By submitting an Application Form, each Applicant represents and warrants that he/she/it is a resident of New Zealand and is not in a jurisdiction which prohibits the making to him/her/it of an offer of this kind (or which requires additional documentation and/or filing in respect of any such offer) and is not acting (directly or indirectly) for a person in such a jurisdiction.
No guarantee	The Perpetual Preference Shares are not guaranteed by the Crown, the Council or any other person.
Annual and Half-Yearly Reports	Unless otherwise requested, each Holder will be entitled to receive the annual and half-yearly reports of Quayside Holdings as required by the NZDX Listing Rules. Holders may also view the latest audited financial statements of the Council, the Council's annual report and its long term council community plan on www.ebop.govt.nz
Joint Lead Managers	First NZ Capital Securities Limited ABN AMRO Craigs Limited
Important Document	If you are in any doubt as to how to deal with this Investment Statement, please immediately contact either of the Joint Lead Managers (First NZ Capital Securities Limited and ABN AMRO Craigs Limited), another NZX Firm, an accountant or a financial adviser.

Directors and Management

As at the date of this Investment Statement, the directors of Quayside Holdings are:

Bryan David Riesterer – Chairman BMS, CA

Bryan Riesterer has been a Rural Chartered Accountant for 27 years. Previously Bryan has had valuable experience with directorships on the Port of Tauranga and the Bay of Plenty Development Board. He has also been a member of the Bay of Plenty Crown Health Advisory Group and the Eastern Bay CHE. Bryan's other interests include a Gold Kiwifruit orchard in Opotiki, a share in a large Green Kiwifruit development in Te Puke and a shareholding in a company share milking in Opotiki. Bryan was a Councillor from 1989 until 1992, and was a Councillor again from 1998 until October 2007, and currently he continues his long standing association with the Quayside Group of which he has been Chairman since inception in 1991.

Athole John Herbert AFNZIM, JP

Athole Herbert was the Secretary to the Board for the Port of Tauranga for 21 years with responsibility for administration, industrial relations, property and legal matters. He was heavily involved in the formation of Port of Tauranga, its very successful launch on the New Zealand Stock Exchange and was a Director of the Port's subsidiary companies. On retirement, Athole was appointed Chairman of Directors for NZ Stevedoring and Marshalling Co., and also worked as a consultant on port efficiency, both in New Zealand and overseas, including Australia and Papua New Guinea. He was elected as a Councillor for Environment Bay of Plenty Regional Council in 1998 and was Chairman of the Regional Land Transport Committee and Public Transport Committees. He was a Councillor until October 2007, and is still actively involved in a number of sporting bodies and sports. Athole was appointed a Director of the Quayside Group companies in March 1999.

John Morris Green BCA, CA

John is a member of the New Zealand Institute of Chartered Accountants and has had an extensive international career as a senior audit and management consulting partner in the world wide firm of Price Waterhouse. Over the last 20 years he has pursued a wide and challenging career in merchant and investment banking, corporate acquisitions and restructuring in New Zealand, Australia, the United Kingdom, Singapore and the United States of America. He has held positions of Managing Director of R & W Hellaby Limited, Finance Director of The National Provident Fund, Chief Operating Officer of Brierley Investments Limited in Singapore, and Chairman of Union Shipping Group and ANZDL Shipping Line. In recent years he has taken on professional directorships in a wide range of commercial and investment organisations. John was a former Chair of the Wellington College Board of Trustees and the Wellington College Foundation. He is currently Chairman of the LakesWater Quality Society in Rotorua. John was appointed a Director of the Quayside Group companies in October 2006.

Neil Francis Oppatt

Neil is an owner of Harvestech Industries Limited, a Rotorua based company specialising in the design and manufacture of forestry logging equipment. He is a serving Environment Bay of Plenty Councillor with 18 years of experience in local government both with Rotorua District Council as a previous Chairman of the Finance Committee and latterly the Regional Council. Neil is Chair of Rotorua Regional Airport Limited, having served 13 years on the board. He is a foundation Trustee of the Mount Ngongotaha Bush Restoration Trust. Neil was appointed a Director of the Quayside Group companies in November 2005.

Michael John Smith LLB

Michael Smith is a Tauranga lawyer with an extensive corporate and commercial legal background. He has been a director of Port of Tauranga since August 2001 and sits on all committees of that Board and chairs the Constitution Committee.

He is an experienced company director, having served on public company boards in New Zealand and Australia, including 7 years on the Board of what is now Gribbles, one of Australasia's largest pathology laboratory service providers. He was a director of Tauranga Civic Holdings Limited, Tauranga City Council's holding company for its commercial investments, and was a director of Summit Venison Limited. He is currently a director of several retirement villages and a property development and management company.

He is a consultant to the Tauranga law firm of Holland Beckett.

Michael has been a director of the Quayside Group companies since May 1999.

Andrew John von Dadelszen MBA

Andrew von Dadelszen is Managing Director of von Dadelszen & Co Limited, Sharebrokers of Tauranga. He is also a second term councillor of Environment Bay of Plenty, currently chairing the region's Transport Committee. He is a director of several family companies, as well as Director and Honorary Treasurer of London based international environmental NGO, ACOPS (Advisory Committee on the Protection of the Sea). Andrew was appointed a Director of the Quayside Group companies in November 2005.

Chief Executive of Quayside Holdings

Alexander (Sandy) Lawrie had many years in finance and audit roles in the United Kingdom, Singapore and Hong Kong followed by 4 years as Chief Accountant for the New Hebrides administration. Throughout the 1980s in New Zealand he was Secretary to both the Marlborough Catchment Board and the Marlborough Forestry Corporation. He became Director Finance and Corporate Services of Environment Bay of Plenty in 1989, and is currently its Deputy Chief Executive. Since 1991 he has also performed the role of, first, Company Secretary and, now, Chief Executive of the Quayside Group, contributing extensively to the Group's strategy and performance. He is a member of the Institute of Directors and has 10 years experience chairing non-profit organisations, including 5 years as Chairman of Wellington-based New Zealand Fish and Game Council.



General

The following statements relate only to New Zealand taxes and are of a general nature. They are based on New Zealand tax legislation and interpretations current at the date of this Investment Statement and are not intended to deal with all relevant considerations or possible cases. No other taxation considerations are discussed. Prospective investors should seek their own taxation advice in relation to their own taxation position.

New Zealand Resident Shareholders

Quayside Holdings will assume that Holders are New Zealand tax residents unless it is satisfied to the contrary, and will act accordingly. Any liability for taxation is the responsibility of the Holder.

Dividends Distributed to New Zealand Residents

New Zealand operates a full imputation system of company taxation. Under this system, tax paid by a New Zealand tax resident company gives rise to credits (known as imputation credits) which can be attached to dividends paid by the company to its shareholders. These imputation credits can then be used by shareholders to offset their own personal income tax liability on those dividends.

It is expected that the cash component of the Dividends paid by Quayside Holdings on the Perpetual Preference Shares will be imputed to the maximum extent permitted by law. To the extent that they are not fully imputed, Holders are intended to receive a cash payment equal to the amount of imputation credit shortfall.

Dividends paid to New Zealand tax resident shareholders will ordinarily be subject to New Zealand resident withholding tax (RWT) (at a rate of 33%). No RWT is required to be deducted from dividends that have imputation credits attached at 33%. To the extent imputation credits are attached at less than 33%, Quayside Holdings will deduct RWT unless the Holder can satisfy Quayside Holdings that the deduction is not required by law.

The New Zealand company tax rate reduces from 33% to 30% from the commencement of the 2008-09 income year (i.e. 1 July 2008 for Quayside Holdings). As a result, fully imputed dividends paid after 1 July 2008 will have imputation credits attached at a ratio of 30/70 rather than 33/67. However, transitional rules will allow Quayside Holdings to continue to attach imputation credits at the 33% ratio up to 31 March 2010 provided it has sufficient imputation credits available from tax paid at 33%.

If the RWT rate remains at 33% Quayside Holdings may be required to deduct 3% RWT on Dividends paid from 1 April 2010 and imputed at the 30% rate (or earlier if there are insufficient imputation credits available from tax paid at 33%).

Examples of Tax Calculation

The anticipated tax treatment of Dividends paid on the Perpetual Preference Shares is illustrated by the following example.

This example assumes that the Holder is a New Zealand resident for tax purposes and owns 10,000 Perpetual Preference Shares (aggregate price of \$10,000). The dividend rate is assumed to be 9.5% per annum, made up of cash payments of 6.36% and imputation credits of 3.14%. It is assumed that the Dividends are fully imputed at the 33% rate.

On this basis the Holder's dividend statements for one year for the four combined quarterly Dividends would state:

Gross Dividend	\$950.00
Imputation Credits	\$313.50
Cash Dividend Paid	\$636.50

For a Holder on a 39% marginal tax rate, the impact on that Holder's annual tax calculation would be:

Taxable Dividend Income	\$950.00
Tax @ 39%	\$370.50
Less Imputation Credits	\$313.50

Net tax to pay in respect of Dividend	\$57.00
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A Holder on a 39% tax rate in an income year would accordingly pay further tax of \$57.00 in respect of the Dividends.

For a Holder on a 33% marginal tax rate, the impact on that Holder's annual tax calculation would be:

Taxable Dividend Income	\$950.00
Tax @ 33%	\$313.50
Less Imputation Credits	\$313.50

Net tax to pay in respect of Dividend	Nil
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A Holder on a 33% marginal tax rate would accordingly pay no more tax in respect of the Dividends.

For a Holder on a 19.5% marginal tax rate, the impact on that Holder's annual tax calculation would be:

Taxable Dividend Income	\$950.00
Tax @ 19.5%	\$185.25
Less Imputation Credits	\$313.50
Excess Imputation Credits	\$128.25

The excess imputation credits could be used to reduce the Holder's income tax liability in respect of other taxable income derived in the income year. If the Holder is a company or trustee, excess imputation credits which cannot be used in the income year in which the Dividends were received can be converted to a net loss which may be available for offset against taxable income in future income years. If the Holder is an individual, excess imputation credits can be carried forward and used to reduce the Holder's income tax liability in future income years.

For the following examples it is assumed that the Dividends are fully imputed at the 30% rate following the change in the corporate tax rate (2008-09 income year).

On this basis the Holder's dividend statements for one year for the four combined quarterly Dividends would state:

Gross Dividend	\$950.00
Imputation Credits	\$285.00
Less Resident Withholding Tax	\$ 28.50

Cash Dividend Paid	\$636.50
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For a Holder on a 39% marginal tax rate, the impact on that Holder's annual tax calculation would be:

Taxable Dividend Income	\$950.00
Tax @ 39%	\$370.50
Less Imputation Credits	\$285.00
Less Resident Withholding Tax	\$28.50

Net tax to pay in respect of Dividend	\$57.00
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A Holder on a 39% tax rate in an income year would accordingly pay further tax of \$57.00 in respect of the Dividends.

For a Holder on a 33% marginal tax rate, the impact on that Holder's annual tax calculation would be:

Taxable Dividend Income	\$950.00
Tax @ 33%	\$313.50
Less Imputation Credits	\$285.00
Less Resident Withholding Tax	\$28.50

Net tax to pay in respect of Dividend	Nil
---------------------------------------	-----

A Holder on a 33% marginal tax rate would accordingly pay no more tax in respect of the Dividends.

For a Holder on a 19.5% marginal tax rate, the impact on that Holder's annual tax calculation would be:

Taxable Dividend Income	\$950.00
Tax @ 19.5%	\$185.25
Less Imputation Credits	\$285.00
Less Resident Withholding Tax	\$28.50

Excess Imputation Credits	\$99.75
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The excess imputation credits could be used to reduce the Holder's income tax liability in respect of other taxable income derived in the income year. If the Holder is a company or trustee, excess imputation

credits which cannot be used in the income year in which the Dividends were received can be converted to a net loss which may be available for offset against taxable income in future income years. If the Holder is an individual, excess imputation credits can be carried forward and used to reduce the Holder's income tax liability in future income years.

RWT is either applied to other tax liabilities in the year that the dividends are received, or refunded.

Gain on Sale of Perpetual Preference Shares

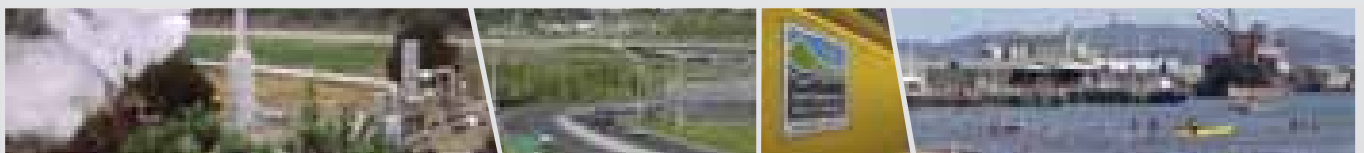
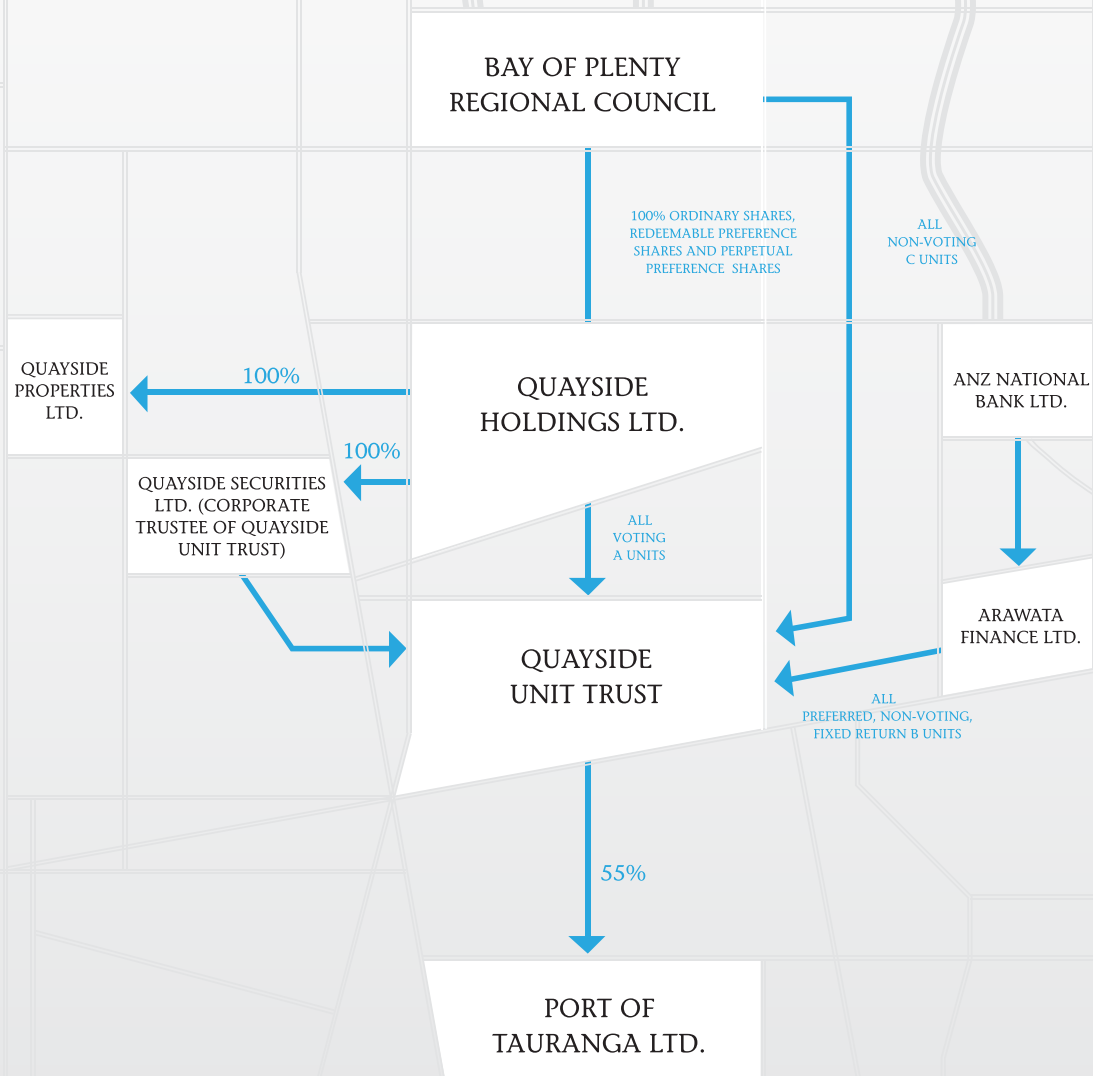
In certain circumstances gains made on the sale or other disposal of Perpetual Preference Shares will be treated as taxable income for tax purposes, including:

- where the Perpetual Preference Shares are sold as part of a business of share dealing;
- where the Perpetual Preference Shares are acquired for the purpose of selling or otherwise disposing of them; or
- where the Perpetual Preference Shares are acquired as part of an undertaking or scheme entered into or devised for the purpose of making a profit.

Independent Advice

Investors should obtain their own advice regarding this Offer and in respect of purchasing, holding and disposing of Perpetual Preference Shares. The information (including the tax information) contained in this Investment Statement is general in nature and may not apply to an investor's individual circumstances.

STRUCTURE OF THE QUAYSIDE GROUP



Structure Overview

Relationship between the Council, Quayside Holdings and Port of Tauranga

The structure diagram on page 22 shows the relationship between the Council, the Quayside Group and Port of Tauranga, immediately prior to the Allotment Date. It also shows the existing funding transaction linked to the Port of Tauranga shares held by Quayside Securities. That transaction is described in more detail in the following section.

Information on the Council, Quayside Holdings and Port of Tauranga

The financial position and performance of the Council (as the ultimate owner), Quayside Holdings (as Issuer), and Port of Tauranga (as the major source of dividend income for Quayside Holdings) are relevant to Holders of the Perpetual Preference Shares. Set out on pages 23 to 30 is an overview of the Council, Quayside Holdings and Port of Tauranga.

Other information is available as follows:

- A copy of the current annual report and audited consolidated financial statements of the Council is available at the Council's website www.ebop.govt.nz
- A copy of Quayside Holdings' constitution is filed on a public register at the Companies Office, and is available to view on Quayside Holdings' file on the Companies Office's website www.companies.govt.nz
- Publicly available information in relation to Port of Tauranga, including its most recent audited financial statements, is available on www.port-tauranga.co.nz, and its constitution is available to view on Port of Tauranga's file on the Companies Office's website www.companies.govt.nz
- A copy of the Prospectus relating to this Offer is available from either of the Joint Lead Managers.

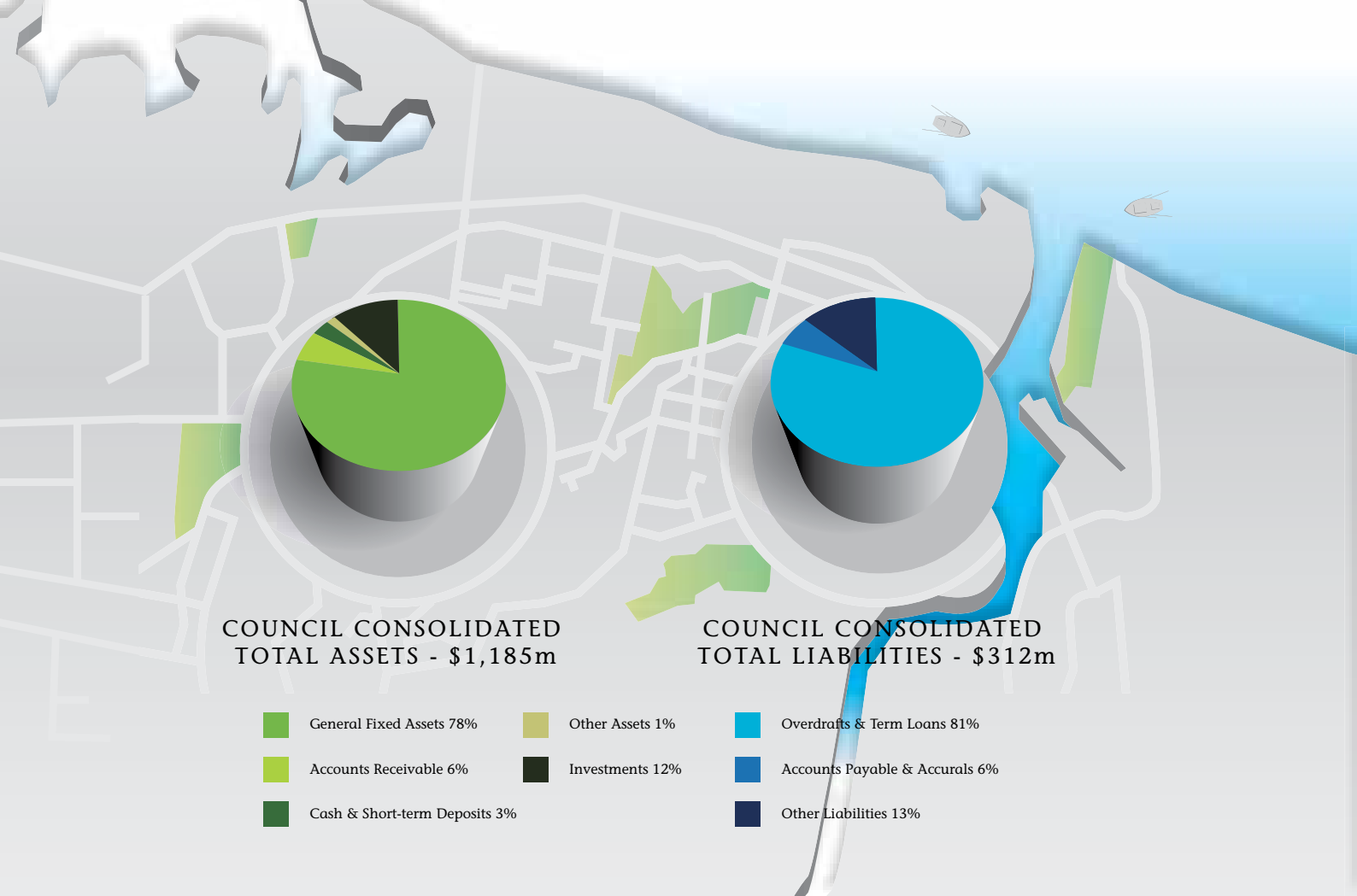
Bay of Plenty Regional Council

The Bay of Plenty Regional Council guides and supports the sustainable development of the Bay of Plenty region. A major focus of the Council's work involves looking after the environment. Therefore the Council continuously monitors the effects of human activities on the environment and also promotes the sustainable management of natural and physical resources for present and future generations. In addition, the Council has a broader purpose, along with others, to promote the economic, social and cultural well-being of the regional community.

The Bay of Plenty is on the east coast of the North Island of New Zealand. The region takes in the full sweep of the coastline from Lottin Point in the east, to Waihi Beach in the west. The area of the region is 21,740 square kilometres comprising 12,231 square kilometres of land and 9,509 square kilometres of coastal marine area. The region has a population of approximately 268,000, including the major centres of Tauranga, Rotorua and Whakatane.

Examples of the Council's activities include:

- Managing the risks posed by the region's major rivers, including the region's major flood control schemes
- Planning and prioritising the region's land transport needs, including major roading improvements



- Resource management
- Supporting sustainable economic development
- Strategic thinking for the Bay of Plenty region's future
- Navigation and safety on the region's harbours and lakes
- Organising passenger transport services

The Council has 13 councillors. Voters on the general roll elect 10 of these councillors from 4 general constituencies - Tauranga (4 councillors), and Rotorua, Western Bay of Plenty and Eastern Bay of Plenty (2 councillors each). Voters on the Maori roll elect 1 councillor from each of 3 Maori constituency areas - Kohi, Mauao and Okurei.

The Council generates its revenue primarily from investment income, rates, grants and user fees, and has a statutory right to levy its ratepayers in order to fund its activities. The Council had consolidated equity of \$873 million as at 30 June 2007 (including \$290 million attributable to minority interest), comprising consolidated assets and liabilities as shown above.

In order to govern its investment decisions, the Council has developed an Investment Policy. In accordance with that policy, the Council has investments in the following financial assets:

- Significant equity investments, through Quayside Holdings, in Port of Tauranga and other equity investments

- Cash, specific funds, sinking funds and shares
- Property investments, including land and buildings
- Loans to certain ratepayer groups for river scheme capital works
- Treasury instruments incorporating longer term and liquidity investments.

The Council's philosophy for managing investments is to optimise returns in the long term while balancing risk and return considerations. The Council recognises that, as a responsible public authority, any investments it makes should be made prudently and the associated risks and returns should be balanced and the risks managed.

Under the Local Government (Rating) Act 2002, the Council has the power to levy rates. That Act enables the Council to set, assess and collect rates in order to fund its activities, and allows the Council flexibility in how it chooses to set rates, depending on how it categorises rateable land. Currently, there are approximately 118,000 separately rateable units in the Bay of Plenty region, and the Council has the following standardised categories for setting rates:

- *General rates* - rates levied on all rateable land within the Council's region. These are based on property values, being land values, capital values or annual values.
- *Uniform annual general charges* - a fixed charge per rating unit or separately used or inhabited part of a rating unit.



- *Targeted rates* - rates levied to fund a specific work or service, or group of works or services, where those works or services have been identified in the Council's Funding Impact Statement as being activities or groups of activities for which a targeted rate is to be set. Targeted rates can be levied as a fixed dollar amount per rating unit, a fixed charge per factor or a differential charge per factor. (Under the Local Government (Rating) Act 2002 "factors" can include such matters as the land value of the rating unit or the value of improvements to the rating unit.)

All rates must be set by resolution of Council, must relate to a financial year or part of a financial year, and must be set in accordance with the relevant provisions of the Council's Long Term Council Community Plan and Funding Impact Statement. Rates and the revenue generated from rates collection may be used as security for borrowing and incidental arrangements of the Council pursuant to the Local Government Act 2002.

Quayside Holdings Limited

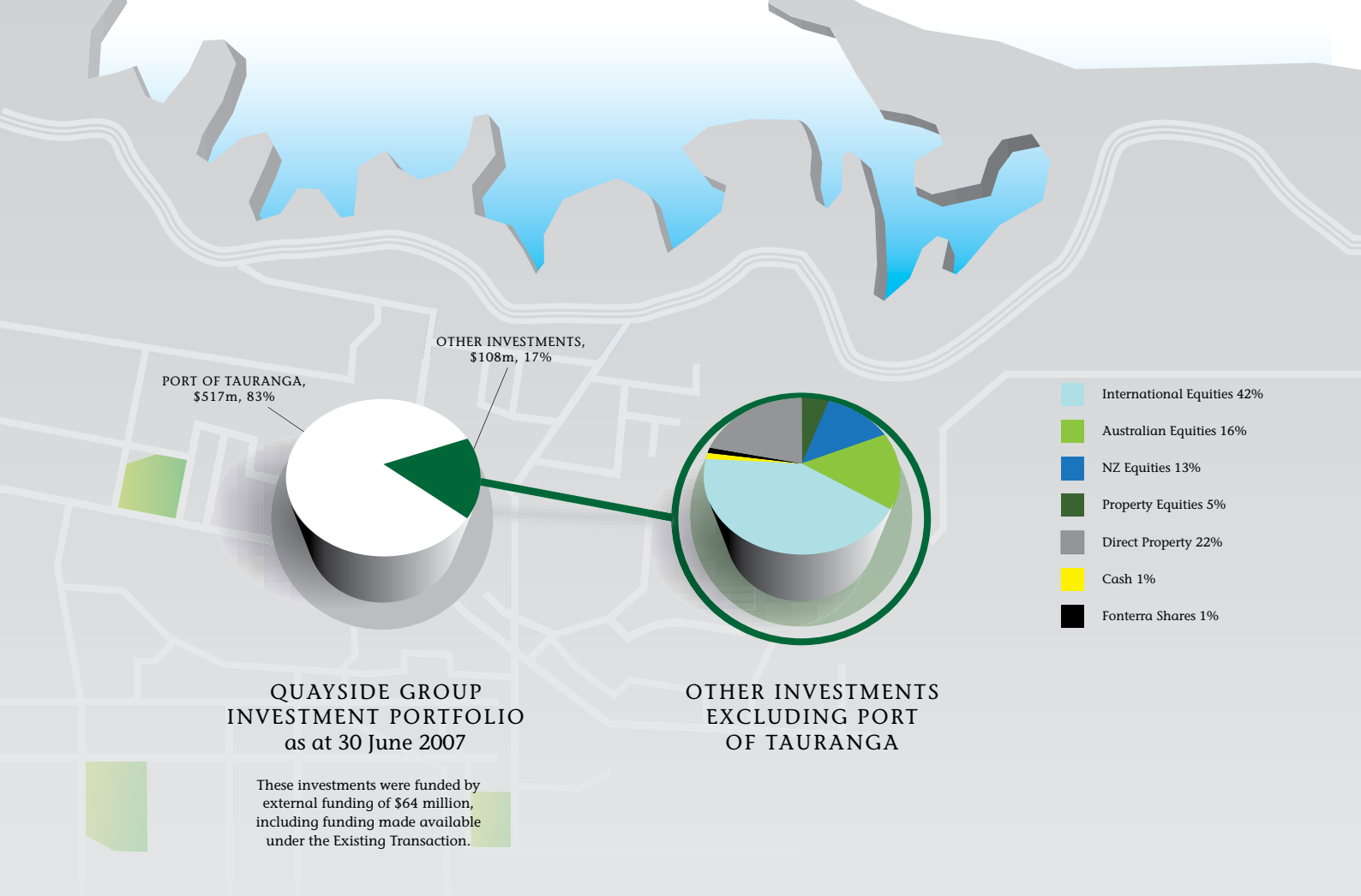
Quayside Holdings was established in July 1991 with the objective of managing the Council's shareholding in Port of Tauranga in a commercial and efficient manner, while maximising the return to ratepayers of the Bay of Plenty region. Quayside Holdings is a "council-controlled organisation" for the purposes of the Local Government Act 2002.

As at the date of this Investment Statement, Quayside Holdings is 100% owned by the Council and has a diversified investment base, which it manages through its wholly owned (except for the 100 \$1 non-voting C units held by the Council in the Quayside Unit Trust) subsidiaries – Quayside Securities, the Quayside Unit Trust and Quayside Properties. Quayside Holdings also separately manages a portfolio of investment assets, which predominantly consist of Australasian equities. The gross value of this portfolio as at 30 June 2007 was \$34 million.

Quayside Securities and the Quayside Unit Trust

Quayside Securities was established in 1991 and has the sole purpose to act as a trustee for the Quayside Unit Trust, owning as trustee approximately 55% (73,687,536 shares) of the voting shares in Port of Tauranga.

As part of this role, Quayside Securities manages a portfolio of other investment assets, which predominantly consist of international equities. This portfolio has grown significantly in recent years following a return of capital by Port of Tauranga in February 2002, which saw approximately \$37 million retained for other investment by Quayside Securities. The gross value of this portfolio (excluding loans to Quayside Properties) was \$50 million as at 30 June 2007.



The capital of the Quayside Unit Trust comprises:

- 7,525,000 voting \$1.00 A units issued to Quayside Holdings Limited.
- 5,348 \$10,000 preferred, non-voting B units issued to Arawata Finance Limited.
- 100 \$1.00 non-voting C units issued to the Council.

Quayside Properties

Quayside Properties was incorporated in 2003 in order to diversify the investment base of the group into other Bay of Plenty enterprises, including property. Since 2003, Quayside Properties has made significant investments in directly owned property, mainly in the Rangiora area in the Bay of Plenty. The gross value of these investments as at 30 June 2007 was \$24 million.

Quayside Group

The objectives and targets of the Quayside Group are set out in the Statement of Intent for Quayside Holdings, Quayside Securities and Quayside Properties. Key objectives are:

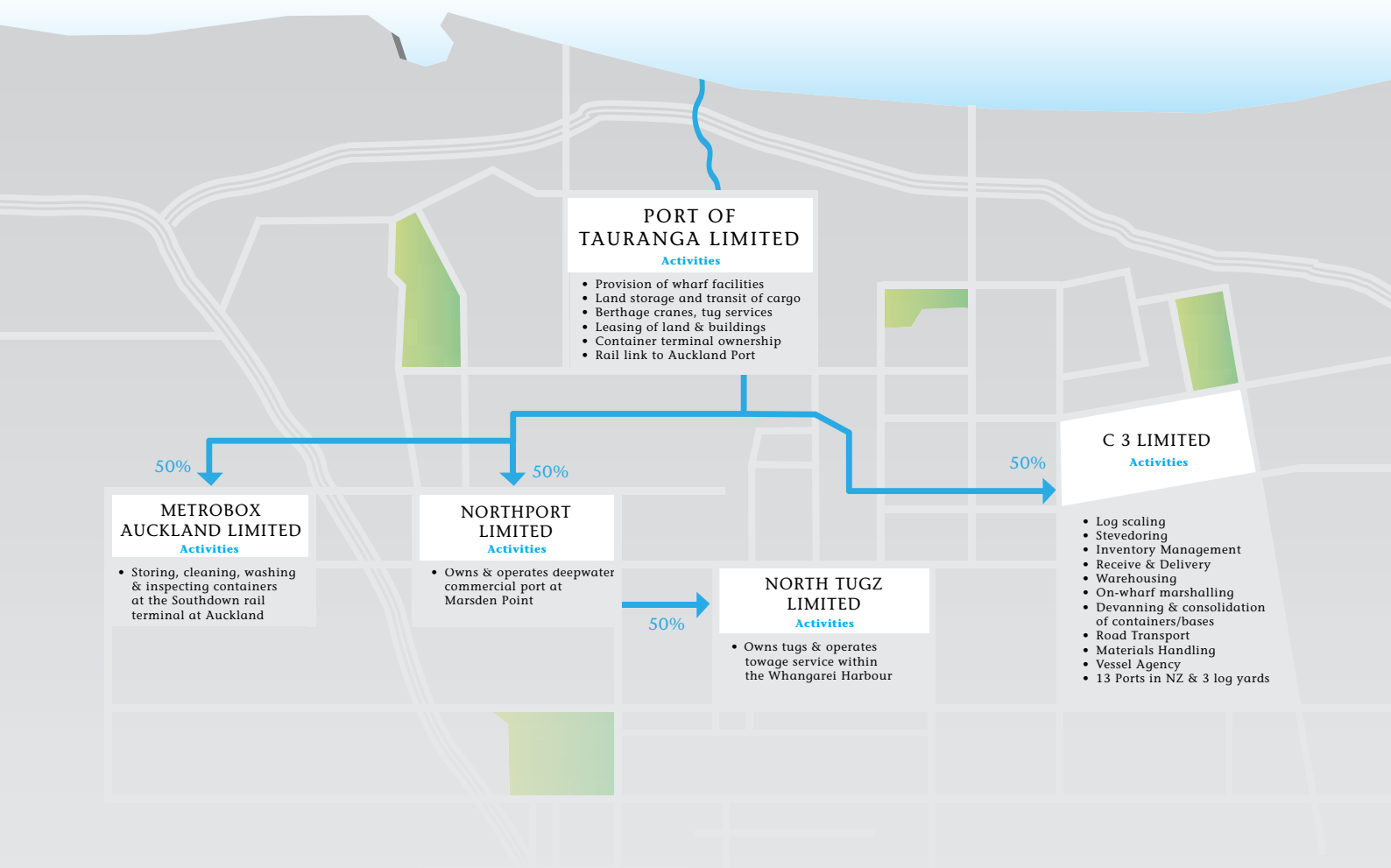
- To obtain a risk-adjusted long-run commercial rate of return from the group's investments, including the shareholding in Port of Tauranga and other investments, while protecting the shareholders' long-term interests
- To maintain a majority shareholding in Port of Tauranga
- To provide clear, timely and material reports and analysis to the shareholders.

The Statement of Intent is reviewed annually and covers a 3 year period.

The overall Quayside Group investment portfolio stood at \$625 million at 30 June 2007, compared to \$497 million on 30 June 2006.*

The Quayside Group investment portfolio as at 30 June 2007 is shown in the pie charts above.

* The market price of Port of Tauranga shares fell between 30 June 2007 and 24 January 2008. If the 30 June 2007 figure was adjusted to reflect the 24 January 2008 share price, the Quayside Group's investment portfolio as at 30 June 2007 would have been \$555 million.



Port of Tauranga Limited*

Tauranga's port is a major cargo gateway for New Zealand and the economic hub of the Bay of Plenty and Waikato regions. Port of Tauranga has a board of 7 directors, of which 1 is a Councillor and 1 is a director of Quayside Holdings. It was the 27th largest company by market capitalisation on the NZSX as at 24 January 2008. As a large, publicly listed company, it is subject to the corporate governance requirements and other rules of NZX, including in relation to disclosure of information.

The financial information contained in this Investment Statement and the Prospectus in respect of Port of Tauranga (as a standalone entity) has been prepared under NZ FRS, as Port of Tauranga will not prepare its first financial statements under NZ IFRS until the end of the 2007/2008 financial year.

In the year ended 30 June 2007 Port of Tauranga generated revenue of \$140 million and EBITDA of \$80 million and as at 30 June 2007 had a market capitalisation of \$941 million. Port of Tauranga's principal activities include:

- the provision of wharf facilities
- the ownership and use of land for storage and transit of cargoes

- the provision of berthage, cranes, tug and pilotage services
- leasing of land and buildings
- container terminal ownership
- operation of an inland container terminal (Metroport)

Port of Tauranga also has a 50% shareholding in C 3 Limited, a national log marshallng, stevedoring, log measurement and inventory management business which undertakes materials handling and container consolidation. This company has a presence in all major New Zealand ports and 3 log yards.

In addition, Port of Tauranga owns 50% of Northport Limited – owner of a deep water port at Marsden Point that was developed and opened in October 2002. Northport Limited in turn owns 50% of North Tugz Limited, which operates towage services within the Whangarei harbour.

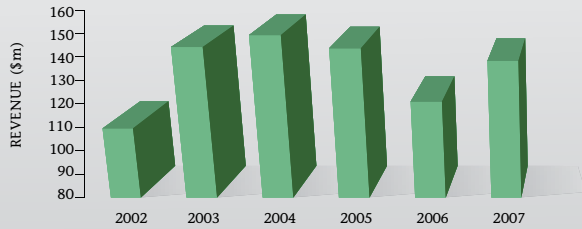
Port of Tauranga also owns 50% of MetroBox Auckland Limited, a 50:50 joint venture with Toll NZ Consolidated Limited, whose primary activities include storing, cleaning, and inspecting shipping containers at the Southdown rail terminal in Auckland.

* Port of Tauranga is not involved in making the Offer of Perpetual Preference Shares described in this Investment Statement, and has not been involved in the preparation of this Investment Statement or the Prospectus, except to answer certain specific questions in relation to particular aspects of its business. Relevant information provided by Port of Tauranga in response to those questions is set out in the Prospectus.

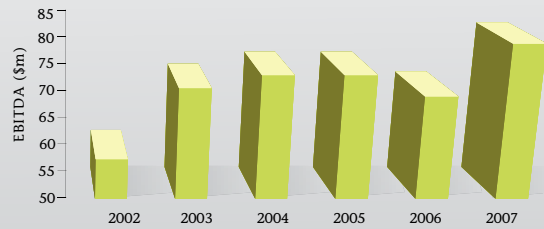
Historical Financial and Operational Data

Over the 5 financial years prior to the date of this Investment Statement, Port of Tauranga has demonstrated solid growth in earnings and asset base, driven by growth in cargo throughput and container volumes. In particular, Port of Tauranga has a track record of delivering generally increasing distributions to its shareholders.

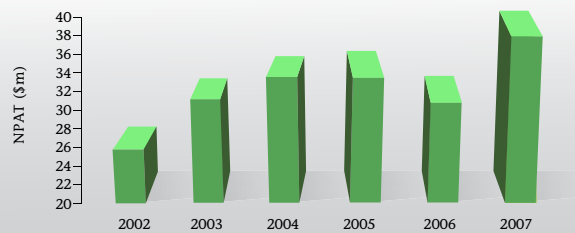
REVENUE



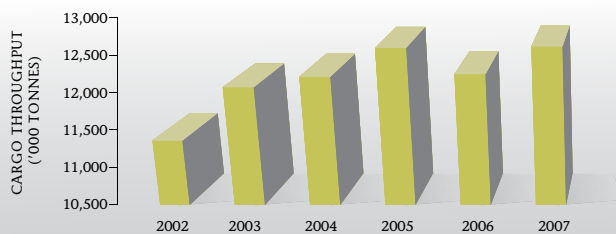
EBITDA



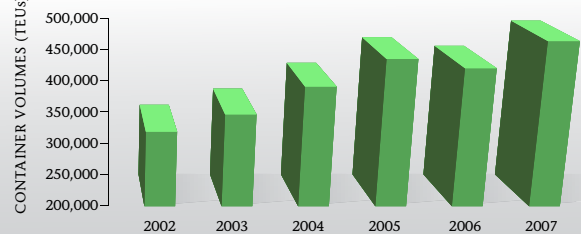
NET SURPLUS

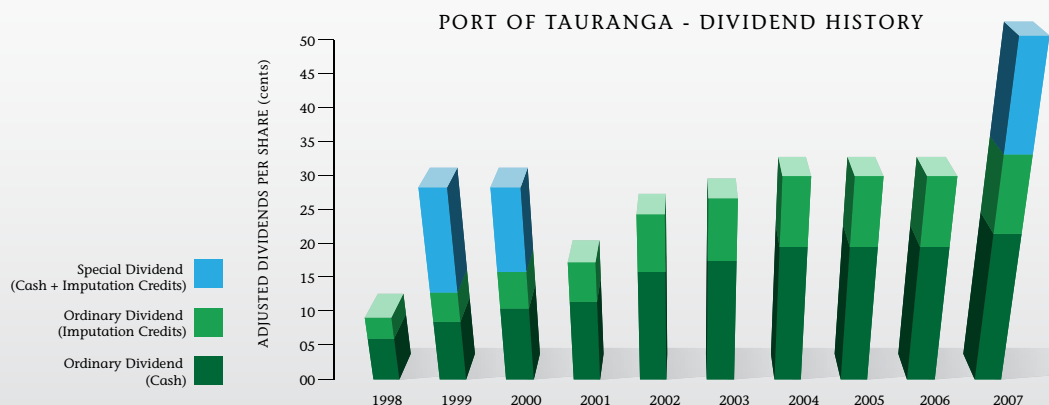


CARGO THROUGHPUT



CONTAINER VOLUMES





Financial Performance for the Year Ended 30 June 2007

Port of Tauranga announced a net profit for the year to 30 June 2007 of \$37.97 million - a 22.4% increase over the year to 30 June 2006. The 2007 result included abnormal items totalling \$0.87 million. Revenue increased 14.6% to \$140.30 million, while EBITDA improved by 14.1% to \$79.79 million.

The lift in earnings saw directors increase the final fully imputed dividend to 14 cents per ordinary share, bringing the total cash dividend to shareholders for the year to 30 June 2007 to 22 cents per ordinary share (all of which was fully imputed). This represented a 10% increase from the 2006 financial year. In addition, the Directors announced a fully imputed special dividend of 10 cents (cash) per ordinary share.

Port of Tauranga's financial statements for the year ended 30 June 2007 showed a debt to debt-plus-equity ratio of 22.7% and an interest cover ratio of 5 times (in each case prior to payment of the final and special dividend for the year ended 30 June 2007).

Total trade for the financial year was 12.647 million tonnes, an increase of 369,222 tonnes, or 3%, on the previous financial year. Container volumes increased 10% to 466,235 TEUs over the same period.

MetroPort, the inland container terminal in South Auckland operated by MetroBox Auckland Limited, the joint venture between Port of Tauranga and Toll NZ Consolidated Limited, was reported to have handled 138,000 TEUs in the year to 30 June 2007 - an increase of 16.4% over the previous year. Since its opening in 1999, MetroPort has allowed Port of Tauranga to grow its container volumes significantly, making Port of Tauranga New Zealand's largest port by volume.

General trading conditions were positive across the year to 30 June 2007, with a recovery in the forestry sector led by log exports increasing 5%, sawn timber exports increasing 16%, and paper products increasing 3%. Fertiliser base imports were also up 28%, along with palm kernel and grain imports which increased 11% on the previous financial year. Oil product imports grew by 6%. However dairy exports declined by 65,000 tonnes and coal imports fell by 20% as a result of the commissioning of the new E3P gas-fired turbine generation station. The total number of containers through the port in the year to 30 June 2007 was 466,235 TEUs, an increase of 10% on the previous year.*

* This information has been sourced from information released by Port of Tauranga to NZX.

In terms of efficiency, Port of Tauranga had an average net crane rate on container vessels of 33 moves per hour over the year to 30 June 2007, which it notes compares favourably with Australia's 5 port average of 27 moves per hour.

At the most recent annual general meeting of Port of Tauranga, the Chief Executive, Mark Cairns, remarked that Port of Tauranga's position as New Zealand's largest port by volume remains unchallenged. However, the primary goal is not necessarily to be New Zealand's largest port, but to ensure that the business invests for the long term to provide a sustainable platform for growth, whilst providing a reasonable return on shareholders' investment in Port of Tauranga.

Existing funding transaction linked to holding of shares in Port of Tauranga

Quayside Holdings' ability to pay Dividends depends on it receiving sufficient income – and, in particular, sufficient dividends on the A Units it holds in the Quayside Unit Trust, the principal asset of which is the approximately 55% shareholding in Port of Tauranga.

Quayside Holdings and Quayside Securities, the wholly owned subsidiary of Quayside Holdings that holds the ordinary shares in Port of Tauranga (as corporate trustee of the Quayside Unit Trust), are parties to an existing funding transaction that relates to the Port of Tauranga shares held by Quayside Securities, entered into in 1991 (the *Existing Transaction*).

Under the Existing Transaction, dividends and imputation credits paid by Port of Tauranga to Quayside Securities must first be applied to pay fully imputed dividends on B Units issued by the Quayside Unit Trust. Those B Units are held by Arawata Finance Limited (*Arawata*), a subsidiary of ANZ National Bank Limited (*ANZ*), and dividends are paid on them quarterly at a rate reset quarterly by reference to prevailing market rates.*

As at the date of this Investment Statement, Quayside Securities has performed all its payment obligations in respect of the Existing Transaction.

Arawata has subscribed for 5,348 \$10,000 "B Units" in the Quayside Unit Trust, in aggregate an investment of \$53,480,000 (Finance Amount). Under the Existing Transaction:

- dividends and imputation credits paid by Port of Tauranga to Quayside Securities (as trustee of the Quayside Unit Trust) must first be applied to pay those fully imputed dividends on the B Units;
- distributions from the Quayside Unit Trust may not be made to Quayside Holdings (in its capacity as the holder of the A Units) until all required distributions have been paid on the B Units;
- Quayside Holdings is not entitled to redeem its A Units (or the Council to redeem its C Units) until all the B Units have been redeemed (unless Arawata agrees otherwise);
- Arawata's B Units may be required to be redeemed in the event Quayside ceases to hold at least 50% of the Port of Tauranga shares or there is a change of effective control of Port of Tauranga; and
- if Quayside Securities (as trustee of the Quayside Unit Trust) fails to redeem the B Units in full when it is required to do so, or if the market value of Quayside Securities' shares in Port of Tauranga falls below an amount that is two times the amount Quayside Securities is required to repay on redemption of the B Units, Arawata is entitled to require the Council to purchase the B Units.

The scheduled date for the B Units to be redeemed is 30 September 2010, although the term of the B Units has previously been extended by mutual agreement of the parties and they are expected to remain on issue for the foreseeable future (including as the result of any further mutually agreed extensions, which the Quayside Group and the Council may agree to without the approval of, or notice to, Holders).

Additionally, if any of the Quayside Group were to fail to perform their respective obligations under the Existing Transaction or events were to occur that had a material adverse effect on their ability to meet their obligations, Arawata and/or ANZ would be entitled to enforce a mortgage granted to them by Quayside Securities (as trustee of the Quayside Unit Trust) over the 73,687,536 fully paid ordinary shares in Port of Tauranga and any dividends paid on those shares.**

For so long as the B Units are outstanding, Quayside Securities has agreed not to dispose of any of the ordinary shares it holds in Port of Tauranga. This covenant by Quayside Securities is given in favour of Arawata and ANZ. However, if Quayside Holdings ceased to be (directly or indirectly) the majority shareholder of Port of Tauranga, this would also trigger the right for the Put Option in respect of the Perpetual Preference Shares to be exercised on behalf of Holders (if sufficient Holders so directed).

* Neither ANZ National Bank Limited nor Arawata Finance Limited nor any of their respective related companies, directors, officers, employees or agents: (a) has been involved in the preparation of this Investment Statement or has made any statement in it; or (b) accepts any liability whatsoever for any loss arising from this Investment Statement or its contents or otherwise arising in connection with the offer of the Perpetual Preference Shares.

** Under the Existing Transaction, Quayside Securities would not be entitled to receive any dividends paid on Port of Tauranga shares after the occurrence of an enforcement event under the mortgage granted to Arawata and ANZ.

Summary Financial Information

The following unaudited tables present certain summary historical financial information for Quayside Holdings and the Council. This information should be read in conjunction with the audited consolidated financial statements for the Quayside Holdings Group and the consolidated prospective cash flow statement for the Quayside Group which are contained in the Prospectus.

Quayside Holdings Summary Consolidated Balance Sheet

	30/6/07 NZ IFRS \$000	30/6/06 NZ IFRS \$000
Current assets	34,186	31,499
Non-current assets	954,417	725,712
Total assets	988,603	757,211
Current liabilities	196,146	11,827
Non-current liabilities	105,752	300,570
Equity	686,705	444,814
Total equity and liabilities	988,603	757,211
Equity attributable to:		
Quayside Holdings Group	396,350	261,643
Minority Interest	290,355	183,171
NAV	686,705	444,814
Equity at 30 June 2007 restated as if the Perpetual Preference Shares were on issue on that date:		
Equity attributable to:		
Quayside Holdings Group		
Paid Up Capital:		
- Ordinary Shares	10	
- Redeemable Preference Shares	0	
- Perpetual Preference Shares	200,000	
Retained Earnings	-106,655	
Reserves	302,995	
	<u>396,350</u>	
Minority Interest	<u>290,355</u>	
NAV	686,705	

The Directors of Quayside Holdings note that the market capitalisation of Port of Tauranga on 24 January 2008 was \$814m, which was materially lower than its market capitalisation on 30 June 2007 of \$941m. As at the date of this Investment Statement the market capitalisation of Port of Tauranga remains materially lower than that at 30 June 2007.

Council Summary Consolidated Balance Sheet

	30/6/07 NZ IFRS \$000	30/6/06 NZ IFRS \$000
Current assets	80,190	78,345
Non-current assets	1,105,309	872,317
Total assets	1,185,499	950,662
Current liabilities	205,784	21,057
Non-current liabilities	106,231	301,237
Equity	873,484	628,368
Total equity and liabilities	1,185,499	950,662
Equity attributable to:		
The Council	583,129	445,199
Minority Interest	290,355	183,169
NAV	873,484	628,368



Exemptions

For the purposes of this Investment Statement and the Prospectus, Quayside Holdings and the Council have the benefit of the Securities Act (Quayside Holdings Limited) Exemption Notice 2008 and the Securities Act (NZX Issuers) Exemption Notice 2007.

The effect of the Securities Act (NZX Issuers) Exemption Notice 2007 is that although, for the purposes of the Securities Act, the Council is an “issuer” of the Perpetual Preference Shares, and has obligations as an issuer under the Securities Act and the Securities Regulations, this Investment Statement and the Prospectus are not required to contain information about the Council as an issuer of the Perpetual Preference Shares. A condition of this exemption is that the Prospectus must contain any information about the Council that is material in relation to the offer of the Perpetual Preference Shares (other than contracts entered into in the ordinary course of business).

The effect of the Securities Act (Quayside Holdings Limited) Exemption Notice 2008 is that, among other things, the Prospectus is not required to contain certain information about Port of Tauranga (or any of its subsidiaries) as members of the “issuing group”. Quayside Holdings will, within 5 days of receiving a request from a person to whom the Offer is made, send, or ensure that there is sent, to that person:

(a) a copy of the most recent audited financial statements of Port of Tauranga contained in Port of Tauranga’s most recent annual report that has been delivered to NZX; and

(b) a copy of the most recent interim financial statements of Port of Tauranga that have been delivered to NZX (if those interim financial statements are more recent than the most recent audited financial statements of Port of Tauranga).

Further, as required by the Securities Act (Quayside Holdings Limited) Exemption Notice 2008, Quayside Holdings has requested that Port of Tauranga provide to it information that Port of Tauranga considers should be disclosed pursuant to certain clauses of Schedule 1 to the Regulations. Information provided by Port of Tauranga in response to that request that would, but for the Securities Act (Quayside Holdings Limited) Exemption Notice 2008, be required to be contained in the Prospectus, is set out in the Prospectus.



Answers to Important Questions

What sort of investment is this?

The securities being offered are perpetual preference shares in Quayside Holdings.

- **Perpetual.** The Perpetual Preference Shares have no fixed term, and are not redeemable.
- **Dividends.** Holders of Perpetual Preference Shares are intended to receive Dividends which are fully imputed (or “grossed up” to the extent they are not fully imputed), quarterly in arrears.

Quayside Holdings is not obliged to pay Dividends. But if a Dividend is not paid on a Dividend Payment Date (or, if it is not a Business Day, the following Business Day):

- it is intended that Quayside Holdings also pay interest on the unpaid amount at a rate 3% per annum above one month bank bill rate;
- while Dividends remain unpaid, Quayside Holdings may not pay dividends or other distributions on its Uncalled Capital, its Ordinary Shares or any other shares which rank behind the Perpetual Preference Shares; and
- the Administrative Agent will be obliged (on receipt of notice) to exercise the Put Option and require the Council to acquire all Perpetual Preference Shares if a Dividend is not paid within 5 Business Days of a Dividend Payment Date.

More details on Dividends are set out on pages 37 to 38 under the heading “What returns will I get?”

- **Rights in liquidation.** On a liquidation of Quayside Holdings, the Holder of a Perpetual Preference Share will be entitled to receive the Liquidation Preference in priority to the holders of its Uncalled Capital, its Ordinary Shares and any other shares ranking behind the Perpetual Preference Shares. However, in the event of a liquidation of Quayside Holdings the Put Option will be exercised (if it has not already been exercised prior to the liquidation (which is the more likely event)), and Holders will accordingly be entitled to receive the Put Option Exercise Price. More details on the rights of Holders on a liquidation of Quayside Holdings are set out on page 39 under the heading “What returns will I get?”
- **Non-voting.** Holders of Perpetual Preference Shares will not be entitled to receive notice of, attend, vote or speak at any meetings of Quayside Holdings (or its shareholders), but will be entitled to attend any meetings of, and vote on any resolutions of, Holders (for example, in relation to exercise of the Put Option, or as required by the Companies Act in relation to any action affecting the rights attached to Perpetual Preference Shares held by members of any “interest group” of Holders).

- **Call Option.** The Council may, at any time after 12 March 2010 (or earlier if there is a Change in Relevant Regulation), call all or part (pro rata across all Holders, and if in part, subject to a minimum number of Perpetual Preference Shares left uncalled) of the Perpetual Preference Shares. More details on the Call Option are set out on page 38 under the heading “What returns will I get?”
- **Put Option.** In certain circumstances (including Quayside Holdings becoming insolvent, electing not to pay a Dividend or ceasing to have a majority shareholding (directly or indirectly) in Port of Tauranga), the Put Option will be triggered. Depending on the event which has triggered the Put Option, the Administrative Agent will either be automatically required (on receipt of notice), or may by a Special Resolution of Holders (or by Special Approval Notice) be required, on behalf of all Holders of Perpetual Preference Shares, to require the Council to purchase all the Perpetual Preference Shares. More details on the Put Option are set out on page 39 under the heading “What returns will I get?”
- **Transferability.** Perpetual Preference Shares are transferable as provided in Conditions 19(a) and (b) of the Conditions. Condition 19(a) requires transfers to generally be in multiples of 1,000 and not to result in the transferor having less than a Minimum Holding. Condition 19(b) provides that, if the Put Option or Call Option is exercised, the Perpetual Preference Shares may not be transferred after the Record Date relating to that exercise, except to the Council or its nominee and, in the case of the exercise of the Call Option made in respect of fewer than all the Perpetual Preference Shares, except to the extent that the Holder retains at least the number of Perpetual Preference Shares that Holder is required to transfer to the Council (or its nominee) on the Transfer Date.

- **Future Issues.** Quayside Holdings may issue further securities (including further perpetual preference shares) ranking equally with, or behind, the Perpetual Preference Shares without the consent of any Holder. However, it may not issue any other shares ranking in priority to the Perpetual Preference Shares as to distributions without the approval of the Holders by way of a Special Resolution or pursuant to a Special Approval Notice.

The above is a simplified overview of some of the rights and obligations of Holders of Perpetual Preference Shares. The full terms and conditions of the Perpetual Preference Shares, and the Options Deed relating to the Put Option and the Call Option, are set out on pages 48 to 63 and 64 to 74 respectively.

Who is involved in providing it for me?

The original allotter and issuer of the Perpetual Preference Shares is Quayside Holdings Limited. Quayside Holdings is a wholly owned subsidiary of the Council. The registered office of Quayside Holdings is c/- Quay Accountants Limited, 156 The Strand, Whakatane.

The Offeror of the Perpetual Preference Shares is the Council. The address of the Council is 5 Quay Street, Whakatane.

Under the Securities Act, Quayside Holdings and the Council are both “issuers” of the Perpetual Preference Shares, and both of them have obligations as “issuers” under the Securities Act and the Securities Regulations.

Quayside Holdings was incorporated in 1991. It (and other members of the Quayside Group) conduct commercial investment activities (including property investment, investment in listed securities in New Zealand and overseas, and managing the Council’s (indirect) shareholding in Port of Tauranga) and regional funding activities.

The Council is the regional council for the Bay of Plenty region, constituted under the Local Government (Bay of Plenty Region) Reorganisation Order 1989. Its activities involve regional environmental management, regional infrastructure management, and the other functions of a regional council under that Act.

How much do I pay?

The Price of each Perpetual Preference Share is \$1.00, which must be paid in full to the Council by each Applicant at the time of Application.

Applications must be for a minimum of 5,000 Perpetual Preference Shares (\$5,000) and thereafter in multiples of 1,000 Perpetual Preference Shares (\$1,000).

Applications must be made on the Application Form.

Applicants accepting a Firm Allocation through an NZX Firm or approved financial intermediary need to return the Application Form to that NZX Firm or approved financial intermediary in time for it to be forwarded to and received by the Registrar before 5.00 pm on the Closing Date.

Applications other than for Firm Allocations must be sent or delivered (so as to be received before 5:00pm on the Closing Date) to:

Bay of Plenty Regional Council
Perpetual Preference Share Offer
c/ Computershare Investor Services Limited
Level 2, 159 Hurstmere Road, Takapuna
Private Bag 92119, North Shore City 0622
Auckland 1142

Applicants (other than in respect of Firm Allocations) may also deliver their Application Forms to any NZX Firm and the Joint Lead Managers or any other channel approved by NZX in sufficient time for the Application Form to be forwarded to and received by the Registrar before 5.00pm on the Closing Date.

The Price for each Perpetual Preference Share applied for in an Application Form must be paid in full on application. Payment in respect of any Application for 500,000 or more Perpetual Preference Shares must be made by direct credit, bank cheque or through the Austraclear System, and as described in the Application Form. Cheques must be made payable to “Bay of Plenty Regional Council – Perpetual Preference Share Offer”, must be crossed “Not Transferable” and must be for immediate value. If a cheque is dishonoured, the Council may pursue any remedies available at law.

Full instructions on how to apply for Perpetual Preference Shares are set out in this Investment Statement.

What are the charges?

Investors are not required to pay any charges to the Council, Quayside Holdings or any associated person of either of them in relation to the Offer, and none of those people have any practices in relation to charges that will or may affect the returns to Holders of Perpetual Preference Shares.

Holders may be required to pay brokerage and associated charges if they sell their Perpetual Preference Shares or purchase additional Perpetual Preference Shares after the Offer.

Primary Market Participants and approved financial intermediaries will be paid a brokerage fee of 1.25% of the Price in respect of each Perpetual Preference Share allocated pursuant to a valid Application submitted by an investor as part of a Firm Allocation.

Primary Market Participants and approved financial intermediaries will be paid a brokerage fee of 0.85% of the Price in respect of each Perpetual Preference Share allocated pursuant to a valid Application submitted by an investor bearing their stamp but not allocated as part of a Firm Allocation, if any.

All expenses and brokerage fees will be paid by the Council.

Details of the expenses incurred in respect of the Offer and payable by the Council are set out under the heading “Preliminary and Issue Expenses” in the section entitled “Statutory Information” on page 142 of the Prospectus.

What returns will I get?

General

Application monies will be deposited into a trust account in accordance with the Securities Act until the Allotment Date. Each successful Applicant will be entitled to the interest which accrues on the funds paid by them while in that account up to (but not including) the Allotment Date (except in respect of any such funds which are refunded as a result of an Application not being accepted in full). That interest will accrue daily, at the Official Cash Rate, and will be paid (less any withholding tax required to be deducted) within 5 Business Days after the Allotment Date.

The returns to a Holder from a Perpetual Preference Share will be a combination of:

- the cash and imputation credit components of any Dividends paid on the Perpetual Preference Share - including any amounts paid to “gross up” the cash component of any of those Dividends which do not have imputation credits attached to the maximum extent and any amounts of “interest” paid in respect of any Dividends which are not paid on the applicable Dividend Payment Dates; and
- either:
 - the price the Holder receives if the Holder chooses to sell the Perpetual Preference Share (or it is compulsorily sold by Quayside Holdings under its powers to sell holdings which are smaller than the Minimum Holding); or
 - the amount received if the Council repurchases the Perpetual Preference Share under the Put Option or the Call Option; or
 - any amounts paid in respect of the Perpetual Preference Share in the event of the liquidation of Quayside Holdings (although it is likely that the Put Option will have already been exercised prior to the time of any liquidation of Quayside Holdings).

Dividends

Dividend amounts and payment dates

Although Quayside Holdings is not obliged to pay any Dividend, it is intended to pay Dividends quarterly from 12 June 2008 at a fixed rate which is reset on 12 March 2011 and every 3 years thereafter by reference to the Benchmark Rate.

The amount of each Dividend intended to be paid in respect of each Perpetual Preference Share for each Dividend Period will be the amount calculated in accordance with the following formula:

$$P \times (BR + M) \times (1 - TR) \times 0.25$$

For these purposes:

- a Dividend Period is -
 - the period from the Allotment Date to (but excluding) the first Dividend Payment Date (12 June 2008), and
 - each successive period from (and including) a Dividend Payment Date to (but excluding) the next Dividend Payment Date (the Dividend Payment Dates being -
 - each 12 June, 12 September, 12 December and 12 March or, if any such day is not a Business Day, then the next Business Day, and
 - if Quayside Holdings elects to pay a Dividend prior to and in anticipation of the transfer of all the Perpetual Preference Shares following the exercise of the Put Option, the date the Perpetual Preference Shares are to be transferred to the Council)
- “P” is \$1.00.
- “BR” is the applicable Benchmark Rate, expressed as a decimal - the Benchmark Rate being:
 - (a) in respect of each Dividend Period commencing prior to the first Dividend Rate Reset Date, the Three Year Swap Rate on the Allotment Date; and
 - (b) in respect of each Dividend Period commencing on a Dividend Rate Reset Date, the Three Year Swap Rate on that date; and
 - (c) in respect of each other Dividend Period, the Three Year Swap Rate on the immediately preceding Dividend Rate Reset Date.
- “M” is the Margin, expressed as a decimal - being the margin fixed prior to the Opening Date and subsequently publicly announced on the margin determination date (11 February 2008) by the Council and Quayside Holdings as the Margin (which will not change).
- “TR” is the Rate of Corporate Tax applicable to that Dividend Period, expressed as a decimal, except that, in respect of any Dividend Period that ends on or prior to 31 March 2010, “TR” shall be the Old Company Tax Rate until such time as credit balances in Quayside Holdings’ imputation credit account that arose from amounts debited or credited using the Old Company Tax Rate have been utilised.

However:

- if $(BR + M)$ is less than the Initial Minimum Rate (expressed as a decimal) then, for each Dividend Period commencing before 12 March 2011, $(BR + M)$ shall

be deemed to be equal to the Initial Minimum Rate expressed as a decimal, and

- in the event that the Put Option is exercised, and Quayside Holdings elects to pay a Dividend prior to and in anticipation of the transfer of all the Perpetual Preference Shares following the exercise of the Put Option, the formula used to calculate the Dividend will be adjusted (pro rata) to reflect the shorter Dividend Period to which that Dividend relates.

If the Put Option is exercised and the relevant Transfer Date is not otherwise a Dividend Payment Date, and Quayside Holdings has not elected to pay a Dividend prior to and in anticipation of the transfer of all the Perpetual Preference Shares following the exercise of the Put Option, the Put Option Exercise Price will include an amount representing a return on the Perpetual Preference Shares at the prevailing Dividend Rate from (and including) the last Dividend Payment Date to (but excluding) the Transfer Date (as described on page 39 under the heading *Put Option*).

Imputation credits

It is intended that the cash component of the Dividends be imputed at a rate which reflects the prevailing rate of corporate tax (currently 33%, and 30% from 1 July 2008). The cash component of Dividends paid between 1 July 2008 and 31 March 2010 can be imputed at a rate which represents a “blend” of the 33% and 30% corporate tax rates (reflecting the extent to which, after the 30% corporate tax rate takes effect, Quayside Holdings’ imputation credit account reflects amounts earned while the corporate tax rate was 33%). It is also intended that, if the cash component of any Dividend is not fully imputed, Quayside Holdings will “gross up” the amount of the Dividend to compensate for the imputation credit shortfall.

“Interest” on unpaid Dividends

To the extent that a Dividend is not paid on a Dividend Payment Date, it is intended that Quayside Holdings also pay “interest” on the unpaid amount, at a rate equivalent to the one month bank bill rate plus 3% per annum. It is intended that such amounts be paid at the end of each month and compound monthly to the extent not paid, and that such “interest” payments may be made partially in cash and partially by way of attached imputation credits.

Call and Put Options

Administrative Agent

Under the Conditions of the Perpetual Preference Shares, Quayside Holdings is required to maintain the appointment of an Administrative Agent to act for Holders of Perpetual Preference Shares in relation to the Call Option

and the Put Option. The current Administrative Agent – The New Zealand Guardian Trust Company Limited – has, in accordance with the Conditions, entered into the Options Deed with Quayside Holdings and the Council.*

Call Option

The Council may, at any time from the date that is 2 years after the Allotment Date – or earlier if there is a Change in Relevant Regulation (as defined in the Conditions) – call all or part (pro rata across all Holders) of the Perpetual Preference Shares by giving at least 60 days’ prior notice to Quayside Holdings and the Administrative Agent. If the Council elects to call only some of the Perpetual Preference Shares, it may only do so to the extent that the number of Perpetual Preference Shares held by Holders other than the Council after the relevant Transfer Date (the date for acquisition of Perpetual Preference Shares under the Call Option) is at least 100 million. The Transfer Date must be a Dividend Payment Date and it is a condition of an NZX waiver decision in relation to Listing Rule 11.1.1 (relating to the restrictions on transfer of the Perpetual Preference Shares) that the Transfer Date must not be more than 10 days after the Record Date.

The purchase price payable by the Council under the Call Option for each Perpetual Preference Share shall be the greater of:

- \$1.00 plus any Unpaid Amount – “Unpaid Amount” being essentially the aggregate amount of Dividends intended to be paid on each Dividend Payment Date but not yet paid (including the Dividend payable on the Transfer Date), grossed up to reflect any imputation credit shortfall, plus any “interest” (calculated as set out under “Interest” on Unpaid Dividends above); and
- an amount determined by the Council as representing:
 - the volume weighted average sale price of Perpetual Preference Shares on NZX during the 10 Business Days preceding (but not including) the date on which the Council issues a notice of call (adjusted if necessary to reflect any Dividend Record Date occurring within the 10 Business Day period); or
 - where the Perpetual Preference Shares have not been traded on NZX on more than 5 of those 10 Business Days, the amount determined by an independent, reputable expert selected by the Council, in consultation with the Administrative Agent, to be a fair market price for such Perpetual Preference Shares,

provided that, if the Call Option is exercised following a determination that there is or will be a Change in Relevant Regulation, the exercise price shall be the amount determined in accordance with the first bullet point above.

* Neither The New Zealand Guardian Trust Company Limited nor any of its directors, officers or employees have been involved in the preparation of this Investment Statement or accept any liability for its contents (other than in respect of the Options Deed).

Put Option

The Put Option is exercisable if any of the following occurs:

1. Quayside Holdings ceases to carry on business or operations, is unable to pay its debts as they fall due, becomes insolvent or is the subject of certain other dissolution, liquidation, receivership, administration or insolvency-related events, circumstances or actions; or
2. Quayside Holdings fails to pay the cash component of a Dividend (or certain other amounts under the Conditions) in full within 5 Business Days of a Dividend Payment Date (or relevant other payment date); or
3. Quayside Holdings elects not to pay a Dividend on a Dividend Payment Date; or
4. Quayside Holdings ceases to have a majority shareholding (directly or indirectly) in Port of Tauranga; or
5. the liability to Quayside Holdings of the holder/s of its Uncalled Capital is reduced (other than by payment to Quayside Holdings of any amount called by it).

If an event or circumstance referred to in 1, 2 or 3 above occurs or arises, the Council and Quayside Holdings must give notice to the Administrative Agent, who must then, on behalf of all the Holders of the Perpetual Preference Shares, require the Council to repurchase all the Perpetual Preference Shares from the Holders. If an event referred to in 4 or 5 above occurs, the Council and Quayside Holdings must give notice to the Administrative Agent who must then convene a meeting of all Holders of Perpetual Preference Shares (or seek direction from them by Special Approval Notice) and, if instructed to do so by Special Resolution (or a Special Approval Notice), on behalf of all the Holders of the Perpetual Preference Shares require the Council to repurchase all the Perpetual Preference Shares from the Holders. Where the Council or any entity controlled by it is a Holder, that Holder shall not be entitled to vote on any Special Resolution or sign any Special Approval Notice concerning exercise or non-exercise of the Put Option.

The purchase price payable by the Council under the Put Option for each Perpetual Preference Share is \$1.00 plus any "Unpaid Amount" and (unless Quayside Holdings elects to pay a Dividend prior to and in anticipation of the transfer of all the Perpetual Preference Shares following the exercise of the Put Option) plus an amount representing a return on that Perpetual Preference Share at the prevailing Dividend Rate from (and including) the last Dividend Payment Date to (but excluding) the Transfer Date (as described on page 11 above in the section entitled *Put Option*).

Liquidation

On a liquidation of Quayside Holdings, a Perpetual Preference Share will entitle its Holder to receive the Liquidation Preference in priority to the holders of Quayside Holdings' Uncalled Capital, its Ordinary Shares and any other shares ranking behind the Perpetual Preference Shares. The Liquidation Preference is the sum of \$1.00 and any "Unpaid Amount" (as described on page 38 above under the heading *Call Option*) plus an amount representing a return on that Perpetual Preference Share at the prevailing Dividend Rate from (and including) the last Dividend Payment Date to the date of commencement of the liquidation.

However, in the event of a liquidation of Quayside Holdings, the Put Option will be exercised (if it has not already been exercised prior to the liquidation, which is the more likely event), and Holders (other than the Council) will accordingly be entitled to receive from the Council the Put Option Exercise Price, so that only the Council will be entitled to the Liquidation Preference (unless for some reason the Put Option is not exercised - for example, because Holders have agreed to a change in the terms of the Put Option so that it is not then exercisable).

Key factors that determine returns

The key factors that determine returns for a Holder on Perpetual Preference Shares are:

- the price at which the Holder acquires those Perpetual Preference Shares (\$1.00 for all Perpetual Preference Shares acquired under the Offer);
- the Benchmark Rate - which, as described above, will be determined on the Allotment Date, and will then be re-determined on 12 March 2011 (and every 3 years thereafter);
- the Initial Minimum Rate, but only if it is greater than the Benchmark Rate on the Allotment Date plus the Margin;
- whether Quayside Holdings elects to pay Dividends on each Dividend Payment Date in accordance with the Conditions (and, if so, the extent to which the cash component of a Dividend has imputation credits attached);
- whether (and, if so, when) there is a Change in Relevant Regulation as a result of which the Council decides to exercise the Call Option;
- whether (and, if so, when) the Council decides at any time after 12 March 2010 to exercise the Call Option for a reason other than a Change in Relevant Regulation;

- whether (and, if so, when) there arises any circumstance under which the Put Option is exercisable (as summarised on page 39 above under the heading Put Option) and, where relevant, whether the Holders of Perpetual Preference Shares decide by Special Resolution (or Special Approval Notice) that it be exercised;
- the market price of the Perpetual Preference Shares at any time at which the Holder voluntarily sells them (or, if they are sold pursuant to the Call Option (except where it has been exercised following a Change in Relevant Regulation) in the relevant period prior to the Council's exercise of the Call Option);
- if Perpetual Preference Shares are sold pursuant to the Call Option in circumstances where the price payable by the Council is determined by an independent expert (as described on page 38 above), that independent expert's determination of the fair market price for Perpetual Preference Shares;
- the financial performance of Quayside Holdings (which is in turn heavily dependent on the financial performance of Port of Tauranga and the level of dividends paid by Port of Tauranga);
- the performance by Quayside Holdings of its obligations as issuer of the Perpetual Preference Shares (including compliance with the Conditions of the Perpetual Preference Shares as they relate to payment of fully imputed Dividends);
- the Holder's individual circumstances for taxation purposes.

The information set out in this section should be read in conjunction with the information set out under the heading "What are my risks?" on pages 41 to 45. In particular, the factors described in that section could result in Dividends not being paid on Perpetual Preference Shares, meaning that the Put Option becomes exercisable.

Liability for returns

Quayside Holdings is not obliged to pay any Dividends (or associated "interest" or other amounts) to Holders of Perpetual Preference Shares, or to attach any imputation credits to the cash component of any Dividends.

The Council is obliged to pay the relevant Call Option price or the Put Option price (as described above) if the Call Option or Put Option (respectively) is exercised.

No amount of returns, quantifiable as at the date of this Investment Statement, is or has been promised by any person.

Taxes

New Zealand taxes may affect the return to Holders of Perpetual Preference Shares. Dividends will be subject to New Zealand withholding and final taxes, but the Holder's liability in respect of such taxes may be reduced or satisfied to the extent that the cash components of the Dividends have imputation credits attached. In addition, gains on the sale of Perpetual Preference Shares may be taxable to some Holders. If any Holder is resident for tax purposes in a jurisdiction other than New Zealand, the tax laws of that jurisdiction may also affect that Holder's return.

A general outline of taxation consequences for New Zealand residents (for tax purposes) of investing in Perpetual Preference Shares is set out on pages 19 to 21. That discussion is in general terms and is not intended to provide specific advice addressing the circumstances of any particular prospective investor. Prospective investors should seek independent advice concerning their own individual taxation positions.

No reserves or retentions will affect the return to Holders of Perpetual Preference Shares.

Persons legally liable to pay

Quayside Holdings is not obliged to pay any Dividends (or associated "interest" or other amounts) to Holders of Perpetual Preference Shares, or to attach any imputation credits to the cash component of any Dividends, but is the person which will make any such payments which are made. Where a Holder sells any Perpetual Preference Shares, the purchaser of those Perpetual Preference Shares will be legally liable to pay that Holder the sale price of those Perpetual Preference Shares. If the Perpetual Preference Shares are repurchased under the Put Option or the Call Option, the Council is the person legally liable to pay the Holders the applicable purchase price for those Perpetual Preference Shares.

Withholding of option payments by Council

If the Council is aware that any Perpetual Preference Share acquired by it under the Call Option or Put Option is subject to any Third Party Interest, it may decline to make payment (in whole or in part) of the option price for that Perpetual Preference Share unless and until, acting reasonably, it is satisfied that such Third Party Interest has finally terminated, expired, become invalid or unenforceable, or otherwise been removed or discharged.

What are my risks?

Under the terms of this Offer there is no risk that Holders will be required to pay more money than the Price in respect of a Perpetual Preference Share. However, there are risks to Holders that the money they pay for Perpetual Preference Shares will not be recovered and that they may not receive the returns referred to on pages 37 to 40 under the heading “What returns will I get?”.

Non payment of Dividends

Although it is intended that Quayside Holdings will pay Dividends as described on pages 37 to 38 above under the heading “What returns will I get?”, Quayside Holdings is not required to do so (or to pay any amount of “interest” or other amounts in respect of Dividends not paid). Moreover, it is possible that Quayside Holdings could become unable to pay Dividends.

PORT OF TAURANGA

Quayside Holdings’ ability to pay Dividends depends on it receiving sufficient income – and, in particular, sufficient dividends on the A Units it holds in the Quayside Unit Trust, the principal asset of which is the approximately 55% shareholding in Port of Tauranga.

As more fully described on page 30, the Quayside Unit Trust owes obligations to Arawata under the Existing Transaction, and those obligations must be satisfied before a dividend may be paid to Quayside Holdings on the A Units.

Port of Tauranga’s long-term profitability and ability to pay dividends to its shareholders is dependant on the efficient use of its capital and assets, and is therefore potentially exposed to a number of market and operational risks. Port of Tauranga’s business and financial performance may affect its credit quality and hence the value of the Perpetual Preference Shares themselves. Set out below are some risks associated with an investment in Port of Tauranga generally.

Competition

The port business is very competitive and expected to remain so, in particular the competition between Port of Tauranga and Ports of Auckland Limited. It is possible that Port of Tauranga may not win renewal of its existing contracts nor win additional contracts with its existing or potential customers. In the case where Port of Tauranga is unable to retain customers and/or unable to win additional customers to replace those not retained, its revenue may be reduced.

The majority of New Zealand’s 13 ports are currently competing in the international container area. As a result of this level of competition, market commentary suggests

that consolidation is inevitable in the port sector in order to sustain long-term profitability. However, given the ownership structure of New Zealand’s ports, there is a risk that the current local government shareholders may prioritise perceived local interests, acting to limit any rationalisation, with a potentially detrimental impact on profitability across all ports. The key risk to Port of Tauranga in respect of sector consolidation is that other ports may consolidate in circumstances where Port of Tauranga itself does not. This could negatively impact on Port of Tauranga’s market share.

Key issues affecting the competitive environment for New Zealand ports generally include:

- increasing size of ships as shipping lines maximise efficiencies and economies of scale. Large container vessels work to increasingly tight timetables, requiring high levels of port efficiency. There is a risk of loss of business if those vessels cannot be accommodated, both in terms of service levels and wharf/channel requirements; and
- increased containerisation of cargos, which requires ports to adopt container driven businesses.

Loss of key personnel

Port of Tauranga’s performance is dependent on certain key personnel. The loss of key employees or the inability to retain or replace these employees could have an adverse effect on the company.

Market conditions

Cargo volumes, TEUs and ship departures significantly influence port operations. The volume of forestry-related and agricultural exports is heavily impacted by factors outside the control of Port of Tauranga, such as global market demand for New Zealand products in these sectors and exchange rate fluctuations. As New Zealand is a long way from its export markets, and many export commodities have relatively low unit values, the cost of transport is of greater importance to New Zealand than many countries. In addition, any significant decline in container volumes will impact negatively on Port of Tauranga’s operating revenue. There may also be a decline in world trade as a consequence of economic downturn and/or protectionism. This may lead to a slow down in New Zealand’s export volumes.

Industry issues/trends/changes

The operations of Port of Tauranga are exposed to business risks such as increasing fuel and interest costs, exchange rate volatility and other factors that impact on the transport of freight.

There is also the risk of industrial disputes exposing Port of Tauranga to a potential significant financial cost. Repeated or prolonged interruption may result in breach of contracts with customers. Moreover any loss from such events may not be recoverable under relevant insurance policies. Business interruption insurance is not always available, or economic, to protect the business from these risks.

In addition there are risks of unplanned interruptions caused by significant catastrophic events such as earthquakes, fire, channel blockage, major plant breakdown or terrorism. It is also possible that exceptional events could occur, outside of Port of Tauranga's control, which directly affect Port of Tauranga, or affect its customers or suppliers.

Regulatory environment

Port of Tauranga is subject to extensive regulation and regulatory consents for some parts of its business. In particular, port operations are subject to a significant amount of environmental legislation, including acts such as the Foreshore and Seabed Act 2004 and the Resource Management Act 1991. Port of Tauranga is also subject to environmental restrictions included in local authority regulation such as the District Plan. New laws or regulations or changes in the enforcement of existing laws or regulations applicable to Port of Tauranga (or its customers) may also adversely affect business performance.

Port of Tauranga requires certain permits, licenses and consents in order to operate its business. The conditions and costs of those may be changed on renewal or, in some cases, they may not be renewed at all – for example, due to unforeseen circumstances or a subsequent change in regulations. Renewal on new conditions, or non-renewal, could have a material adverse effect on Port of Tauranga's financial performance.

Foreign exchange

An appreciating New Zealand dollar may reduce cargo export volumes going through the port as New Zealand's exports become less competitive. Similarly, a depreciating New Zealand dollar may reduce import volumes going through the port.

Tax

Any change to the current rate of company tax may impact on financial performance and cash flows.

Insurance

Port of Tauranga has insurance, which it believes to be commensurate with industry standards and adequate having regard to the business activities of the company. However, there is always a risk that the level of insurance cover will be insufficient to meet a very large claim or a number of large claims.

Dividend Policy

Port of Tauranga's stated current dividend policy is to steadily increase dividends year on year consistent with its performance. There is a risk that this policy could change.

There is also a risk that the level of dividends paid by Port of Tauranga falls relative to the amount required to fund the payment of Dividends on the Perpetual Preference Shares from time to time. For example, the level of dividends paid by Port of Tauranga may remain static, but the Benchmark Rate on a Dividend Rate Reset Date may be significantly higher than the Benchmark Rate on the Allotment Date or an earlier Dividend Rate Reset Date. This may reduce Quayside Holdings' ability to pay Dividends.

Description of risks

The list of business and other risks relating to Port of Tauranga described above is not exhaustive. No assurance as to the future level of profitability, performance or dividend payments of Port of Tauranga can be provided to investors by Quayside Holdings or the Council.

OTHER INVESTMENTS OF THE QUAYSIDE GROUP

Quayside Holdings' willingness or ability to pay Dividends may also be adversely affected by aspects of its financial performance and position which result from its investments and activities (and those of the other members of the Quayside Group) other than those relating to Port of Tauranga – and, in particular, any loss of, or reduction of profitability of, those investments. Some of the factors which could give rise to this are:

- A general collapse in equity markets, leading to a major fall in the value of, and income flow from, the Quayside Group's equity investments.
- Poor investment returns on Quayside Group's investment portfolio that coincide with a significant reduction in the level of dividends paid by Port of Tauranga, such that Quayside Holdings is no longer able to pay Dividends. The Quayside Group mitigates this risk by maintaining a diversified investment portfolio (in addition to the Port of Tauranga shares), and engaging investment managers and advisers to provide professional advice in relation to the management of its investment portfolio.

LEGAL AND REGULATORY ENVIRONMENT

Quayside Holdings is exposed to government and local authority policies and laws, as well as the general law. Changes in law could adversely affect its willingness or ability to pay Dividends - in particular, a change in law that affects Quayside Holdings' ability to attach imputation credits to the cash component of Dividends. A Change in Relevant Regulation, which would be likely to include a change in law of this nature, would give the Council the right to exercise the Call Option.

On 26 October 2007, the Minister of Revenue, Hon. Peter Dunne, announced the Government's tax policy work programme for the next 12 months. The programme will include a review of the imputation rules, and a discussion document containing proposals is expected to be issued for consultation in the first part of 2008. Any resulting legislative changes are not expected to take effect until after 1 April 2009. As outlined above, the Council may exercise the Call Option if there is a Change in Relevant Regulation - for example, if Quayside Holdings is no longer permitted to attach imputation credits to the cash component of Dividends paid.

OTHER FACTORS

Quayside Holdings' willingness or ability to pay Dividends may also be affected by other factors, such as a decision that Quayside Holdings or other members of the Quayside Group should liquidate their investment portfolios. To the extent that such a decision might relate to the Port of Tauranga shares held by Quayside Securities, it is current Council policy to retain those shares, and public consultation would be required in respect of a decision to dispose of those shares. The Port of Tauranga shares are also subject to a mortgage in favour of ANZ, so its consent to disposal would also be required.

Further, it is also possible that in the event the Existing Transaction has expired or been terminated (or if ANZ and Arawata consent), Quayside Securities (as trustee of the Quayside Unit Trust) could distribute some or all of the assets of the Quayside Unit Trust (including the shares in Port of Tauranga) to the Council (as holder of the C units). Depending on the extent of such distribution, this could adversely impact Quayside Holdings' ability to pay Dividends.

Redemption of the redeemable preference shares the Council holds in Quayside Holdings would reduce Quayside Holdings' capital. If those redeemable preference shares (which currently constitute the Uncalled Capital) were paid up in full and a holder subsequently gave notice of redemption, Quayside Holdings would be obliged to redeem them and pay an aggregate redemption amount equal to the amount paid for those shares and, potentially, a dividend amount. This would not trigger the Put Option.

FUTURE SHARE ISSUES

Quayside Holdings may:

- without the consent of any Holder, issue further shares ranking equally with or behind Perpetual Preference Shares; and
- with the approval of a Special Resolution or Special Approval Notice, issue further shares ranking ahead of Perpetual Preference Shares.

An issue by Quayside Holdings of shares ranking ahead of or equally with Perpetual Preference Shares may, depending on what Quayside Holdings does with the funds raised and the terms of those other shares, adversely impact on Quayside Holdings' willingness or ability to pay Dividends of the full amount on the Perpetual Preference Shares.

CONSEQUENCE OF NON PAYMENT OF DIVIDENDS

As explained in relation to the Put Option on page 39 above (under the heading "What returns will I get?"), non payment of the cash component of a Dividend (and certain other amounts contemplated by the Conditions) will result in the Administrative Agent (on receipt of notice) exercising the Put Option, in which case Holders would be entitled to receive \$1.00 plus any Unpaid Amount plus (unless Quayside Holdings has elected to pay a Dividend prior to and in anticipation of the transfer of all the Perpetual Preference Shares following the exercise of the Put Option) an amount representing a return on their Perpetual Preference Shares at the prevailing Dividend Rate from (and including) the last Dividend Payment Date to (but excluding) the Transfer Date. However, from the Transfer Date they would no longer have any entitlement to further Dividends.

Put Option trigger events

A number of the factors noted above which could result in Quayside Holdings being unwilling or unable to pay a Dividend could conceivably give rise to other circumstances under which the Put Option would be exercisable, such as the insolvency of Quayside Holdings.

In addition, the Put Option could become exercisable if Quayside Holdings ceases to have a majority shareholding (directly or indirectly) in Port of Tauranga or if the liability to it of the holder/s of its Uncalled Capital is reduced (other than by payment of calls). Quayside Holdings has no present intention of reducing its (indirect) majority shareholding in Port of Tauranga or reducing the liability to it of holders of Uncalled Capital. However, its (indirect) majority shareholding in Port of Tauranga could be lost as a result of actions outside its control, such as a non pro rata share issue by Port of Tauranga.

If the Administrative Agent exercised the Put Option, Holders would be entitled to receive \$1.00 plus any Unpaid Amount plus (unless Quayside Holdings has elected to pay a Dividend prior to and in anticipation of the transfer of all the Perpetual Preference Shares following the exercise of the Put Option) an amount representing a return on their Perpetual Preference Shares at the prevailing Dividend Rate from (and including) the last Dividend Payment Date to (but excluding) the Transfer Date but, from the Transfer Date, would no longer have any entitlement to further Dividends.

Call Option trigger events

The Council may exercise the Call Option on or before 12 March 2010 if there is a Change in Relevant Regulation, and thereafter for any reason. A Change in Relevant Regulation includes the withdrawal or negation of the private binding ruling issued by the Commissioner of Inland Revenue to Quayside Holdings and the Council in respect of the Perpetual Preference Shares. As is usual with private binding rulings, this ruling may cease to apply if the arrangement is materially different to the arrangement identified in the ruling. The ruling is also subject to a number of conditions. For example, the ruling may cease to apply if the proceeds of the Offer are utilised in a manner other than that described on page 10 above, or if there is a significant change in the Quayside Group's majority shareholding in Port of Tauranga or if Port of Tauranga merges with Ports of Auckland Limited. However, neither the Council nor Quayside Holdings have any current knowledge of, or intention to effect, any such utilisation or ownership change, and do not believe that the ruling is likely to cease to apply before 12 March 2010 for any other reason.

The Council does not have any current intention of exercising the Call Option, but cannot guarantee that this will always remain the case.

If the Council exercised the Call Option, Holders would be entitled to receive the Call Option Exercise Price but would no longer have any entitlement to further Dividends.

Non payment of option price

There is a risk that, in the event the Put Option or Call Option is exercised, the Council will not, or will not be in a position to, pay the amounts payable by it under that option. The following factors are relevant to the assessment of this risk:

- As described on page 10, the proceeds of the Offer are intended to be used to fund infrastructure projects in the Bay of Plenty region. As these projects will be carried out over time, there is likely to be a period of some years during which at least a proportion of the Offer proceeds have not been applied to funding of infrastructure. This amount will diminish over time, but will be available to contribute towards funding of an option exercise price if required.
- The Council expects that, given its current level of external borrowings, it would, if necessary, be able to secure external funding to contribute towards funding of an option exercise price. Such borrowings could be secured against assets of the Council, including rates and/or rates revenue. As noted on page 24, the Council had consolidated equity of \$873 million as at 30 June

2007 (including \$290 million attributable to minority interest).

- All or some of the proceeds of the Offer may be used to fund infrastructure projects by way of loan to appropriate entities implementing projects. The Council expects that these loans may generate a financial return to the Council, which would be available to contribute towards funding of an option exercise price (or supporting any borrowing undertaken for the purpose) if required.
- The Council could liquidate some of its other assets, and use the proceeds to contribute towards funding of an option exercise price. The Council could also request the Quayside Group members to liquidate their assets. In the case of the shares in Port of Tauranga, this would require public consultation. Once obligations owed to creditors of the Quayside Group members were satisfied, the remaining proceeds would then be available for distribution to the Council.
- As noted on page 24, the Council has the power to levy rates under the Local Government (Rating) Act 2002, and could, if provided for in its Long Term Council Community Plan and Liability Management Policy, levy rates for the purpose of funding the servicing costs on a loan obtained to fund an option exercise price, or to contribute towards funding of an option exercise price itself.

The above factors illustrate various potential sources of funding that could be available to the Council to fund payment of an option exercise price. The Council might also, in the event that Quayside Holdings has insufficient funding to pay Dividends as a result of a temporary shortfall in revenue, seek to use those sources of funding to provide debt or equity capital to Quayside Holdings to enable Dividends to be paid, so as to avoid a Put Option trigger event occurring.

Market risks

PRICE RISKS

The market price of the Perpetual Preference Shares can be expected to fluctuate due to various factors, including general movements in the New Zealand and international equity and debt markets, changes in interest rates (and, in particular, in the Benchmark Rate on each Dividend Rate Reset Date), investor perceptions, worldwide economic conditions, changes in legal or accounting requirements affecting the treatment of Perpetual Preference Shares, taxation (and changes in taxation) laws, and other factors that may affect Quayside Holdings' and/or the Council's financial position and earnings.

Increases in market dividend or interest rates may adversely affect the market price of Perpetual Preference Shares, as a result of which they could trade at a price below the Price.

LIQUIDITY RISKS

The market for Perpetual Preference Shares may be less liquid than the market for other securities and it is possible that Perpetual Preference Shares may trade on the NZX at a price below the Price as a result.

Holders who wish to sell their Perpetual Preference Shares may be unable to do so at a price that is acceptable to them, or at all, if insufficient liquidity exists in the market for Perpetual Preference Shares.

As the Perpetual Preference Shares are perpetual, unless either (a) the Council exercises its Call Option in respect of all of the Perpetual Preference Shares, or (b) the Put Option is exercised, a Holder can only realise their investment in Perpetual Preference Shares by selling them. As noted above, the price such a Holder obtains will depend on the market price for Perpetual Preference Shares at the time they are sold.

Changes in law

It is possible that future changes in law – and, in particular, taxation law – in New Zealand (or any other jurisdiction relevant to a Holder of Perpetual Preference Shares) may adversely impact on the returns available from Perpetual Preference Shares. As noted on page 43 above, a review of the imputation rules was announced in October 2007.

Ranking and Consequences of Insolvency

Holders will not be liable to pay any money to any person as a result of the insolvency of Quayside Holdings.

On a liquidation of Quayside Holdings, a Perpetual Preference Share will entitle its Holder to receive the Liquidation Preference. Because a liquidation of Quayside Holdings will trigger the Put Option, Holders will be entitled to receive (from the Council) the Put Option price, and only the Council will be entitled to the Liquidation Preference (unless for some reason the Put Option is not exercised - for example, because Holders have agreed to a change in the terms of the Put Option so that it is not then exercisable).

In a liquidation or other winding up of Quayside Holdings, a Perpetual Preference Share will entitle its holder to payment of the Liquidation Preference:

- ahead of the holders of the Uncalled Capital, the Ordinary Shares, and any other shares ranking behind the Perpetual Preference Shares;
- equally with the holders of any other shares expressed to rank equally with the Perpetual Preference Shares; and

- equally with other holders of Perpetual Preference Shares.

All such claims will rank behind the claims of any creditors of Quayside Holdings. There is a risk of a shortfall of funds on a liquidation with the result that the holder/s of Perpetual Preference Shares do not receive the full amount of the Liquidation Preference.

Can the investment be altered?

The full terms of the Offer are set out in this Investment Statement and the Prospectus. These terms are described under the headings “What sort of investment is this?” and “How much do I pay?” in the section entitled “Answers to Important Questions” on pages 35 and 36 respectively and in the section entitled “Main Terms of the Offer”. These terms may be altered by an amendment to the Prospectus by Quayside Holdings. Details of any such amendment must be filed with the Companies Office before the end of the Offer Period.

The rights attaching to the Perpetual Preference Shares are governed by the Conditions. The Conditions may only be altered with the approval of:

- Quayside Holdings; and
- the Administrative Agent; and
- a special resolution of the holders of the Ordinary Shares in Quayside Holdings; and
- all Holders or a Special Resolution of the Holders (or upon the Holders giving a Special Approval Notice).

In addition, under section 117 of the Companies Act 1993 no action may be taken by Quayside Holdings which affects the rights attached to any Perpetual Preference Shares without the approval of a special resolution of each “interest group” (as defined in that Act). However, the issue of further shares by Quayside Holdings that rank equally with or behind the Perpetual Preference Shares will not be taken to vary the rights attached to the Perpetual Preference Shares.

The Options Deed, which relates to the Put Option and the Call Option, may only be altered with the approval of:

- Quayside Holdings; and
- the Council; and
- a Special Resolution of the Holders (or upon the Holders giving a Special Approval Notice), unless the Administrative Agent is satisfied that the alteration is:
 - being made to correct a manifest error, or to comply with law or the Listing Rules; or
 - of a minor, formal or technical nature; or
 - convenient for the purpose of obtaining or

maintaining the quotation of the Perpetual Preference Shares on the NZX; or

- not, and is not likely to become, materially prejudicial to the interests of the Holders generally,

in which case the Administrative Agent may agree to the alteration.

As explained on page 37 above under the heading “What returns will I get?”, the Benchmark Rate will be reset on 12 March 2011 and every third anniversary thereof (or, if any such day is not a Business Day, then on the next Business Day).

How do I cash in my investment?

The Council is entitled to acquire Perpetual Preference Shares pursuant to the Call Option, and may be required to acquire all Perpetual Preference Shares pursuant to the Put Option, in the relevant circumstances outlined above under the heading “What returns will I get?”. No person has any other right to terminate, cancel, surrender or otherwise make or obtain payment of the returns from the Perpetual Preference Shares as described under that heading.

Perpetual Preference Shares are transferable in accordance with Conditions 19(a) and (b) of the Conditions. Condition 19(a) requires transfers to generally be in multiples of 1,000 and not to result in the transferor having less than 5,000 Perpetual Preference Shares or, if greater, the Minimum Holding of Perpetual Preference Shares required by NZX from time to time, unless the Board of Quayside Holdings has given its prior written approval to the transfer or the transfer is being made pursuant to the exercise of the Put Option or the Call Option (except that nothing in that Condition prohibits a transfer of a Holder's entire holding of Perpetual Preference Shares). Condition 19(b) provides that a transfer of any Perpetual Preference Shares is not permitted after the Record Date for the purposes of the exercise of the Put Option or the Call Option, except that, in the event that the Call Option is exercised in respect of fewer than all of the Perpetual Preference Shares, a Holder may transfer Perpetual Preference Shares to the extent that the number of Perpetual Preference Shares held by that Holder after that transfer is not less than the number the Holder is required to transfer to the Council (or its nominee) on the Transfer Date.

Transfers may be made by a written instrument of transfer in usual or common form signed by the transferee, by means of the FASTER system operated by NZX, or by any other method of transfer which is not contrary to law, which may be operated in accordance with any Listing Rules, and which is approved by Quayside Holdings.

No charges are payable to the Council or Quayside Holdings for any sale of Perpetual Preference Shares. However brokerage may be payable to any broker acting on the sale.

Application has been made to NZX for permission to list Quayside Holdings and quote the Perpetual Preference Shares on the NZDX and all the requirements of NZX relating thereto that can be complied with on or before the date of this Investment Statement have been duly complied with. However, NZX accepts no responsibility for any statement in this Investment Statement. Initial quotation of the Perpetual Preference Shares on the NZDX is expected to occur on 13 March 2008. NZX has authorised NZX Firms to act on this Offer. The Offer is the subject of a ruling from NZX Regulation that the Perpetual Preference Shares are to be regarded as “Debt Securities” for the purposes of the Listing Rules.

As the Offer is the initial public offer of the Perpetual Preference Shares, there is no established market for sale of the Perpetual Preference Shares as at the date of this Investment Statement.

Applicants selling Perpetual Preference Shares prior to receiving holding statements will do so at their own risk. None of Quayside Holdings, the Council, or the Joint Lead Managers, nor any of their respective directors, councillors, officers, employees, consultants, agents, partners or advisers accepts or shall have any liability or responsibility should any person attempt to sell or otherwise deal with Perpetual Preference Shares before the statement showing the number (if any) of Perpetual Preference Shares allotted to the relevant Applicant is received by that Applicant.

Who do I contact with enquiries about my investment?

Enquiries about the Perpetual Preference Shares can be made to:

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna
North Shore City 0622
Private Bag 92119
Auckland 1142

Telephone: +64 9 488 8777

Facsimile: +64 9 488 8787

Email: enquiry@computershare.co.nz

Is there anyone to whom I can complain if I have problems with the investment?

Complaints about the Perpetual Preference Shares can be made to:

Chief Executive
Quayside Holdings Limited
5 Quay Street
PO Box 364
Whakatane

Telephone: +64 7 922 3390

There is no Ombudsman to whom complaints about the Perpetual Preference Shares can be made.

What other information can I obtain about this investment?

Investment Statement and Prospectus

This Investment Statement and the Prospectus, Quayside Holdings' financial statements for the period ended 30 June 2007, and other documents of or relating to Quayside Holdings (including Quayside Holdings' Constitution and the material contracts referred to on pages 141 to 142 of the Prospectus) may be inspected without fee during normal business hours at Quayside Holdings' registered office at Quay Accountants Limited, 156 The Strand, Whakatane. These documents (other than this Investment Statement) are available for public inspection on the Companies Office's website www.companies.govt.nz.

At any time until 7 March 2008, you can also obtain copies of the Prospectus (including the most recent financial statements) and/or this Investment Statement without charge on request in writing, or by telephone, from the Joint Lead Managers and NZX Firms.

Until the Allotment Date, this Investment Statement and the Prospectus may be requested from Quayside Holdings.

Annual Information

Unless a Holder requests otherwise, that Holder will receive the annual and half yearly reports of Quayside Holdings required by the Companies Act 1993 and the Listing Rules, and the draft and final Statement of Intent of Quayside Holdings required by the Local Government Act 2002.

Other Information

Quayside Holdings will, within 5 days of receiving a request from a person to whom the Offer is made, send, or ensure that there is sent, to that person:

- a) a copy of the most recent audited financial statements of Port of Tauranga contained in Port of Tauranga's most recent annual report that has been delivered to NZX; and
- b) a copy of the most recent interim financial statements of Port of Tauranga that have been delivered to NZX (if those interim financial statements are more recent than the most recent audited financial statements of Port of Tauranga).

Further, Holders of Perpetual Preference Shares may request copies of the following documents:

- the most recent annual report of Quayside Holdings;
- the most recent audited financial statements of Quayside Holdings; and
- any other information that may be requested under regulation 23A of the Securities Regulations.

These documents will be provided free of charge. A request for these documents should be made in writing to A W Lawrie, Deputy Chief Executive of the Council / Chief Executive of Quayside Holdings at the office of the Council and Quayside Holdings at 5 Quay Street, PO Box 364, Whakatane.

Holders may also view the latest audited financial statements of the Council, the Council's annual report and its Long Term Council Community Plan on www.ebop.govt.nz.

Information in relation to Port of Tauranga, including its most recent audited financial statements, is available on www.port-tauranga.co.nz.

Terms and Conditions of Perpetual Preference Shares

1 Conditions

The terms and conditions of (including the rights, privileges and restrictions attaching to) the Perpetual Preference Shares are set out below.

2 Interpretation and Construction

- 2.1 For the purposes of these Conditions, the following expressions have the following meanings, unless the context otherwise requires:

Administrative Agent: means the administrative agent appointed in accordance with Condition 15 from time to time to take certain actions for and on behalf of the Holders (being, initially, The New Zealand Guardian Trust Company Limited).

Adoption Date: means 31 January 2008, being the date on which these Conditions were adopted in respect of the Perpetual Preference Shares.

Agency Agreement: means the registry services agreement dated on or about 31 January 2008 between Quayside Holdings and the Registrar in respect of the Perpetual Preference Shares.

Allotment Date: means 12 March 2008.

Attached Credit: means an imputation credit attached to the cash component of a Dividend in accordance with the Income Tax Legislation.

Benchmark Rate: means:

- (a) in respect of each Dividend Period commencing prior to the first Dividend Rate Reset Date, the Three Year Swap Rate on the Allotment Date; and
- (b) in respect of each Dividend Period commencing on a Dividend Rate Reset Date, the Three Year Swap Rate on that date; and
- (c) in respect of each other Dividend Period, the Three Year Swap Rate on the immediately preceding Dividend Rate Reset Date.

Board: means directors of Quayside Holdings sufficient to constitute a quorum acting in their capacity as such.

Business Day: means, for so long as the Perpetual Preference Shares are quoted on NZX, a business day as defined in the Listing Rules and, otherwise, a day on which registered banks (as defined in the Reserve Bank of New Zealand Act 1989) are open for general banking business in Auckland and Wellington.

Call Option: means the option, exercisable by the Council, to require some or all of the Perpetual Preference Shares to be transferred by Holders to the Council (or its nominee) in accordance with Condition 12.

Call Option Exercise Price: means, for a Perpetual Preference Share, the greater of:

- (a) an amount equal to the sum of:
 - (i) \$1.00; and
 - (ii) any Unpaid Amount in respect of that Perpetual Preference Share including the Dividend payable on the Transfer Date to the extent not paid in full by Quayside Holdings on the Transfer Date (and, in this case, including the amount that would be payable under Condition 5 were there no Attached Credits forming part of that Dividend); and
- (b) the amount determined by the Council as representing:
 - (i) the volume weighted average sale price at which Perpetual Preference Shares have been traded on NZX during the 10 Business Days preceding (but not including) the date on which the Council issues a notice exercising the Call Option pursuant to the Options Deed, adjusted if necessary to reflect any Record Date occurring within the 10 Business Day period; or
 - (ii) where Perpetual Preference Shares have not traded on NZX on more than 5 of those 10 Business Days (whether because the Perpetual Preference Shares have ceased to be quoted on NZX or otherwise), the amount determined (before or as soon as practicable after the exercise of the Call Option by the Council) by an independent, reputable expert selected by the Council, in consultation with the Administrative Agent, to be a fair market price for such Perpetual Preference Shares,

provided that, in the case of any exercise of the Call Option following a Change in Relevant Regulation (or a determination by the Council, acting reasonably, that there will be a Change in Relevant Regulation), it shall mean the amount referred to in paragraph (a) above.

Change in Relevant Regulation: means:

- (a) a change or clarification in law (statutory or otherwise), other than a change in the Rate of Corporate Tax; or
- (b) a judicial decision; or
- (c) the promulgation or withdrawal of an official administrative directive of New Zealand (other than a change in the Rate of Corporate Tax); or
- (d) the withdrawal, negation (other than by expiry)

- or non-renewal (which shall include renewal on terms not acceptable to the Council) of any private binding ruling issued by the Commissioner of Inland Revenue in respect of the Perpetual Preference Shares; or
- (e) a change in applicable accounting standards, in any case (other than paragraph (d)) which Quayside Holdings or the Council considers:
- (f) materially affects (or will materially affect) the regulatory or taxation treatment of the Perpetual Preference Shares; or
- (g) has (or will have) the effect of a more than minimal increase in the cost to Quayside Holdings of maintaining the Perpetual Preference Shares (for example, by increasing any Dividend Amount payable under Condition 3 and/or the amount payable in respect thereof under Condition 5).

Companies Act: means the Companies Act 1993, and includes any regulations made thereunder.

Conditions: means these terms and conditions of the Perpetual Preference Shares, as amended, supplemented or replaced from time to time, and Condition means any one of them.

Constitution: means the constitution of Quayside Holdings.

Council: means Bay of Plenty Regional Council (also known as Environment Bay of Plenty), and includes any replacement or successor body.

Dividend: means, in relation to a Perpetual Preference Share, a dividend payable on that Perpetual Preference Share in terms of Condition 3.

Dividend Amount: means, in relation to a Perpetual Preference Share and each Dividend Period, an amount calculated in accordance with the following formula:

$$DA = P \times (BR + M) \times (1 - TR) \times 0.25$$

Where:

DA = the amount payable on that Perpetual Preference Share on the Dividend Payment Date immediately following that Dividend Period;

P = \$1.00;

BR = the Benchmark Rate applicable to that Dividend Period expressed as a decimal (so that, for example, if the Benchmark Rate is 8% per annum, "BR" will be 0.08);

M = the Margin expressed as a decimal; and

TR = the Rate of Corporate Tax applicable to that Dividend Period expressed as a decimal (so that, for example, if the Rate of Corporate Tax is 33%, "TR" will be 0.33), except that, in respect of any Dividend Period that ends on or prior to 31 March 2010, "TR" shall be the Old Company Tax Rate until such time as credit balances in Quayside Holdings' imputation credit account that arose from amounts debited or credited using the Old Company Tax Rate have been utilised,

provided that, if (BR + M) is less than the Initial Minimum Rate (expressed as a decimal) then, for the purposes of each Dividend Period commencing prior to the first Dividend Rate Reset Date, (BR + M) shall be deemed to be equal to the Initial Minimum Rate expressed as a decimal,

and provided further that, if Quayside Holdings elects to pay a Dividend prior to (and in anticipation of) the transfer of all the Perpetual Preference Shares following the exercise of the Put Option pursuant to the Options Deed (and that Dividend Period does not end on (but exclude) 12 June, 12 September, 12 December or 12 March (or, if applicable, the immediately succeeding Business Day)), the Dividend Amount payable will be calculated on the number of days elapsed in the Dividend Period ending on (but excluding) the Transfer Date, calculated as follows:

$$P \times (BR + M) \times (1 - TR) \times 0.25 \times (DEa \div Ra)$$

where, in addition to the definitions above:

DEa = the number of days during that Dividend Period, and

Ra = the number of days which would have been in that Dividend Period had it ended on (but excluded) 12 June, 12 September, 12 December or 12 March (whichever is the next to occur).

Dividend Payment Date: means, for a Perpetual Preference Share, but subject to these Conditions:

(a) each 12 March, 12 June, 12 September and 12 December (with the first such Dividend Payment Date being 12 June 2008); and

(b) if Quayside Holdings elects to pay a Dividend prior to (and in anticipation of) the transfer of all the Perpetual Preference Shares following the exercise of the Put Option pursuant to the Options Deed (and the Transfer Date for the Perpetual Preference Shares would not otherwise be a Dividend Payment Date), the Transfer Date.

Dividend Period: means, for a Perpetual Preference Share, each of the following periods:

- (a) in the case of the first Dividend Period, the period from (and including) the Allotment Date to (but excluding) the first Dividend Payment Date; and
- (b) thereafter, each successive period from (and including) a Dividend Payment Date to (but excluding) the next Dividend Payment Date.

Dividend Rate Reset Date: means 12 March 2011 and every third anniversary thereof.

Dollar and \$: mean the lawful currency of New Zealand.

Holder: means, in relation to a Perpetual Preference Share and at any time, the person whose name is entered in the Register as the holder of that Perpetual Preference Share at that time.

Income Tax Legislation: means the Income Tax Act 2004 and any modification or re-enactment of, and any legislation enacted in substitution for, that Act (and includes any other Act, regulation, instrument, notice or legislation imposing or declaring rates of New Zealand income tax on the net incomes of companies which are resident in New Zealand for tax purposes).

Initial Minimum Rate means the initial minimum rate fixed prior to the Opening Date and subsequently publicly announced by the Council and Quayside Holdings as the Initial Minimum Rate.

Liquidation Preference: means, in respect of a Perpetual Preference Share, an amount equal to the sum of:

- (a) \$1.00; and
- (b) any Unpaid Amount in respect of that Perpetual Preference Share at the date of commencement of the liquidation of Quayside Holdings; and
- (c) without double counting any Unpaid Amount in respect of that Perpetual Preference Share, an amount equal to a Dividend that would be payable for the period from (and including) the last Dividend Payment Date on which a Dividend was actually paid in full up to (but excluding) the date of commencement of the liquidation of Quayside Holdings (calculated as if Quayside Holdings had elected to pay a Dividend prior to (and in anticipation of) the transfer of all the Perpetual Preference Shares following the exercise of the Put Option pursuant to the Options Deed and the date of commencement of the liquidation were the Transfer Date, and including the amount

that would be payable under Condition 5 were there no Attached Credits forming part of that Dividend).

Listing Rules: means the relevant Listing Rules of NZX (being the NZDX Listing Rules for so long as Perpetual Preference Shares are quoted on NZDX).

Margin: means the margin fixed prior to the Opening Date and subsequently publicly announced by the Council and Quayside Holdings as the Margin.

Minimum Holding: has the same meaning as in the Listing Rules.

NZDX: means the market for debt securities operated by NZX.

NZX: means New Zealand Exchange Limited (or any replacement or successor body) or any market operated by it (as the context may require).

Old Company Tax Rate: means the 33% tax rate applied to companies prior to the commencement of their 2008-09 income year.

Options Deed: means the document by that name dated on or about 31 January 2008 between Quayside Holdings, the Council and the Administrative Agent relating to the Call Option, the Put Option, the role of the Administrative Agent and related matters.

Ordinary Shares: means ordinary shares in Quayside Holdings (being, as at the Adoption Date, the 10,000 fully paid ordinary shares held by the Council).

Perpetual Preference Shares: means the 200,000,783 perpetual preference shares in Quayside Holdings of which these Conditions are the conditions, and Perpetual Preference Share means any of them.

Put Option: means the option, exercisable by the Administrative Agent on behalf of all the Holders, to require all (but not less than all) of the Perpetual Preference Shares to be transferred to the Council (or its nominee) by the Holders in accordance with Condition 13.

Put Option Exercise Price: means, for a Perpetual Preference Share, an amount equal to the sum of:

- (a) \$1.00; and
- (b) any Unpaid Amount in respect of that Perpetual Preference Share; and
- (c) without double counting any Unpaid Amount in respect of that Perpetual Preference Share, an amount equal to a Dividend that would be payable for the period from (and including) the last Dividend Payment Date on which a Dividend

was actually paid in full up to (but excluding) the Transfer Date (calculated as if the Transfer Date were a Dividend Payment Date, and including the amount that would be payable under Condition 5 were there no Attached Credits forming part of that Dividend), except where Quayside Holdings has elected to pay, and does pay in full, a Dividend in respect of the Dividend Period ending on (but excluding) the Transfer Date.

Quayside Holdings: means Quayside Holdings Limited.

Rate of Corporate Tax: means, at any time during an income year of Quayside Holdings, the rate of income tax applying for that income year under the Income Tax Legislation for companies which are resident in New Zealand for tax purposes.

Record Date: has the meaning given to it in Condition 16(a).

Register: means Quayside Holdings' share register.

Registrar: means Computershare Investor Services Limited, in its capacity as registrar under the Agency Agreement, or any replacement or other person acting in that capacity (as the case may be).

Special Approval Notice: means a notice in writing (the proposed form of which has first been circulated to all Holders in substantially the same manner as a notice of meeting of Holders and which notice may comprise more than one document) which has (or counterparts of which have) been signed by or on behalf of Holders holding at least 75% of the Perpetual Preference Shares then on issue and held by Holders eligible to sign a Special Approval Notice instructing the Administrative Agent that the Holders approve, or require the Administrative Agent to take, a particular action under, and in accordance with, these Conditions.

Special Resolution: means a resolution approved (whether by vote or on a poll), at a meeting of Holders duly convened and held in accordance with the provisions of the Constitution and (except to the extent modified by the Constitution) the Companies Act, by a majority of 75% of the votes of those Holders entitled to vote and voting on the resolution.

Third Party Interest: means, in respect of a Perpetual Preference Share, any proprietary interest of a third party in that Perpetual Preference Share, and includes any security interest (as defined in the Personal Property Securities Act 1999) in that Perpetual Preference Share, whether or not perfected.

Three Year Swap Rate: means, on a particular date, the rate per annum expressed as a percentage yield basis and rounded to the nearest two decimal places which is determined by Quayside Holdings (in consultation with the Council) and advised to the Administrative Agent to be:

- (a) the average of the "bid" and "offer" swap rates displayed, at or about 11.00am on that date, on page "FISSWAP" (or any successor page) of the Reuters monitor screen service for an interest rate swap with a three year term; or
- (b) if a rate is unable to be determined in accordance with paragraph (a) above, or if Quayside Holdings is of the opinion that the rate so determined is not an accurate reflection of prevailing market rates for New Zealand dollar interbank interest rate swaps with three year terms, the average (rounded if necessary to the nearest two decimal places) of the mid points of the "bid" and "offer" swap rates quoted to Quayside Holdings (and notified to the Administrative Agent) by three registered banks in New Zealand as at or about 11.00am on that date for an interest rate swap with a three year term commencing on that date.

Transfer Date: means the date on which all or a specified proportion of the Perpetual Preference Shares are to be transferred by Holders to the Council (or its nominee) following the exercise of either the Put Option or the Call Option.

Uncalled Capital: means (as at the Adoption Date) the 2,003,190,217 redeemable preference shares resulting from the subdivision (on or before the Adoption Date) of the 8,183 redeemable preference shares in Quayside Holdings previously issued to the Council on or about 28 July 1991 at an issue price of \$10,000.00 each and paid as to \$0.01 per share on issue, the aggregate balance of \$81,829,918.17 to be paid in cash when called, and (as at any subsequent date) means such of those redeemable preference shares as are in existence (and includes any other shares resulting from any consolidation, or consolidation and subdivision, of such shares).

Unpaid Amount: means, in respect of a Perpetual Preference Share as at any date, the aggregate of any amounts that have become payable by Quayside Holdings to the Holder of that Perpetual Preference Share under:

- (a) Condition 3; and
- (b) Condition 5 (including amounts that would be payable under Condition 5 if any amount referred

to in (a) was paid without any Attached Credits);
and

(c) Condition 6,

to the extent that such amounts have not been paid (for whatever reason) and which remain unpaid at that date.

2.2 For the purposes of these Conditions unless the content requires otherwise:

(a) A *person* includes any individual, any association of persons (whether corporate or not), any trust and any state or agency of state (whether or not having separate legal personality).

(b) Words and expressions defined elsewhere in the Constitution shall, unless inconsistent with the above definitions, have the same meanings where used in these Conditions.

(c) A reference to an enactment or regulations, or to a deed, an agreement or any other document, includes that enactment, those regulations or that deed, agreement or other document (respectively) as it or they may be amended, supplemented or replaced from time to time.

(d) Words denoting any gender include all other genders.

(e) Words denoting the singular include the plural and vice versa.

(f) Reference to any Dividend (or part or component thereof), or to any other imputation credits, additional cash amount under Condition 5 or interest amount under Condition 6, being “payable”, “due” or “due and payable” shall include references to that Dividend (or part), those imputation credits, that additional cash amount or that interest amount (as the case may be) being payable, due or due and payable (as the case may be) under these Conditions but for Conditions 3(b) and (c) and Condition 6(e).

(g) Notwithstanding any other provision of these Conditions, anything which is required to be done on, or calculated, assessed or determined as at or by reference to, a day which is not a Business Day shall be (and shall be valid for all purposes of these Conditions if it is) done on, or calculated, assessed or determined as at or by reference to, as the case may be, the immediately succeeding Business Day. If any payment is (or would, but for the immediately preceding sentence, be) required under these Conditions to be made on a day which is not a Business Day, no compensation, interest or

other payment shall be payable as a consequence of that payment being made on the immediately succeeding Business Day in accordance with the immediately preceding sentence.

3 Rate and Payment of Dividends

(a) In respect of each Perpetual Preference Share, but subject to Conditions 3 (b) and (c), its Holder shall be entitled to receive on each Dividend Payment Date a Dividend for that Perpetual Preference Share as follows:

(i) a cash dividend of an amount equal to the Dividend Amount for that Perpetual Preference Share on that Dividend Payment Date. Each such dividend shall be deemed to accrue from day to day during, and be paid in respect of, the Dividend Period then ending;

(ii) in respect of that cash dividend, an Attached Credit of an amount calculated in accordance with the following formula:

$$\frac{DA \times TR}{(1-TR)}$$

Where:

DA = the amount of the cash dividend calculated in accordance with paragraph (a)(i);

TR = the Rate of Corporate Tax applicable to the Dividend Period ending immediately prior to that Dividend Payment Date (expressed as a decimal), except that, in respect of any such Dividend Period that commences prior to 31 March 2010, “TR” shall be the Old Company Tax Rate until such time as credit balances in Quayside Holdings’ imputation credit account that arose from amounts debited or credited using the Old Company Tax Rate have been utilised.

(b) When authorising, declaring, making or paying Dividends, Quayside Holdings, the Board and each director must comply with all applicable laws.

(c) Notwithstanding anything to the contrary in these Conditions (including Conditions 3(a), 5 and 6), none of Quayside Holdings, the Board or any director shall be obliged to authorise, declare, make or pay a Dividend on any Dividend Payment Date (or any other date) or to pay any amount under Condition 5 or 6, and the determination as to whether or not Quayside Holdings will pay a Dividend on a particular Dividend Payment Date shall be at the sole discretion of the Board. For the avoidance of doubt, this Condition 3(c) shall

be paramount and shall prevail over all other provisions of these Conditions.

4 Ranking of Dividends

Each Dividend payable on a Perpetual Preference Share shall rank for payment:

- (a) equally with all other Dividends and any dividends payable at that time on any other shares in Quayside Holdings that are expressed to rank equally with the Perpetual Preference Share; and
- (b) in priority to the rights in respect of dividends (and the rights, if any, in respect of interest on unpaid dividend amounts) of the holders of Ordinary Shares in Quayside Holdings and any holder of Uncalled Capital and any other shares in Quayside Holdings that are expressed to rank behind the Perpetual Preference Shares.

5 Additional payment if Dividend not fully imputed

If Quayside Holdings does not attach to the cash component of a Dividend for a Perpetual Preference Share an Attached Credit of the full amount calculated in accordance with Condition 3(a)(ii), Quayside Holdings will compensate the Holder concerned for such failure by paying to that Holder on that Dividend Payment Date an amount in cash equivalent to any shortfall in the amount of that Attached Credit. The amount payable under this Condition 5 will be regarded as a variation in the rate at which Dividends are calculated. Nothing in this Condition 5 shall limit Conditions 3(b) or (c).

6 Non-payment of Dividends

- (a) If Quayside Holdings fails to pay a Holder any sum payable by it under these Conditions (including any Dividend on a Dividend Payment Date or an amount payable under Condition 5), Quayside Holdings:
 - (i) will, to the extent permitted by the Companies Act, pay default interest on the unpaid amount (including cash and any imputation credit component) for the period beginning on the date the sum was payable and ending on the date of receipt of the unpaid amount by the Holder (both before and after any judgment); and
 - (ii) will not pay dividends or make other distributions to holders of the Ordinary Shares in Quayside Holdings, the Uncalled Capital or

any other shares in Quayside Holdings that are expressed to rank behind the Perpetual Preference Shares at any time during which such sums are payable but unpaid until such sums are paid in full and until the next Dividend Payment Date on which Quayside Holdings actually pays (in full) a Dividend on the Perpetual Preference Shares in accordance with these Conditions.

For the avoidance of doubt, Quayside Holdings shall not be required to make any payment under this Condition 6 to the extent that it is not permitted to do so under the Companies Act.

- (b) The rate of default interest payable under this Condition 6 will be the sum of 3% per annum and:
 - (i) the bid settlement rate (rounded upwards, if necessary, to the nearest two decimal places) as displayed at or about 11:00am on the first day of the default period on the Reuters Monitor Page BKBM (or its successor page) for bank accepted bills of exchange having a tenor of one month, or
 - (ii) if there is no such rate displayed for bank accepted bills of exchange having a tenor of one month, the average (rounded upwards as aforesaid) of the buy rates quoted to Quayside Holdings (and notified to the Administrative Agent) by three registered banks in New Zealand as at or about that time on the first day of the default period for bank accepted bills of exchange having a tenor of one month.
- (c) Default interest payable under Condition 6(a) will be payable on the last day of each month of the default period and on the date of receipt of the overdue amount by the Holder. Any interest which is not paid when payable will be added to the overdue amount and will itself bear interest in accordance with this Condition 6.
- (d) To the extent that the default interest is a dividend for New Zealand tax purposes:
 - (i) the payment of default interest will be regarded as a variation in the rate at which Dividends are calculated; and
 - (ii) Quayside Holdings may, at its election, attach to the default interest amount an Attached Credit and, to the extent such Attached Credit is validly attached, the attachment of each one dollar of imputation credits will substitute for and satisfy the obligation to pay one dollar of default interest.

(e) Non-payment (for whatever reason) of a Dividend and/or of any amount payable under Condition 5 or Condition 6 shall not constitute a default by Quayside Holdings for any purpose nor a breach of these Conditions, nor, except as expressly permitted by these Conditions, entitle any Holder or the Administrative Agent or the Council to have any recourse to Quayside Holdings, the Board or any director of Quayside Holdings, whether on account of the Dividend or any amount payable under Condition 5 or this Condition 6. However for the avoidance of doubt, nothing in this Condition 6(e) or Conditions 3(b) or (c) shall limit any rights the Administrative Agent (on behalf of the Holders) may have against the Council under the Options Deed if the cash component of a Dividend is not paid on a Dividend Payment Date or any amount payable under Condition 5 or this Condition 6 is not paid when payable, which rights shall exist, continue and be construed as if Quayside Holdings was obliged to pay the Dividend on that Dividend Payment Date and/or to pay the other amounts payable under Condition 5 and this Condition 6 in accordance with these Conditions (excluding Conditions 3(b) and (c)).

(f) Nothing in this Condition 6 shall limit Conditions 3(b) or (c).

7 Voting Rights

(a) Without prejudice to the rights of a Holder under section 117 of the Companies Act, a Holder shall not (except to the extent (if any) required by law or the Listing Rules) have any right to receive notice of, attend, vote or speak at any meetings of Quayside Holdings (or its shareholders) other than a meeting of Holders. For the avoidance of doubt, a Holder has no right to vote on a poll at a meeting of Quayside Holdings (or its shareholders) or on any resolution of the kind described in section 36(1)(a) of the Companies Act.

(b) Where the Council or any entity controlled by the Council is a Holder, that Holder shall not be entitled to vote on any Special Resolution or sign any Special Approval Notice in respect of the exercise or non-exercise of the Put Option.

(c) Each Perpetual Preference Share shall entitle the Holder to one vote at meetings of Holders.

8 Liquidation

On a liquidation of Quayside Holdings:

(a) each Holder will be entitled (pari passu with the other Holders (if any) and with the holders of any other shares in Quayside Holdings that are expressed to rank equally with the Perpetual Preference Shares) to an amount equal to the Liquidation Preference in respect of each Perpetual Preference Share held by that Holder, payment of which amount shall rank behind all payment obligations owing by Quayside Holdings to all its creditors but in priority to the rights of the holders of Ordinary Shares in Quayside Holdings and the Uncalled Capital and any other shares in Quayside Holdings that are expressed to rank behind the Perpetual Preference Shares;

(b) except as provided for in (a) above, a Holder is not entitled to participate in any distribution of profits or assets of Quayside Holdings.

9 Right to Notices, Accounts, etc

Subject to the requirements from time to time of the Companies Act and the Listing Rules (including as waived or disappplied), and without limiting Condition 7, no Holder shall have any right to receive notices of meetings, reports or accounts of Quayside Holdings.

10 No Rights to Participate in Further Issues

The Holders of the Perpetual Preference Shares shall have no right to participate in any cash issues, bonus issues or other issues of shares or other securities declared or made by Quayside Holdings, except as expressly permitted by Quayside Holdings (in its sole discretion).

11 Other Share Issues

No shares in Quayside Holdings ranking in priority to the Perpetual Preference Shares as to distributions shall be issued unless approved by a Special Resolution or pursuant to a Special Approval Notice. Quayside Holdings may issue further shares (including, without limitation, perpetual preference shares (whether having terms and conditions that are the same as, or different from, these Conditions)) ranking as to voting rights and/or distributions equally with, or behind, the Perpetual Preference Shares, without the consent or approval of the Holders (whether or not such shares carry voting rights).

12 Call Option in respect of Perpetual Preference Shares

(a) The Council may at any time after:

- (i) 12 March 2010; or
- (ii) there is, or it is determined by the Council (acting reasonably) that there will be, a Change in Relevant Regulation,

elect to exercise the Call Option in accordance with this Condition 12 and the Options Deed in respect of all, or a specified proportion, of the Perpetual Preference Shares, provided that the Council may not exercise the Call Option if the Put Option has already been exercised in accordance with Condition 13.

(b) The Council may exercise the Call Option by giving not less than 60 days' prior notice in writing to Quayside Holdings and to the Administrative Agent, specifying:

- (i) that all, or a specified proportion of, the Perpetual Preference Shares are being called in accordance with the Options Deed; and
- (ii) the proposed Transfer Date (which must be a Dividend Payment Date).

It shall not be necessary for the Council to give notice to any Holder, and no failure or delay in providing to any Holder (in accordance with the Options Deed) a copy of any such notice shall invalidate any such notice or otherwise effect the obligations of any Holder under this Condition 12.

(c) If the Council calls a specified proportion of the Perpetual Preference Shares only, then such call shall only be validly exercised if exercised pro rata (ignoring fractions of Perpetual Preference Shares) across all the Perpetual Preference Shares, except that:

- (i) the Council may acquire in full the Perpetual Preference Shares of a Holder whose resultant holding would otherwise be below 5,000 Perpetual Preference Shares (or, if greater, a Minimum Holding (as defined for the purposes of the Listing Rules)); and
- (ii) the specified proportion of the Perpetual Preference Shares being called must not exceed the proportion that would result in Holders other than the Council holding (in aggregate) fewer than 100 million Perpetual Preference Shares after the Transfer Date in respect of the Call Option, taking account of any acquisitions

that could be made by the Council pursuant to Condition 12(c)(i).

(d) If the Council gives notice of exercise of the Call Option in accordance with Conditions 12(a), (b) and (if applicable) (c), then:

- (i) each Holder on the Record Date shall be required to and shall, on the Transfer Date, transfer all or the specified proportion (as the case may be) of the Perpetual Preference Shares held by that Holder on the Record Date to the Council (or its nominee), and by holding a Perpetual Preference Share each Holder shall be deemed to have irrevocably authorised Quayside Holdings on that Holder's behalf and as its agent, and without any liability to that Holder, to take such action as may be necessary or desirable to effect that transfer, including signing any transfer forms or other documents and otherwise as set out in Condition 12(d)(ii), and each Holder shall be required to and shall provide to Quayside Holdings any information held by the Holder that Quayside Holdings requires in order to effect that transfer; and

- (ii) to the maximum extent permitted by law, Quayside Holdings shall on the Transfer Date (and whether or not it has received any form of transfer from any Holder) have the power to, and be deemed to be authorised to, enter the Council (or its nominee) in the Register as the holder of those Perpetual Preference Shares in respect of which the Call Option has been exercised, whether or not (and without having to make any enquiries as to whether) payment of the Call Option Exercise Price for each such Perpetual Preference Share has been made to the relevant Holder in accordance with Condition 12(e) and the Options Deed (on the basis that, on and after the Transfer Date, the sole recourse of the Holders in respect of the Perpetual Preference Shares in respect of which the Call Option has been exercised shall be against the Council and any amounts payable by Quayside Holdings in respect of those Perpetual Preference Shares shall be payable to the Council (or its nominee) and not to any other person).

(e) Each Holder shall, by acquiring Perpetual Preference Shares, be deemed to have acknowledged and agreed that:

- (i) subject to Condition 12(e)(iii), the Council shall

(in accordance with the Options Deed) be obliged to pay to that Holder the Call Option Exercise Price in respect of each Perpetual Preference Share acquired by the Council from that Holder in accordance with the foregoing provisions of this Condition 12;

- (ii) at the time at which the Council is registered as the Holder of a Perpetual Preference Share acquired from that Holder, that Perpetual Preference Share shall be free from all Third Party Interests;
- (iii) if, notwithstanding Condition 12(e)(ii), the Council is aware that any such Perpetual Preference Share is and will (after transfer to the Council) be subject to any Third Party Interest, the Council may, without prejudice to its rights to be registered as Holder of that Perpetual Preference Share, decline to make payment of the Call Option Exercise Price (in whole or in part) to the transferring Holder unless and until, acting reasonably, it is satisfied that such Third Party Interest has terminated or expired, is invalid or unenforceable, or has otherwise been removed or discharged and, in each case, is not able to be reinstated without the consent of the Council ("Discharge"); and
- (iv) payment of all or part of the Call Option Exercise Price to the relevant Holder before Discharge of any Third Party Interest shall not constitute a waiver of any rights of the Council or any other person against that Holder for breach of the terms of this Condition 12(e).
- (f) Notwithstanding that the Call Option is expressed in this Condition 12 to be exercisable by the Council, the obligations of each Holder in respect thereof shall be obligations owed both to the Council and to Quayside Holdings (jointly and each of them severally) and shall accordingly be enforceable by Quayside Holdings in all respects as if it were the Council. In particular, but without limiting the generality of the foregoing, if the Council gives notice to Holders as contemplated by Conditions 12(a) or (b) and (if applicable) (c)), then, whether or not the Council has any enforceable right to require each Holder to transfer some or all of that Holder's Perpetual Preference Shares to it in accordance with Conditions 12(d) and (e), and whether or not each such Holder has, by virtue of this Condition 12, any enforceable right to require the Council to make payment to

it in accordance with Condition 12(e), Quayside Holdings shall have an enforceable right against each Holder to require such Holder to effect such transfer (provided that, for the avoidance of doubt, nothing in this Condition 12 shall impose on Quayside Holdings any obligation to make payment to any such Holder or otherwise impose on Quayside Holdings any of the obligations of the Council under this Condition 12 or the Options Deed). In the event that, following the exercise of the Call Option in respect of all the Perpetual Preference Shares held by Holders other than the Council, any Perpetual Preference Share is not transferred to the Council (or its nominee) on the Transfer Date, then with effect from the Transfer Date and until such time as each such Perpetual Preference Share is transferred to the Council (or its nominee), all voting rights attaching to each such Perpetual Preference Share shall be suspended, and the Holder of each such Perpetual Preference Share shall be deemed to have irrevocably authorised Quayside Holdings to pay to the Council, without any liability to the Holder, any Dividends authorised in respect of each such Perpetual Preference Share. In the event that the Call Option is exercised in respect of fewer than all of the Perpetual Preference Shares held by Holders other than the Council, and fewer than the relevant number of the Perpetual Preference Shares held by a Holder have been transferred to the Council (or its nominee) on the Transfer Date, then with effect from the Transfer Date and until such time as each Perpetual Preference Share held by that Holder that is in addition to the number of Perpetual Preference Shares it is entitled to retain is transferred to the Council (or its nominee), all voting rights attaching to each such additional Perpetual Preference Share shall be suspended, and the Holder of each such additional Perpetual Preference Share shall be deemed to have irrevocably authorised Quayside Holdings to pay to the Council, without any liability to the Holder, any Dividends authorised in respect of each such additional Perpetual Preference Share.

- (g) For the avoidance of doubt, if in accordance with the foregoing provisions of this Condition 12 and the Options Deed the Council is required to transfer Perpetual Preference Shares to, and pay, itself, such transfer and payment shall be deemed to be made on the Transfer Date without the Council being required to take any such, or any other, action.

13 Put Option in respect of Perpetual Preference Shares

- (a) The Administrative Agent may, at any time after receiving notice in writing from the Council or Quayside Holdings of the occurrence of any of the events listed in paragraphs (i) to (vi) below (whether or not within the control of the Council or Quayside Holdings), and without the need to first seek instructions from the Holders, exercise the Put Option in accordance with this Condition 13 and the Options Deed in respect of all (but not less than all) of the Perpetual Preference Shares. By holding Perpetual Preference Shares, each Holder shall be deemed to have acknowledged that the terms of the Options Deed provide that Quayside Holdings and the Council are obliged to notify the Administrative Agent of the occurrence of any of the events listed in paragraphs (i) to (vi) below immediately upon becoming aware of it, and that upon receipt of such notice, the Administrative Agent shall immediately exercise the Put Option by giving notice to the Council. Following any such exercise and thereafter until transfer to the Council, the Administrative Agent may exercise all the rights attaching to those Perpetual Preference Shares. The relevant events are:
- (i) Quayside Holdings fails (for whatever reason) to pay the cash component of a Dividend payable on a Dividend Payment Date within 5 Business Days after that Dividend Payment Date or to pay any other amount due and payable under these Conditions within 5 Business Days after that amount becomes due and payable, provided that an inadvertent failure to make payment to one or more Holders shall not constitute a failure to pay under this Condition 13(a)(i) if, upon being made aware of that failure, Quayside Holdings ensures that payment is made within 5 Business Days; or
 - (ii) Quayside Holdings elects not to pay a Dividend payable on a Dividend Payment Date; or
 - (iii) Quayside Holdings ceases to carry on business or operations, or an application authorised at law or an order is made, or a resolution is passed, for the dissolution of Quayside Holdings except, in each case, for the purpose of, and followed by, an amalgamation or solvent reconstruction on terms previously approved in writing by the Administrative Agent (which approval may be given by the Administrative Agent, acting reasonably, and without the need for a Special Resolution or Special Approval Notice authorising such approval); or
 - (iv) an encumbrancer takes possession, or a trustee, receiver, receiver and manager, liquidator, administrator, inspector under any companies or securities legislation, or similar official, is appointed in relation to Quayside Holdings or the whole of its assets, or
 - (v) a recommendation by the Securities Commission is made to appoint a statutory manager under the Corporations (Investigation and Management) Act 1989 in relation to Quayside Holdings, or Quayside Holdings or any associated person (as that term is defined in that Act) of any of them is declared at risk in accordance with that Act, or
 - (vi) Quayside Holdings is declared or becomes insolvent, is unable to pay its debts when they fall due, or is presumed to be unable to pay its debts in accordance with section 287 of the Companies Act, or enters into dealings with, or for the benefit of, any of its creditors with a view to avoiding, or in expectation of, insolvency, or makes a general assignment or an arrangement, compromise or composition with or for the benefit of any of its creditors, or stops or threatens to stop payments generally.
- (b) The Administrative Agent may, but only if instructed to do so by a Special Resolution of Holders or pursuant to a Special Approval Notice from Holders, at any time after receiving notice in writing from the Council or Quayside Holdings of the occurrence of any of the following events (whether or not within the control of the Council or Quayside Holdings), exercise the Put Option in accordance with this Condition 13 and the Options Deed in respect of all (but not less than all) of the Perpetual Preference Shares, and thereafter the Administrative Agent may exercise all the rights attaching to those Perpetual Preference Shares:
- (i) Quayside Holdings ceasing to have a majority shareholding (whether directly or indirectly) in Port of Tauranga Limited; or
 - (ii) the liability to Quayside Holdings of the holder/s of its Uncalled Capital is reduced (other than by payment to Quayside Holdings of any amount called by it).
- (c) The Administrative Agent may only exercise the Put Option under Condition 13(a) or (b) by giving not less than 60 days' prior notice in writing to the

Council specifying:

- (i) that all of the Perpetual Preference Shares are being put in accordance with this Condition 13 and the Options Deed; and
 - (ii) the Transfer Date (which, if applicable, shall be the date specified in the Special Resolution or Special Approval Notice of Holders).
- (d) If the Administrative Agent gives notice of exercise of the Put Option in accordance with Conditions 13(a) or (b) and (c) and subject to Condition 13(g):
- (i) each Holder on the Record Date shall be required to and shall, on the Transfer Date, transfer all the Perpetual Preference Shares held by it on the Record Date to the Council (or its nominee), and by holding a Perpetual Preference Share each Holder shall be deemed to have irrevocably authorised Quayside Holdings on that Holder's behalf and as its agent, and without any liability to that Holder, to take such action as may be necessary or desirable to effect that transfer, including signing any transfer forms or other documents and otherwise as set out in Condition 13(d)(ii); and
 - (ii) to the maximum extent permitted by law Quayside Holdings shall on the Transfer Date (and whether or not it has received any form of transfer from any Holder) have the power to enter the Council (or its nominee) in the Register as the holder of those Perpetual Preference Shares whether or not (and without having to make any enquiries as to whether) payment of the Put Option Exercise Price for each such Perpetual Preference Share has been made to the Holders in accordance with Condition 13(e) and the Options Deed (on the basis that, on and after the Transfer Date, the sole recourse of the Holders shall be against the Council and any obligations of Quayside Holdings to pay any amounts in respect of the Perpetual Preference Shares shall be owed to the Council (or its nominee) and not to any other person).
- (e) Each Holder shall, by acquiring Perpetual Preference Shares, be deemed to have acknowledged and agreed that:
- (i) subject to Condition 13(e)(iii), the Council shall (in accordance with the Options Deed) be obliged to pay to that Holder the Put Option Exercise Price in respect of each Perpetual Preference Share acquired by the Council from that Holder in accordance with the foregoing provisions of this Condition 13;
 - (ii) at the time at which the Council is registered as the Holder of a Perpetual Preference Share acquired from that Holder, that Perpetual Preference Share shall be free from all Third Party Interests;
 - (iii) if, notwithstanding Condition 13(e)(ii), the Council is aware that any such Perpetual Preference Share is and will (after transfer to the Council) be subject to any Third Party Interest, the Council may, without prejudice to its rights to be registered as Holder of that Perpetual Preference Share, decline to make payment (in whole or in part) to the transferring Holder of the Put Option Exercise Price unless and until, acting reasonably, it is satisfied that such Third Party Interest has terminated or expired, is invalid or unenforceable, or has otherwise been removed or discharged and, in each case, is not able to be reinstated without the consent of the Council ("Discharge"); and
 - (iv) payment of all or part of the Call Option Exercise Price to the relevant Holder before Discharge of any Third Party Interest shall not constitute a waiver of any rights of the Council or any other person against that Holder for breach of the terms of this Condition 13(e).
- (f) Notwithstanding that the Put Option is expressed in this Condition 13 to be exercisable by the Administrative Agent, the obligations of each Holder in respect thereof shall be obligations owed both to the Council and to Quayside Holdings (jointly and each of them severally) and shall accordingly be enforceable by Quayside Holdings in all respects as if it were the Council. In particular, but without limiting the generality of the foregoing, if the Administrative Agent gives notice to the Council as contemplated by Conditions 13(a), (b) and (c) and subject to Condition 13(g), then, whether or not the Council has any enforceable right to require each Holder to transfer some or all of that Holder's Perpetual Preference Shares to the Council in accordance with Conditions 13(d) and (e), and whether or not each such Holder has, by virtue of this Condition 13, any enforceable right to require the Council to make payment to it in accordance

with Condition 13(e), Quayside Holdings shall have an enforceable right against each Holder to require such Holder to effect such transfer (provided that, for the avoidance of doubt, nothing in this Condition 13 shall impose on Quayside Holdings any obligation to make payment to any such Holder or otherwise impose on Quayside Holdings any of the obligations of the Council or the Administrative Agent under this Condition 13 or the Options Deed). In the event that, following the exercise of the Put Option, any Perpetual Preference Share is not transferred to the Council (or its nominee) on the Transfer Date, then with effect from the Transfer Date and until such time as each such Perpetual Preference Share is transferred to the Council (or its nominee), all voting rights attaching to each such Perpetual Preference Share shall be suspended, and the Holder of each such Perpetual Preference Share shall be deemed to have irrevocably authorised Quayside Holdings to pay to the Council, without any liability to the Holder, any Dividends authorised in respect of each such Perpetual Preference Share.

- (g) Notwithstanding anything to the contrary in this Condition 13, the Put Option may not be exercised if the Call Option has already been exercised in respect of all the Perpetual Preference Shares in accordance with Condition 12.

(h) In the event that the Administrative Agent fails to:

- (i) exercise the Put Option in accordance with these Conditions and the Options Deed; or
- (ii) give notice to Quayside Holdings requiring it to convene a meeting of Holders following the occurrence of an event described in Condition 13(b),

in each case within five Business Days of the obligation to do so arising, Quayside Holdings shall exercise the Put Option or convene a meeting of Holders (as the case may be), and such exercise or convention shall be as effective as if the Administrative Agent had exercised the Put Option or given notice requiring convention of a meeting (as the case may be).

- (i) For the avoidance of doubt, if in accordance with the foregoing provisions of this Condition 13 and the Options Deed the Council is required to transfer Perpetual Preference Shares to, and pay, itself, such transfer and payment shall be deemed to be made on the Transfer Date without the

Council being required to take any such, or any other, action.

14 Meetings of Holders

All meetings of the Holders are to be convened and proceedings thereat conducted in the manner prescribed in the Constitution and (except to the extent modified by the Constitution) section 121 and the First Schedule of the Companies Act.

15 Appointment and powers of Administrative Agent

- (a) Quayside Holdings shall appoint and maintain the appointment of an administrative agent to exercise certain rights for and on behalf of the Holders, including the exercise of the Put Option in accordance with Condition 13 and the Options Deed. The New Zealand Guardian Trust Company Limited shall be the initial Administrative Agent and shall be deemed to have been appointed in accordance with this Condition 15(a).
- (b) By acquiring and holding Perpetual Preference Shares, each Holder irrevocably and unconditionally appoints and authorises the Administrative Agent (without limiting the Holder's ability to give instructions pursuant to a Special Resolution or Special Approval Notice but otherwise to the exclusion of the Holder) to act as its agent in respect of the Perpetual Preference Shares for the purposes of these Conditions and the Options Deed with the powers expressly given to the Administrative Agent under these Conditions and/or the Options Deed or (except to the extent inconsistent with the express terms of these Conditions, unless first consented to in writing by Quayside Holdings) otherwise by Special Resolution or pursuant to a Special Approval Notice, together with any other powers which are reasonably incidental to those powers.
- (c) Any action taken by the Administrative Agent (acting, where required, in accordance with instructions from Holders pursuant to a Special Resolution or a Special Approval Notice) in accordance with this Condition 15 shall bind all the Holders or the relevant Holders.
- (d) The Administrative Agent shall have no duties, responsibilities, obligations or liabilities to a Holder or any other person except those expressly agreed to in the Options Deed, which shall, at all times, be consistent (in all material respects) with these Conditions. For the avoidance of doubt,

the Administrative Agent shall not be required to make enquiries in respect of, or be responsible for, the proper issue or constitution of the Perpetual Preference Shares or any other of the matters referred to in Condition 13(a) or (b).

- (e) In the exercise of any of its rights, powers and discretions, the Administrative Agent shall, where required under the Options Deed and Condition 13(b), act in accordance with the instructions given by a Special Resolution or in a Special Approval Notice. The Administrative Agent shall not be obliged to seek instructions except where expressly required by these Conditions and the Options Deed.
- (f) In the absence of any such instructions and except to the extent inconsistent with the express terms of these Conditions or the Options Deed, the Administrative Agent may act as it thinks fit in the best interests of the Holders as a whole or may, notwithstanding anything in this Condition 15 (but otherwise subject to these Conditions and the Options Deed), refrain from acting until receipt of instructions without incurring any liability to any Holder or any other person.
- (g) The Administrative Agent may refrain from doing anything which would or might in its opinion be contrary to any law or official directive, or render it liable to any person.
- (h) As between Quayside Holdings and the Council on the one hand and the Administrative Agent and the Holders on the other hand, all actions taken by the Administrative Agent under these Conditions and the Options Deed shall be deemed to be authorised by the Holders.
- (i) Except to the minimum extent, if any, required by law, the Administrative Agent shall not be (and shall not be deemed to be) a trustee for the benefit of any Holder or have any fiduciary duty. The Administrative Agent shall not in any respect be the agent of Quayside Holdings or the Council by virtue of these Conditions or the Options Deed.
- (j) In the absence of any wilful misconduct, gross negligence or fraud by any of them, none of the Administrative Agent or any of its directors, officers, employees, agents, attorneys, subsidiaries or successors shall be responsible or liable to any Holder, Quayside Holdings or the Council for:
 - (i) the value, validity, effectiveness, genuineness, enforceability or sufficiency of the Options Deed or any other document or agreement to which it is a party in its capacity as

Administrative Agent, except as regards the validity, effectiveness, genuineness, and enforceability of such document or agreement against the Administrative Agent;

- (ii) any failure by Quayside Holdings or the Council to perform its obligations under these Conditions or the Options Deed; or
 - (iii) any action taken or omitted to be taken by any of them under these Conditions or the Options Deed unless such action is expressly required to be taken, or not to be taken, by the Administrative Agent under these Conditions or the Options Deed; or
 - (iv) any action taken or omitted to be taken by any of them under the Options Deed acting on instructions given by Special Resolution or pursuant to a Special Approval Notice.
- (k) By acquiring and holding Perpetual Preference Shares, each Holder irrevocably and unconditionally authorises the Administrative Agent (and/or Quayside Holdings, if so instructed by the Administrative Agent) to agree to any waiver, amendment, modification, variation or addition to these Conditions or the Options Deed (each a *Modification*) if:
- (i) that Holder has notified the Administrative Agent and/or Quayside Holdings in writing of its agreement to the Modification; or
 - (ii) the Holders have, by Special Resolution or pursuant to a Special Approval Notice, notified the Administrative Agent of their agreement to or otherwise approved the Modification; or
 - (iii) in the case of a Modification of the Options Deed only, the Administrative Agent is satisfied that the Modification:
 - (A) is being made to correct a manifest error; or
 - (B) is being made to comply with any law or the Listing Rules; or
 - (C) is of a minor, formal or technical nature; or
 - (D) is convenient for the purpose of obtaining or maintaining any quotation of the Perpetual Preference Shares on the NZX; or
 - (E) is not, and is not likely to become, materially prejudicial to the interests of the Holders generally,

and any applicable additional requirement of the Companies Act 1993 has been complied with in respect of that Modification. Each Holder shall

be bound by any such Modification so agreed to by the Administrative Agent as if it were party to the relevant Modification agreement, and these Conditions shall for all purposes be deemed to include any Modification to these Conditions (in accordance with its terms) from the time of the making of the Modification in accordance with this Condition 15.

- (l) No Modification to these Conditions in accordance with this Condition 15 will be effective unless it is in writing and executed by the Administrative Agent and Quayside Holdings.

16 Payments

Subject to Condition 3(b), and in accordance with Condition 18:

Record Date

- (a) all payments in relation to Perpetual Preference Shares (including, and without limiting anything contained elsewhere in these Conditions, on a Transfer Date and whether to be paid by Quayside Holdings or the Council or any person on their behalf) will be paid to the Holder entered in the Register as the holder of that Perpetual Preference Share as at 5pm on the date which is 10 days before the relevant payment date (the Record Date), and to the extent any such payment is so paid it shall fully and completely discharge the relevant payment obligation of the Council or Quayside Holdings (as the case may be) notwithstanding any notice Quayside Holdings, the Council, the Registrar or any other person may have of any subsequent transfer;

Cheque or direct credit

- (b) payment is to be made by cheque or direct bank credit; and

Joint Holders

- (c) if several persons are entered in the Register as joint Holders then, without prejudice to Condition 16(a), or Condition 18, the payment to any one of such persons of any amount in relation to the relevant Perpetual Preference Share will be as valid, and as effective a discharge of Quayside Holdings' or the Council's (as the case may be) obligations, (to the extent of such payment) as if the payee was the sole Holder.

The directors of Quayside Holdings shall, from time to time, pass any and all necessary resolutions for the purpose of fixing each Record Date as the relevant record date in respect of the relevant payment.

17 Deductions and withholdings

Free and clear

- (a) All sums paid by Quayside Holdings or the Council in relation to Perpetual Preference Shares (including, and without limiting anything contained elsewhere in these Conditions, on a Transfer Date) will (except to the extent referred to below and/or required by law) be paid:
 - (i) free of any restriction or condition,
 - (ii) free and clear of and without any deduction or withholding on account of any tax, and
 - (iii) without deduction or withholding on account of any other amount whether by way of set-off or otherwise.

Resident withholding tax

- (b) Subject to the requirements of law from time to time, except where Quayside Holdings attaches to the cash component of a Dividend on a Perpetual Preference Share or any payment that is a dividend for New Zealand tax purposes an Attached Credit of the full amount calculated in accordance with Condition 3(a)(ii) or 6(d), New Zealand resident withholding tax will be deducted from all dividends and interest paid to persons who are resident in New Zealand for tax purposes, unless Quayside Holdings or the Council (as the case may be) is satisfied by the person entitled to the dividend or interest, at least 15 Business Days prior to the relevant payment date, that such deductions are not required by law.

Non-resident withholding tax

- (c) Subject to the requirements of law from time to time, New Zealand non-resident withholding tax will be deducted from the cash component of all Dividends and any payment that is a dividend for New Zealand tax purposes or interest paid to persons who are not resident in New Zealand for tax purposes.

Deductions

- (d) Deductions of non-resident or resident withholding tax will be made at the maximum rates from time to time applicable unless the person entitled to the dividend or interest provides evidence satisfactory to Quayside Holdings, the Council or the Registrar (as the case may be) that a lesser rate is applicable. Quayside Holdings, the Council and the Registrar (as the case may be) will be entitled to rely upon information given by the person entitled to a Dividend or interest as to that person's tax

residency when making any deductions of resident or non-resident withholding tax.

18 Method of payments

Subject to Condition 3(b), all sums payable by Quayside Holdings or the Council (as the case may be) in relation to Perpetual Preference Shares may be paid:

Cheque

- (a) by cheque crossed “not transferable”, sent through the post to the registered address of the Holder on the Register on the relevant Record Date; or

Direct credit

- (b) by direct bank credit to such bank account in New Zealand as the Holder or joint Holders may direct in writing prior to the relevant Record Date,

in each case in accordance with the Agency Agreement.

Every such cheque will be made payable to the order of the person to whom it is sent or presented or to such other person as the Holder may in writing direct prior to the relevant Record Date and payment of such cheque to the Holder, or to such other person as the Holder may so direct, will be a satisfaction of the sum in relation to which it was drawn.

19 Transfer

Restrictions on transfers

- (a) Perpetual Preference Shares may not be transferred unless:

- (i) the number of Perpetual Preference Shares being transferred is a whole multiple of 1,000 and the transferor and the transferee will, immediately after the transfer, each hold at least 5,000 Perpetual Preference Shares or, if greater, the Minimum Holding (as defined in the Listing Rules), provided that nothing in this Condition will prevent a Holder of Perpetual Preference Shares transferring all of his, her or its Perpetual Preference Shares and thereby ceasing to be a holder of Perpetual Preference Shares, or
- (ii) the Board has given its prior written approval to the transfer, or
- (iii) it is pursuant to Condition 12 or Condition 13.

Restrictions on transfer after exercise of Call Option or Put Option

- (b) Subject to Condition 19(c), if the Call Option or the Put Option is exercised, no Holder may,

after the Record Date in respect of the option exercise, transfer to any person other than the Council (or its nominee) any Perpetual Preference Share which, in accordance with Condition 12 or Condition 13 (as the case may be), is required to be transferred to the Council (or its nominee), and no purported transfer of any such Perpetual Preference Share after the Record Date in respect of the option exercise shall be entered in the Register or otherwise given effect to by Quayside Holdings.

- (c) In the event that the Call Option is exercised in respect of fewer than all of the Perpetual Preference Shares, each Holder may, after the Record Date in respect of the option exercise, transfer to any person any Perpetual Preference Shares to the extent that the number of Perpetual Preference Shares held by that Holder after that transfer is not less than the number that Holder is required to transfer to the Council (or its nominee) on the Transfer Date.

Form of transfer

- (d) Subject to these Conditions and any other applicable provisions of the Constitution (and, in particular, without limiting Condition 12(d) or 13(d)), a Holder of Perpetual Preference Shares may transfer any Perpetual Preference Shares held by him or her by:

- (i) a written instrument of transfer in usual or common form signed by the transferee, or
- (ii) means of the FASTER system operated by NZX, or
- (iii) any other method of transfer of marketable securities which is not contrary to any law and which may be operated in accordance with any Listing Rules, and which is approved by Quayside Holdings.

Compulsory transfer

- (e) Quayside Holdings may at any time give notice to a Holder holding less than a Minimum Holding of Perpetual Preference Shares that it intends to sell the Perpetual Preference Shares held by that Holder (and, having given such notice, Quayside Holdings shall be entitled to sell such Perpetual Preference Shares) if, on the date three months after the date of such notice, the Holder still holds less than a Minimum Holding of Perpetual Preference Shares. If Quayside Holdings exercises such power of sale:

- (i) Quayside Holdings may effect that sale on behalf of that Holder on such terms and in such manner as Quayside Holdings considers

appropriate, provided it complies with the NZX Listing Rules;

- (ii) the Holder shall be deemed to have authorised Quayside Holdings to exercise such powers of sale, and to sign all transfer forms and other documents and do all other things as Quayside Holdings considers appropriate for that purpose, on behalf of and as agent for that Holder;
- (iii) Quayside Holdings shall account to that Holder for the net proceeds of such sale (after deduction of reasonable costs);
- (iv) the title of each purchaser of such Perpetual Preference Shares shall not be adversely affected by any actual or alleged irregularity in the exercise or purported exercise by Quayside Holdings of its powers under this Condition 19(e) and the receipt by Quayside Holdings of the purchase price shall be a good discharge of the purchaser's obligations to pay the same; and
- (v) to the maximum extent permitted by law, neither Quayside Holdings nor any of its directors, officers, employees or agents shall be liable to any such Holder for the exercise or purported exercise of the powers of Quayside Holdings under this Condition 19(e) except (in respect of any such person) to the extent (if any) that that person has acted in bad faith.

may rely upon and enforce each of them, and the provisions of the Contracts (Privity) Act 1982 shall apply to the benefits conferred by these Conditions upon the Council and the Council is to be considered a "beneficiary" for the purposes of such Act and such benefits are intended to be enforceable at the suit of the Council.

20 Inspection of documents

Copies of the Agency Agreement and the Options Deed shall be available for inspection on any Business Day during normal office hours (9.00am to 5.00pm) at the registered office of Quayside Holdings.

21 Options Deed

The Options Deed must be, at all times and in all material respects, consistent with these Conditions (including as they may be amended). In the event of any inconsistency between the Options Deed and these Conditions, these Conditions shall prevail.

22 Contracts Privity

To the maximum extent permitted by law, the undertakings and provisions of these Conditions which are expressed to be in favour of the Council are given by Quayside Holdings and the Holders (as the case may be) for the benefit of the Council, and the Council and any liquidator of Quayside Holdings

Options Deed Relating to Perpetual Preference Shares

Date: 31 January 2008

PARTIES

Quayside Holdings Limited
(Quayside Holdings)

Bay of Plenty Regional Council
(the Council)

The New Zealand Guardian Trust Company Limited
(NZGT)

BACKGROUND

- (A) The Council is intended to become the holder of 200,000,783 Perpetual Preference Shares issued by Quayside Holdings.
- (B) The Council intends to offer to the public up to 150 million Perpetual Preference Shares, with the ability to accept oversubscriptions of 50 million Perpetual Preference Shares.
- (C) Under the terms of the Perpetual Preference Shares, the Council shall have a call option, and the Holders shall have the benefit of a put option, in respect of the Perpetual Preference Shares.
- (D) NZGT has agreed to act as the Administrative Agent in respect of those options on the terms set out in the Conditions and in this Deed.

BY THIS DEED the parties agree as follows:

1 Interpretation

1.1 Definitions in Constitution

Except where otherwise expressly provided in this Deed, words defined in the Conditions, or otherwise in the Constitution, have the same meanings in this Deed.

1.2 Definitions in this Deed

In this Deed, unless the context otherwise requires:

Administrative Agent means, at any time, the person who at that time is a party to this Deed (whether by executing it or, where the person who executed this Deed as Administrative Agent has retired or been removed from that role, by executing a Deed of Accession in accordance with this Deed) and has agreed thereby to be the “Administrative Agent” under this Deed (being, at the date of this Deed, NZGT).

Automatic Put Option Exercise Event means any event or circumstance described in any of Conditions 13(a)(i) to (vi) (both inclusive).

Conditions means the terms and conditions of the Perpetual Preference Shares to be set out in Schedule 2 to the Constitution (and as annexed to this Deed), as amended, supplemented or replaced from time to time, and **Condition** means any one of them.

Constitution means the constitution of Quayside Holdings.

Deed of Accession means a deed of accession substantially in the form and to the effect of that set out in Schedule 1.

Discretionary Put Option Exercise Event means any event or circumstance described in Condition 13(b)(i) or (ii).

Listing Rules means the official listing rules of NZX, as amended from time to time, to the extent that those listing rules apply to Quayside Holdings or the Perpetual Preference Shares from time to time, having regard to any rulings, waivers or modifications granted by NZX.

NZX means New Zealand Exchange Limited (or any replacement or successor body).

Option Exercise Event means any event or occurrence that gives rise to the right for the Council to exercise the Call Option, any Automatic Put Option Exercise Event and any Discretionary Put Option Exercise Event.

1.3 Interpretation

Except to the extent that the context otherwise requires, any reference in this Deed to:

a **clause** or **schedule** is a reference to a clause of, or a schedule to, this Deed;

month means calendar month;

person includes an individual, firm, company, corporation or unincorporated body of persons, organisation or trust, and any state or government agency, in each case whether or not having a separate legal personality;

working days has the meaning assigned to it in section 2 of the Companies Act 1993; and

written and **in writing** includes all means of reproducing words in a tangible and permanently visible form.

1.4 Construction

(a) **Definitions in Companies Act 1993 and Securities Act 1978**

Except where otherwise expressly provided in this Deed, words defined in the Companies Act 1993,

the Securities Act 1978 or the Securities Regulations 1983 have the same meanings in this Deed.

(b) Headings

The introduction to and headings in this Deed are inserted for convenience only and are to be ignored in construing this Deed.

(c) Plural, singular and gender references

Unless the context otherwise requires, words denoting the singular number only are to include the plural and vice versa and words denoting any gender are to include all genders.

(d) References to legislation

References to any legislation or regulation or to any provision of any legislation or regulation are deemed to be references to that legislation, regulation or provision as from time to time amended, re-enacted or substituted.

(e) Modified, novated, supplemented, varied and replaced documents

References to any document (however described) include references to such document as modified, novated, supplemented, varied or replaced from time to time.

(f) References to time

Anything which may be done at any time may also be done from time to time.

1.5 Non-Business Days

Anything which is required by this Deed or the Conditions to be done on, or as of, a day which is not a Business Day is to be done on, or as of, the next Business Day.

2 Appointment of Administrative Agent

2.1 Appointment

Quayside Holdings hereby appoints NZGT, and NZGT accepts appointment, as Administrative Agent for the Holders in respect of the Perpetual Preference Shares, on the terms and subject to the provisions of this Deed and applicable law, and with the rights, powers, duties and obligations conferred by this Deed and by applicable law.

2.2 Administrative Agent to be bound by Conditions

The Conditions shall be binding on the Administrative Agent.

3 Call Option in respect of Perpetual Preference Shares

3.1 Call Option

The Council undertakes to exercise the Call Option only in accordance with the Conditions and this Deed.

3.2 Notice

Quayside Holdings shall, upon receipt of any notice of exercise of the Call Option from the Council, give notice to Holders that it has received that notice of exercise, and shall at the same time copy that notice to the Administrative Agent.

3.3 Request for information in relation to the Call Option

The Council shall promptly provide to the Administrative Agent any information or documents reasonably requested by the Administrative Agent in relation to the exercise, proposed exercise or purported exercise by the Council of the Call Option. The Administrative Agent shall, subject to any relevant obligations of confidentiality undertaken by it in accordance with this Deed, be entitled to send to Holders any such information (and/or copies of any such documents) received by the Administrative Agent from the Council, and provide any other information in relation to the Call Option, as the Administrative Agent considers fit.

4 Put Option in Respect of Perpetual Preference Shares

4.1 Grant of Put Option

The Council agrees and undertakes that the Put Option shall be exercisable by the Administrative Agent in accordance with this Deed and the Conditions, and the Council and Quayside Holdings will perform all their obligations under the Conditions in accordance with the Constitution and not take any action to challenge any exercise of the Put Option by the Administrative Agent in accordance with the Conditions.

4.2 Exercise of Put Option by Administrative Agent

Upon receipt of notification in writing from Quayside Holdings (pursuant to clause 6.1(a)) or the Council (pursuant to clause 6.2(a)) of the occurrence of any Automatic Put Option Exercise Event, the Administrative Agent shall immediately exercise the Put Option by giving notice to the Council (which notice shall be copied by the Administrative Agent to Quayside Holdings) and otherwise in accordance with the Conditions. Quayside Holdings shall, on receipt of

that notice, give notice to Holders that the Put Option has been exercised.

4.3 Meeting of Holders

Upon receipt of notification in writing from Quayside Holdings (pursuant to clause 6.1(a)) or the Council (pursuant to clause 6.2(a)) of the occurrence of any Discretionary Put Option Exercise Event, the Administrative Agent shall, subject to clause 4.4, as soon as practicable send a notice to Quayside Holdings requiring Quayside Holdings to convene a meeting of Holders in accordance with the Constitution in order to seek instructions from Holders as to whether or not the Administrative Agent shall exercise the Put Option. Upon receipt of the notice from the Administrative Agent, Quayside Holdings shall forthwith convene such a meeting.

4.4 Special Approval Notice

Upon receipt of notification in writing from Quayside Holdings (pursuant to clause 6.1(a)) or the Council (pursuant to clause 6.2(a)) of the occurrence of any Discretionary Put Option Exercise Event, the Administrative Agent may, if it considers it reasonably practicable and efficient to do so in the circumstances, send to Holders a proposed form of Special Approval Notice in order to seek instructions from Holders as to whether or not the Administrative Agent shall exercise the Put Option, such Special Approval Notice to be in lieu of the requirement under clause 4.3 to convene a meeting of Holders.

4.5 Exercise of Put Option on instructions of Holders

If, following the occurrence of any Discretionary Put Option Exercise Event, Holders vote by Special Resolution to instruct the Administrative Agent to exercise the Put Option or sign a Special Approval Notice to that effect, the Administrative Agent shall forthwith exercise the Put Option by giving notice to the Council (which notice shall be copied by the Administrative Agent to Quayside Holdings) and otherwise in accordance with the Conditions. Quayside Holdings shall, on receipt of that notice, give notice to Holders that the Put Option has been exercised.

5 Warranties

5.1 Representations and Warranties of Quayside Holdings

Quayside Holdings represents and warrants to the Administrative Agent on the date of this Deed that:

(a) **Incorporation**

it is a company duly incorporated under the laws of New Zealand;

(b) **Power**

it has the power to enter into this Deed and perform its obligations under this Deed;

(c) **Consents and authorisation**

it has all the necessary consents and has taken all necessary corporate and other action to authorise the execution and performance by it of this Deed;

(d) **Obligations legally binding**

its obligations under this Deed are legally binding on it and enforceable against it in accordance with their terms; and

(e) **No breach of agreement, laws etc.**

the execution and performance of this Deed will not constitute a breach under any law, regulation or agreement by which Quayside Holdings is bound.

5.2 Representations and Warranties of the Council

The Council represents and warrants to the Administrative Agent on the date of this Deed that:

(a) **Power**

it has the power to enter into this Deed and to perform its obligations under this Deed;

(b) **Consents and authorisation**

it has all the necessary consents and has taken all necessary action to authorise the execution and performance by it of this Deed;

(c) **Obligations legally binding**

its obligations under this Deed are legally binding on it and enforceable against it in accordance with their terms; and

(d) **No breach of agreement, laws etc.**

the execution and performance of this Deed will not constitute a breach under any law, regulation or agreement by which the Council is bound.

6 Covenants

6.1 Quayside Holdings Covenants

Quayside Holdings covenants with the Administrative Agent that, for so long as any Perpetual Preference Share is held by any person other than the Council, it will (except to the extent that to do so would be a breach of law, the Listing Rules or any obligation of confidence):

(a) **Notify Administrative Agent**

notify the Administrative Agent in writing of

the occurrence of any Option Exercise Event immediately upon becoming aware of it, giving full details of it and of any action taken (or to be taken) as a result;

(b) **Give Administrative Agent notices**

send a copy to the Administrative Agent of each notice given by it to Holders generally;

(c) **Information**

whenever so requested, give to the Administrative Agent such information as it is permitted to give and as the Administrative Agent may reasonably request for the purposes of the discharge of the duties and powers vested in the Administrative Agent under this Deed or imposed upon it by law;

(d) **Offering documents**

not issue an investment statement or register a prospectus in respect of the offer of Perpetual Preference Shares without prior notice to the Administrative Agent, and not include any statement in any such prospectus or investment statement for the Perpetual Preference Shares concerning the Administrative Agent or this Deed without the prior written consent of the Administrative Agent (which consent may not be unreasonably withheld or delayed or subject to unreasonable conditions).

6.2 Council Covenants

The Council covenants with the Administrative Agent that, for so long as any Perpetual Preference Share is held by any person other than the Council, it:

(a) **Notify Administrative Agent**

will notify the Administrative Agent of the occurrence of any Option Exercise Event immediately upon becoming aware of it, giving full details of it and of any action taken (or to be taken) as a result;

(b) **Give Administrative Agent notices**

will send a copy to the Administrative Agent of each notice given by it to Holders generally;

(c) **Information**

will, whenever so requested, give to the Administrative Agent such information as it is permitted to give and as the Administrative Agent may reasonably request for the purposes of the discharge of the duties and powers vested in the Administrative Agent under this Deed or imposed upon it by law;

(d) **Bound by Conditions**

is bound by, and will comply in all respects with, the Constitution and the Conditions, as each

of them may be amended from time to time in accordance with the Constitution, the Conditions and this Deed (as applicable);

(e) **Pay option exercise price**

will, in the event the Put Option or the Call Option is exercised, pay to the relevant Holders on the relevant Transfer Date the Put Option Exercise Price or the Call Option Exercise Price (as the case may be) in respect of each Perpetual Preference Share transferred to the Council (or its nominee) (except to the extent it elects to withhold, in whole or in part, any such amount in the circumstances referred to in Condition 12(e)(iii) or 13(e)(iii));

(f) **Amendment to Constitution or Conditions**

will not, without the prior written approval of the Administrative Agent (such approval not to be unreasonably withheld or delayed or subject to unreasonable conditions), amend, or procure amendment to, the Constitution or the Conditions if the effect of the amendment is to materially change the rights, obligations or powers of the Administrative Agent.

6.3 Quayside Holdings covenant with the Council

Quayside Holdings further covenants with the Council that it will, following the exercise of the Put Option or the Call Option, exercise all of its powers and rights, including under the Conditions and this Deed, for the purpose of effecting the transfer of the relevant Perpetual Preference Shares to the Council (or its nominee).

6.4 Disclosure of information

Notwithstanding any other provision of this Deed, if Quayside Holdings or the Council is required to provide any confidential information or document to the Administrative Agent under this Deed, it or they may:

(a) request that, before it or they do so, the

Administrative Agent enter into an agreement or deed in customary form and on usual terms and conditions under which it undertakes to keep such information confidential (including as against Holders) and to not use it for purposes unrelated to its role under this Deed; and

(b) refuse to provide such information or document unless and until the Administrative Agent has executed that deed or agreement.

The Administrative Agent shall be entitled to enter into such deed or agreement and shall not be liable to any person for so doing.

7 Powers and Discretions of Administrative Agent

7.1 Duties of Administrative Agent limited to this Deed

The Administrative Agent shall have no duties, responsibilities, obligations or liabilities to the Holders or to any other person except those expressly agreed to in this Deed, which shall, at all times, be consistent (in all material respects) with the Conditions. For the avoidance of doubt, the Administrative Agent shall not be required to make enquiries in respect of, or be responsible for, the proper issue or constitution of the Perpetual Preference Shares.

7.2 Administrative Agent shall act in accordance with Special Resolution or Special Approval Notice

In the exercise of any of its rights, powers and discretions under this Deed, the Administrative Agent shall, where required under this Deed, act in accordance with any relevant instructions given by Holders in a Special Resolution or in a Special Approval Notice (to the extent they accord with the Conditions and this Deed). The Administrative Agent shall not be obliged to seek instructions except where expressly required by this Deed.

7.3 Administrative Agent's discretion in the absence of Special Resolution or Special Approval Notice

In the absence of any instruction given by Holders in a Special Resolution or in a Special Approval Notice in accordance with the Conditions and this Deed, and except to the extent inconsistent with the express terms of the Constitution or this Deed, the Administrative Agent may act as it thinks fit in the best interests of the Holders as a whole or may, notwithstanding anything in this Deed (but otherwise subject to the Constitution, the Conditions and this Deed), refrain from acting until receipt of instructions without incurring any liability to any Holder or any other person.

7.4 Administrative Agent may refrain from any action if contrary to law

The Administrative Agent may refrain from doing anything which would (or might, in its reasonable opinion) be contrary to any law or official directive, or render it liable to any person.

7.5 Actions of Administrative Agent deemed to be authorised by the Holders

As between Quayside Holdings and the Council on the one hand and the Administrative Agent and the Holders on the other hand, all actions taken by the

Administrative Agent under the Conditions and this Deed shall be deemed to be authorised by the Holders.

7.6 Administrative Agent shall not be trustee or have fiduciary duty

Except to the extent, if any, required by law, the Administrative Agent shall not be (and shall not be deemed to be) a trustee for the benefit of any Holder or have any fiduciary duty. The Administrative Agent shall not in any respect be the agent of the Council or Quayside Holdings by virtue of the Conditions or this Deed.

7.7 Discretion to consult Holders

Without limiting clause 4.3, upon the occurrence of an Option Exercise Event or following any breach of this Deed by Quayside Holdings or the Council which the Administrative Agent reasonably considers may be materially prejudicial to the interests of the Holders, the Administrative Agent may, in its absolute discretion:

- (a) report to the Holders, or any of them, the circumstances and nature of such Option Exercise Event or breach and any other information concerning Quayside Holdings or the Council which the Administrative Agent has received under or in relation to this Deed or the Perpetual Preference Shares, has not agreed to keep confidential and reasonably considers to be material to the Holders or any of them; and
- (b) invite the Holders or any of them to indicate to the Administrative Agent their preferences as to any exercise or non-exercise of the Administrative Agent's powers under this Deed or the Conditions or as to any action or omission to act by the Administrative Agent in relation to the breach.

Any such report may be given in such manner as is considered by the Administrative Agent to be the most practicable and expedient in all the circumstances.

7.8 Holdings by Administrative Agent

Nothing in this Deed prohibits the Administrative Agent or any related company of the Administrative Agent or the officers or shareholders of any of them from being a Holder in any capacity, or from being a creditor or shareholder of, or having any other interest in, the Council, Quayside Holdings or of any of their subsidiaries or from acting in any other fiduciary, contractual, agency or representative capacity for a Holder, or for the Council or Quayside Holdings or any of subsidiary of either of them. The Administrative Agent may enter into any transaction with Quayside Holdings or any of its subsidiaries and

will not be accountable to the Holders for any profits arising from such transactions.

7.9 Permitted proceedings

Nothing in this Deed excludes, limits, defers or otherwise affects the right of the Administrative Agent to take any proceedings seeking the directions of, or guidance by, any court or other authority as to the performance of its functions and duties hereunder or otherwise in relation to this Deed or the Conditions.

7.10 General powers

In addition to the powers, authorities and discretions which may be vested in the Administrative Agent by law, and to facilitate the discharge of its duties under this Deed, it is expressly declared that:

(a) *Act on advice*

the Administrative Agent may, without liability for loss, obtain, accept and act on:

- (i) the opinion or advice of, or any information obtained from, any barrister, solicitor, valuer, stockbroker, financial adviser, auditor, chartered accountant or other expert (whether obtained by the Council, Quayside Holdings, the Administrative Agent or otherwise), even though it may subsequently be found to contain some error or not be authentic;
- (ii) a certificate or report signed by any two Councillors of the Council or any two directors of Quayside Holdings as to any fact or matter prima facie within the knowledge of the Council or Quayside Holdings (respectively) as sufficient evidence of that fact or matter or that any particular dealing, step or thing is commercially desirable and not to the detriment of Holders; and
- (iii) the statements contained in any certificate or report given pursuant to this Deed as conclusive evidence of the facts stated in that certificate or report;

(b) *Resolution of Holders*

the Administrative Agent will not be liable to the Council, Quayside Holdings or any other person for acting or relying upon any Special Resolution purporting to have been passed at any meeting of the Holders in respect of which a proper record has been made or upon any purported Special Approval Notice, in each case which the Administrative Agent believes to have been properly passed or made, even though it afterwards appears that such resolution or notice is not binding or valid by reason of a defect in

the convening of the meeting, in the proceedings conducted at the meeting, the process for obtaining that notice or for any other reason;

(c) *Breach of Deed or Conditions*

to the extent permitted by law, the Administrative Agent will not be bound to take any steps to ascertain whether or not Quayside Holdings has committed any breach of the provisions of this Deed or any of the Conditions;

(d) *Power to delegate*

the Administrative Agent may, whenever it thinks it expedient in the interests of the Holders to do so:

- (i) delegate at any time to any person any of the powers, authorities, discretions or responsibilities vested in the Administrative Agent by this Deed which cannot conveniently be exercised by it or through its employees upon such terms and conditions (including the power to sub-delegate) as the Administrative Agent may reasonably think fit (provided that the Administrative Agent shall remain liable for the actions of any such delegate or sub-delegate);
- (ii) authorise such person as it thinks fit to act as its representative at any meeting; and
- (iii) apply to the court at any time for directions in relation to any matter or for an order that any of its powers contained in this Deed be exercised under the direction of the court, or consent to, approve or oppose any application to court by the Council or Quayside Holdings or any Holder;

(e) *Attend general meetings*

any representative of the Administrative Agent, being a person authorised to act for the purposes of this clause by the Administrative Agent, is entitled to attend any meeting of Holders, and to be heard at any such meeting which he or she attends on any part of the business of the meeting which concerns the Administrative Agent as such or the Holders;

(f) *Duty to consult*

the Administrative Agent will consult with the Council and Quayside Holdings before seeking the advice or opinion of any of the persons listed in clause 7.10(a)(i), but in the event that the parties cannot agree on any matter the Administrative Agent shall act as it sees fit, provided that it must act reasonably.

8 Indemnity

Without prejudice to any general right of indemnity by law given to administrative agents, the Administrative Agent and each of its officers, employees, attorneys or agents are entitled to, and shall be, indemnified by the Council in respect of all liabilities, expenses and costs (including costs on a solicitor client basis) incurred by it or any of them in the performance or exercise or attempted or purported performance or exercise of any of the powers, authorities or discretions conferred on the Administrative Agent or any of them by this Deed and against all actions, proceedings, costs, losses, claims and demands in respect of any matter or thing done or omitted in any way relating to this Deed, other than any such liabilities, expenses, actions, proceedings, costs, losses, claims or demands arising out of fraud, negligence or wilful breach or default on the part of the Administrative Agent or any of its officers, employees, attorneys or agents.

9 Retirement, removal and new appointment of Administrative Agent

9.1 Retirement or removal of Administrative Agent

(a) *Retirement*

The Administrative Agent may retire at any time without assigning any reason by giving notice in writing to Quayside Holdings and the Council, subject to the due appointment of a new Administrative Agent and the entry by such new Administrative Agent into this Deed by execution of a Deed of Accession in accordance with clause 9.2.

(b) *Removal*

The Administrative Agent may be removed by Quayside Holdings by notice to the Administrative Agent at any time prior to the Put Option being exercised.

9.2 Appointment of new Administrative Agent

(a) *Power of appointment*

The power to appoint a new Administrative Agent is vested in Quayside Holdings.

(b) *Appointment*

Forthwith after receiving notice of retirement of the Administrative Agent under clause 9.1(a), or giving notice of removal of the Administrative Agent under clause 9.1(b), Quayside Holdings must take steps to identify and appoint a replacement Administrative Agent, being a person

who or which Quayside Holdings reasonably considers has the appropriate experience, capacity and reputation to be the Administrative Agent. Upon that person agreeing to be the Administrative Agent and executing a Deed of Accession accordingly (which must be executed forthwith thereafter by Quayside Holdings and the Council if it has not already been executed by them), that person shall become the Administrative Agent for the purposes of this Deed and the retirement or removal (as the case may be) of the previous Administrative Agent shall take effect, and the previous Administrative Agent shall be discharged from all obligations, and have no further role or rights, under this Deed, provided that:

- (i) the previous Administrative Agent shall remain liable for any actions or omissions prior to such retirement or removal to the extent to which it would be liable therefor but for that retirement or removal;
- (ii) the previous Administrative Agent shall cooperate fully with Quayside Holdings and the new Administrative Agent to deliver all information and material in its possession relating to this Deed to the new Administrative Agent; and
- (iii) the provisions of clause 8 and any agreement or deed entered into pursuant to clause 6.4 shall, in respect of the previous Administrative Agent, survive such retirement or removal and remain enforceable by the previous Administrative Agent accordingly (but, for the avoidance of doubt, without prejudice to the right of the new Administrative Agent to also enforce them in its own favour).

(c) *Notification of new Administrative Agent*

Quayside Holdings must notify all Holders of the identity of any new Administrative Agent appointed as soon as reasonably possible following such appointment.

10 Administrative Agent's remuneration and expenses

10.1 Basic remuneration

Quayside Holdings will pay to the Administrative Agent remuneration for its services as Administrative Agent as agreed between Quayside Holdings and the Administrative Agent from time to time.

10.2 Expenses

Quayside Holdings will also pay all reasonable costs, charges, taxes or duties (including legal expenses) properly incurred by or on behalf of the Administrative Agent in connection with:

- (a) **Preparation, execution and modification of Deed**
the preparation, execution and modification (and release when applicable) of this Deed and any other document entered into by the Administrative Agent in connection with this Deed;
- (b) **Exercise of powers**
any proper exercise by the Administrative Agent of any right, power, discretion, duty or privilege conferred on the Administrative Agent by this Deed, including taking any expert advice considered necessary or expedient by the Administrative Agent (acting reasonably);
- (c) **Breach**
any breach, default or non-compliance by the Council or Quayside Holdings of or with any obligation under this Deed or the Conditions; and
- (d) **Other matters**
any other matters dealt with in an agreement referred to in clause 10.1.

11 Termination

At any time after the Council becomes the holder of all Perpetual Preference Shares or the Conditions are otherwise amended to remove the role of "Administrative Agent" thereunder, the Council or Quayside Holdings may by notice to the Administrative Agent terminate this Deed, whereupon this Deed, and all rights and obligations of the parties hereunder, shall immediately terminate, provided that:

- (a) any liability of a party arising prior to such termination shall survive termination; and
- (b) the provisions of clause 8 shall remain enforceable by the Administrative Agent (and any previous Administrative Agent).

12 Miscellaneous

12.1 Notices

Each notice to be given in accordance with this Deed will be deemed effective if made in writing, delivered or posted by pre-paid mail or sent by email or facsimile addressed to:

(a) in the case of Quayside Holdings:

Quayside Holdings
5 Quay Street
PO Box 364
Whakatane

Attention: Chief Executive
Fax no.: +64 7 922 3345
Email: sandy@envbop.govt.nz

(b) in the case of the Council:

Bay of Plenty Regional Council
5 Quay Street
PO Box 364
Whakatane

Attention: Deputy Chief Executive
Fax no.: +64 7 922 3345
Email: sandy@envbop.govt.nz

(c) in the case of the Administrative Agent:

The New Zealand Guardian Trust Company
Limited
Vero Centre, 48 Shortland Street
Auckland 1001
PO Box 1934
Auckland 1015

Attention: Relationship Manager, Corporate Trusts
Fax no.: +64 9 377 7477
Email: ct_auckland@nzgt.co.nz

(d) in the case of a Holder the address of such Holder last entered in the Register,

or, in the case of (a), (b) or (c) above, such other address as Quayside Holdings, the Council or the Administrative Agent (as the case may be) may from time to time in writing nominate to the others. Each Notice will be deemed to be given, in the case of personal delivery, when delivered, and, in the case of post, two Business Days after the date of posting (which must be by fastpost). If sent by email or facsimile, notices will be deemed to be given when sent (provided the sender has not received notice of failure of delivery of the email or facsimile) or, if sent on other than a Business Day or after 5 p.m. on any Business Day, the next Business Day.

12.2 Contracts (Privacy) Act 1982

This Deed is not intended to confer a benefit upon any person not party to it, except that clauses 6.1(a), 6.2(a), 6.2(d) and 6.2(e) of this Deed are intended to confer a benefit on each Holder and to be enforceable by each Holder.

12.3 Invalidity

If any provision of this Deed is invalid, void, illegal or unenforceable the validity, existence, legality and enforceability of the remaining provisions will not be affected, prejudiced or impaired, to the maximum extent permitted under law. However, the parties shall negotiate in good faith in an endeavour to agree on such replacement provisions as may be valid, legal and enforceable and achieve as nearly as possible the intent of the invalid, illegal, void or unenforceable provision/s.

12.4 Governing law

This Deed is governed by the laws of New Zealand. Each party irrevocably and unconditionally submits to the non-exclusive jurisdiction of the courts of New Zealand and courts of appeal from them. Each party waives any right it has to object to an action being brought in those courts including, without limitation, by claiming that the action has been brought in an inconvenient forum or that those courts do not have jurisdiction.

12.5 Amendments

(a) Any waiver, amendment, modification, variation or addition to this Deed (each a Modification) can only be given or made if:

- (i) each Holder has notified the Administrative Agent and/or Quayside Holdings in writing that they agree to it; or
- (ii) the Holders have, by Special Resolution or pursuant to a Special Approval Notice, notified the Administrative Agent of their agreement to or otherwise approved the Modification; or
- (iii) the Administrative Agent is satisfied that the Modification:
 - (A) is being made to correct a manifest error; or
 - (B) is being made to comply with any law or the Listing Rules; or
 - (C) is of a minor, formal or technical nature; or
 - (D) is convenient for the purpose of obtaining or maintaining any quotation of the Perpetual Preference Shares on the NZX; or
 - (E) is not, and is not likely to become, materially prejudicial to the interests of the Holders generally,

and any applicable additional requirement of the Companies Act 1993 has been complied with in respect of that Modification. This Deed shall for all purposes be deemed to include the

Modification (in accordance with its terms) from the time of the making of the Modification in accordance with this clause 12.5.

- (b) No Modification to this Deed in accordance with this clause 12.5 will be effective unless it is in writing and executed by the Administrative Agent, the Council and Quayside Holdings.

EXECUTION

Executed as a deed by:

Quayside Holdings Limited by:

Director _____ Director _____

Bay of Plenty Regional Council by:

Authorised Signatory _____ Authorised Signatory _____

In the presence of: _____

Name: _____ Occupation: _____

Address: _____

Executed under the name and seal of **The New Zealand Guardian Trust Company Limited** in the presence of:

Authorised Signatory _____ Authorised Signatory _____

Name: _____ Occupation: _____

Address: _____

Schedule 1 Form of Deed of Accession

Date:

PARTIES

Quayside Holdings Limited (*Quayside Holdings*)

Bay of Plenty Regional Council (*the Council*)

[] (*Administrative Agent*)

Introduction

- A Quayside Holdings, the Council and [] are parties to an Options Deed relating to Perpetual Preference Shares dated [] (the Options Deed), either because they were originally parties to the Options Deed or because they have subsequently become parties thereto pursuant to a previous Deed of Accession.
- B Pursuant to clause 9.2 of the Options Deed, the Administrative Agent is to become the Administrative Agent under and for the purposes of the Options Deed.

1 Interpretation

Save as otherwise defined herein, the provisions of clause 1 of the Options Deed shall apply to and accordingly be deemed to be incorporated in this Deed of Accession (with any required modifications).

2 New Administrative Agent

- 2.1 With effect from the date of this Deed of Accession:
- (a) the Options Deed shall be read and construed as if the Administrative Agent was an original party to the Options Deed;
 - (b) accordingly, the Administrative Agent shall have all the rights, and owe all the obligations, of the Administrative Agent under the Options Deed;
 - (c) the Administrative Agent shall be bound by the terms of the Options Deed; and
 - (d) all references to the Options Deed shall be treated as references to the Options Deed as supplemented by this Deed and replacing any previous Deed of Accession, to the intent that this Deed and the Options Deed shall be read and construed together as one single document.

3 Incorporation Of Options Deed

Pursuant to section 14 of the Property Law Act 2007, it is hereby expressly declared that there shall be deemed to be incorporated in this Deed of Accession all the provisions of the Options Deed in the same manner and to the same extent as if the same had been set out in full herein with all necessary modifications and made applicable to the Administrative Agent and the Administrative Agent accordingly covenants with Quayside Holdings and the Council duly and punctually to observe, fulfil and perform and to be bound by all the provisions imposed on, relating to or affecting it by or under this Deed or the Options Deed or by the Conditions.

Executed as a deed by:

Quayside Holdings Limited by:

Director _____ Director _____

Bay of Plenty Regional Council by:

Authorised Signatory _____ Authorised Signatory _____

In the presence of: _____

Name: _____ Occupation: _____

Address: _____

Executed under the name and seal of [**The New Zealand Guardian Trust Company Limited**] in the presence of:

Authorised Signatory _____ Authorised Signatory _____

Name: _____ Occupation: _____

Address: _____

Glossary

Terms which are defined in the Terms and Conditions of the Perpetual Preference Shares (as set out in the constitution of Quayside Holdings and repeated on pages 48 to 63 of this Investment Statement) have the same meanings in this Investment Statement, and unless the context otherwise requires:

acquire includes the purchase of existing Perpetual Preference Shares by investors from the Offeror and includes the subscription (as that term is defined in the Securities Act) for Perpetual Preference Shares pursuant to this Investment Statement and the Prospectus

allot has the meaning set out in the Securities Act and includes the transfer of existing Perpetual Preference Shares from the Offeror to the initial Holders

ANZ means ANZ National Bank Limited

Applicant means a person who submits an application for Perpetual Preference Shares on the conditions set out in this Investment Statement and the Prospectus

Application means a valid application made in accordance with the conditions set out in this Investment Statement and the Prospectus by using an Application Form to apply for a specified number of Perpetual Preference Shares

Application Form means each application form attached to or accompanying an Investment Statement upon which an application to purchase Perpetual Preference Shares must be made

Arawata means Arawata Finance Limited

Closing Date means the last day for submission of Application Forms, being 7 March 2008

Companies Office means the New Zealand Companies Office

Conditions means the terms and conditions of the Perpetual Preference Shares (being, as at the date of this Investment Statement, the terms and conditions set out on pages 48 to 63)

Council means the Bay of Plenty Regional Council, also known as Environment Bay of Plenty

Director means a director of Quayside Holdings

EBIT means earnings before interest and tax

EBITDA means earnings before interest, tax, depreciation and amortisation

Existing Transaction means the existing funding transaction that relates to the Port of Tauranga shares held by Quayside Securities, as described on page 30

FIN means a FASTER Identification Number

Firm Allocation means an allocation of Perpetual Preference Shares reserved for acquisition by clients of the Joint Lead Managers, other Primary Market Participants and/or approved financial intermediaries

Issuer means Quayside Holdings

Joint Lead Managers means First NZ Capital Securities Limited and ABN AMRO Craigs Limited

NZ FRS means the New Zealand Financial Reporting Standards which are financial reporting standards issued by the Financial Reporting Standards Board of the Institute of Chartered Accountants of New Zealand and approved by the Accounting Standards Review Board.

NZ IFRS means the New Zealand Equivalents to International Financial Reporting Standards which are standards and interpretations approved by the Accounting

Standards Review Board comprising New Zealand equivalents to:

- (a) International Financial Reporting Standards
- (b) International Accounting Standards; and
- (c) International Interpretations.

NZSX means the New Zealand Stock Market operated by NZX

NZX means New Zealand Exchange Limited

NZX Firm has the meaning given to that term in the NZX Participant Rules

Offer means the offer made pursuant to this Investment Statement and the Prospectus for investors to acquire Perpetual Preference Shares from the Council

Offer Period means the period between the Opening Date and the Closing Date during which the Offer remains open

Offeror means the Council

Official Cash Rate means at any time, the official cash rate as announced by the Reserve Bank of New Zealand and as published on Reuters screen page RBNZ02 at that time

Opening Date means the first day on which Application Forms may be accepted, being 12 February 2008

Organising Participant means First NZ Capital Securities Limited

Port of Tauranga means Port of Tauranga Limited

Port of Tauranga Trustee means Port of Tauranga Trustee Company Limited

Price means \$1.00

Primary Market Participant means any market participant accredited and designated by NZX to bring new offers of securities on the NZDX

Quayside Group means Quayside Holdings, Quayside Securities, Quayside Unit Trust and Quayside Properties

Quayside Holdings means Quayside Holdings Limited

Quayside Holdings Group means Quayside Holdings, Quayside Securities, Quayside Properties, Quayside Unit Trust, Port of Tauranga and its subsidiaries.

Quayside Properties means Quayside Properties Limited, a wholly owned subsidiary of Quayside Holdings

Quayside Securities means Quayside Securities Limited, a wholly owned subsidiary of Quayside Holdings

Quayside Unit Trust means the private unit trust known as the Quayside Unit Trust constituted under a declaration of trust dated 25 July 1991

RWT means New Zealand resident withholding tax

Securities Act means the New Zealand Securities Act 1978

Securities Regulations means the New Zealand Securities Regulations 1983

TEU means twenty foot equivalent units (the commonly used measure of container volume)

Application Form and Instructions

You should read this Investment Statement carefully before completing the application form.

GENERAL

Applications must be for a minimum of 5,000 Perpetual Preference Shares (\$5,000) and thereafter in multiples of 1,000 Perpetual Preference Shares (\$1,000).

Applications for Perpetual Preference Shares may be lodged from the Opening Date of the Offer on 12 February 2008. The Offer will remain open until 7 March 2008.

An application will constitute an irrevocable offer by the applicant to subscribe for and acquire the number of Perpetual Preference Shares specified on the application form (or such lesser number which the Council may determine) on the terms and conditions set out in this Investment Statement, the Prospectus and on the application form.

Shareholder Numbers

The existing Common Shareholder Number (CSN) of investor who currently hold New Zealand shares through Computershare Investor Services Limited will apply to the Perpetual Preference Shares. If applicable, please enter your CSN in the box provided. Investors whose applications are accepted and who do not currently have a CSN will receive a CSN and a FIN from Computershare Investor Services Limited.

1. THE APPLICATION FORM

Please complete all relevant sections of the application form using CAPITAL BLOCK LETTERS.

Insert your details

Enter your FULL NAME. Up to three applicants may apply jointly. You should refer to the table on the back of the application form under the heading "Correct Form of Registrable Names" for the correct form of name that can be registered. Applications using the wrong form of name may be rejected.

Enter your POSTAL ADDRESS for all correspondence. All communications to you from the Council or Quayside Holdings Limited (such as statements of shareholding, dividend cheques, periodic reports and other correspondence) will be mailed to the address shown. For joint applicants, only one address is to be entered.

Please enter your TELEPHONE NUMBER(S) and contact name in case there is a need to contact you in relation to your application.

Insert the NUMBER OF PERPETUAL PREFERENCE SHARES and corresponding DOLLAR AMOUNT (at the price of \$1.00 per Perpetual Preference Share) that you wish to apply for.

If you wish any dividends or other amounts payable to you to be credited directly to your bank account, please ensure that the appropriate details are entered.

Please enter your IRD NUMBER if you have one. For joint applicants, please fill in the IRD number of the first named applicant. For trusts, please fill in the IRD number of the trust.

Tick the relevant box for Resident Withholding Tax (if applicable). Complete country of tax residence and, if that is not New Zealand, tick the box if you carry on business

in New Zealand through a fixed establishment (branch) in New Zealand. If you hold an exemption certificate, Quayside Holdings Limited will not be obliged to deduct Resident Withholding Tax on dividends, if it has seen the relevant certificate. A copy of the certificate must be attached to the application form.

Read the declaration carefully and SIGN the application form. It must be signed by applicants personally (or their attorneys or agents). Companies or other bodies corporate must sign in the same way as they would sign a deed or other formal legal document. Applications may be executed by an attorney or agent. If your application form is signed by an attorney, the power of attorney document is not required to be lodged, but the attorney must complete the relevant certificate at the bottom of the application form. If your application form is signed by an agent, the agency agreement is not required to be lodged, but the agent must complete the relevant certificate at the bottom of the application form. Joint applicants must all sign the application form (in person, by attorney or by agent).

2. PAYMENT

Payment must accompany each application form. Payment must be made by a cheque drawn on a New Zealand bank, for New Zealand dollars, for value immediately. Post-dated cheques may be rejected. Please ensure that the total of the cheque equals the amount payable. Make the cheque payable to "Bay of Plenty Regional Council – Perpetual Preference Share Offer" and cross it "Not Transferable".

Sufficient cleared funds should be held in your account as cheques returned unpaid are likely to result in your application being rejected or your allotment being cancelled (for which purpose you irrevocably authorise Quayside Holdings to register a transfer of any relevant Perpetual Preference Shares in your name back to the Council). Staple your cheque to the application form.

Payment in respect of any application for 500,000 or more Perpetual Preference Shares must be made by direct credit, bank cheque or through the Austraclear System.

3. DELIVERY

Applications may not be revoked or withdrawn. Application forms must be mailed or delivered (with payment), to arrive before 5.00pm on 7 March 2008, to:

Bay of Plenty Regional Council
Perpetual Preference Share Offer
c/ Computershare Investor Services Limited
Level 2, 159 Hurstmere Road, Takapuna
Private Bag 92119, North Shore City 0622
Auckland 1142

You may also lodge your application with any Primary Market Participant, the Organising Participant or any other channel approved by NZX, but must deliver it in time to enable the application form to be forwarded to the above address before the closing time.

Please lodge your application form AS SOON AS POSSIBLE.

Application Form

This application form is for Perpetual Preference Shares in Quayside Holdings Limited offered by Bay of Plenty Regional Council under the Investment Statement and the Prospectus dated 31 January 2008. For instructions on how to complete and deliver this form, see the instructions on page 76.

Advisor Code

PLEASE COMPLETE THIS FORM USING CAPITAL BLOCK LETTERS

1. Full Name Details

Applicant #1: Title: _____ First Names: _____ Surname: _____

Joint Applicant #2: Title: _____ First Names: _____ Surname: _____

Joint Applicant #3: Title: _____ First Names: _____ Surname: _____

Corporate Name: _____

2. Postal Address Details

Number and Street: _____ Suburb: _____

City: _____ Post Code: _____

3. Telephone Numbers

Home: _____ Work: _____ Mobile: _____

4. Number of Perpetual Preference Shares Applied For

Applications must be for a minimum of 5,000 Perpetual Preference Shares and thereafter in multiples of 1,000.

Number of Shares: _____ at \$1.00 each = \$ _____

5. Dividend Payments * Please tick the appropriate box to select the method of payment

☐ Direct credit to my bank account

Name of Bank: _____ Address of Bank: _____

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Bank

Branch

Account

Suffix

☐ Direct credit to my cash management account

Name of NZX Member Firm where cash management account is held: _____

Cash management client account number _____

☐ Payment by cheque to the address at (2) above

* also applicable to interest earned between the date your application monies are banked and the Allotment Date

6. IRD Number

IRD Number:

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 Only the IRD number of Applicant #1 is required in respect of joint applicants

Please deduct from all my interest earned* (tick one)

☐ 19.5% Resident Withholding Tax ☐ 33% Resident Withholding Tax ☐ 39% Resident Withholding Tax ☐ Exempt

(*If exempt from Resident Withholding Tax please attach a copy of Certificate of Exemption)

Country of tax residence: _____

☐ Although not a New Zealand tax resident, I am engaged in business in New Zealand through a fixed establishment (branch) in New Zealand

7. Declaration and Signature

I / We hereby apply for up to the number of Perpetual Preference Shares shown above upon the terms and conditions set out in the Investment Statement and the Prospectus and acknowledge that I / we are legally bound by any decision of the Council to transfer to me/us the Perpetual Preference Shares applied for or any lesser number and I / we agree to be bound by Quayside Holdings Limited's constitution and the terms and conditions of the Offer (including, in particular, in relation to the Call Option and Put Option) and of the Perpetual Preference Shares. I / We consent to becoming the holder of all Perpetual Preference Shares allocated to me / us pursuant to the Offer.

I / We declare that all details and statements made by me / us in this application form are complete and accurate.

Signature(s) of applicant(s) (or for companies, execute as a deed)

Applicant #1: _____ Date: _____

Joint Applicant # 2: _____ Joint Applicant #3: _____

CORRECT FORM OF REGISTRABLE NAMES

Note that ONLY LEGAL ENTITIES are allowed to hold Perpetual Preference Shares. Applications must be in the name(s) of natural persons, companies or other legal entities acceptable to the Council. At least one full given name and surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable names below.

TYPE OF INVESTOR

Individual – Use given name in full, not initials.

Company – Use company title, not abbreviations.

Trusts – Do not use the name of the trust, use the personal name(s) of the trustee(s).

Deceased Estates – Do not use the names of the deceased, but use the personal name(s) of the executor(s).

Clubs / Unincorporated Bodies – Do not use names of unincorporated clubs, etc, but use personal name(s) of office bearer(s).

Superannuation Funds – Do not use name of fund, but use name of trustee.

CERTIFICATE OF NON-REVOCATION OF POWER OF ATTORNEY

(Complete this section if you are acting as attorney for someone)

I, _____ (Name of Attorney)

of _____ (Address and Occupation of Attorney)

HEREBY CERTIFY THAT

By a Power of Attorney dated the _____ day of _____

_____ (name of person for whom attorney is signing) (Donor)

appointed me his / her / its attorney on the terms and conditions set out in the Power of Attorney.

I have executed the application for Perpetual Preference Shares printed on the face of this form as attorney under that Power of Attorney and pursuant to the powers thereby conferred upon me.

At the date of this certificate, I have not received any notice or information of the revocation of that Power of Attorney by the death or liquidation of the Donor or otherwise.

SIGNED AT _____ this _____ day of _____ 2008

_____ (Signature of Attorney)

CERTIFICATE OF NON-REVOCATION OF AGENT

(Complete this section if you are acting as agent for someone)

I, _____ (Name of Agent)

of _____ (Address and Occupation of Agent)

HEREBY CERTIFY THAT

By the Agency Agreement dated the _____ day of _____

_____ (Name of person for whom Agent is signing) (Donor)

appointed me his/her/its Agent on the terms and conditions set out in the Agency Agreement.

I have executed the application for Perpetual Preference Shares printed on the face of this form as Agent under the appointment and pursuant to the powers thereby conferred on me.

At the date of this certificate I have not received any notice or information of the revocation of that appointment by the death or liquidation of the Donor or otherwise.

SIGNED AT _____ this _____ day of _____ 2008

_____ (Signature of Agent)

Application Form

This application form is for Perpetual Preference Shares in Quayside Holdings Limited offered by Bay of Plenty Regional Council under the Investment Statement and the Prospectus dated 31 January 2008. For instructions on how to complete and deliver this form, see the instructions on page 76.

Advisor Code

PLEASE COMPLETE THIS FORM USING CAPITAL BLOCK LETTERS

1. Full Name Details

Applicant #1: Title: _____ First Names: _____ Surname: _____

Joint Applicant #2: Title: _____ First Names: _____ Surname: _____

Joint Applicant #3: Title: _____ First Names: _____ Surname: _____

Corporate Name: _____

2. Postal Address Details

Number and Street: _____ Suburb: _____

City: _____ Post Code: _____

3. Telephone Numbers

Home: _____ Work: _____ Mobile: _____

4. Number of Perpetual Preference Shares Applied For

Applications must be for a minimum of 5,000 Perpetual Preference Shares and thereafter in multiples of 1,000.

Number of Shares: _____ at \$1.00 each = \$ _____

5. Dividend Payments * Please tick the appropriate box to select the method of payment

☐ Direct credit to my bank account

Name of Bank: _____ Address of Bank: _____

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Bank

Branch

Account

Suffix

☐ Direct credit to my cash management account

Name of NZX Member Firm where cash management account is held: _____

Cash management client account number _____

☐ Payment by cheque to the address at (2) above

* also applicable to interest earned between the date your application monies are banked and the Allotment Date

6. IRD Number

IRD Number:

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 Only the IRD number of Applicant #1 is required in respect of joint applicants

Please deduct from all my interest earned* (tick one)

☐ 19.5% Resident Withholding Tax ☐ 33% Resident Withholding Tax ☐ 39% Resident Withholding Tax ☐ Exempt

(*If exempt from Resident Withholding Tax please attach a copy of Certificate of Exemption)

Country of tax residence: _____

☐ Although not a New Zealand tax resident, I am engaged in business in New Zealand through a fixed establishment (branch) in New Zealand

7. Declaration and Signature

I / We hereby apply for up to the number of Perpetual Preference Shares shown above upon the terms and conditions set out in the Investment Statement and the Prospectus and acknowledge that I / we are legally bound by any decision of the Council to transfer to me/us the Perpetual Preference Shares applied for or any lesser number and I / we agree to be bound by Quayside Holdings Limited's constitution and the terms and conditions of the Offer (including, in particular, in relation to the Call Option and Put Option) and of the Perpetual Preference Shares. I / We consent to becoming the holder of all Perpetual Preference Shares allocated to me / us pursuant to the Offer.

I / We declare that all details and statements made by me / us in this application form are complete and accurate.

Signature(s) of applicant(s) (or for companies, execute as a deed)

Applicant #1: _____ Date: _____

Joint Applicant # 2: _____ Joint Applicant #3: _____

CORRECT FORM OF REGISTRABLE NAMES

Note that ONLY LEGAL ENTITIES are allowed to hold Perpetual Preference Shares. Applications must be in the name(s) of natural persons, companies or other legal entities acceptable to the Council. At least one full given name and surname is required for each natural person. The name of the beneficiary or any other non-registrable name may be included by way of an account designation if completed exactly as described in the examples of correct forms of registrable names below.

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Deceased Estates – Do not use the names of the deceased, but use the personal name(s) of the executor(s).

Clubs / Unincorporated Bodies – Do not use names of unincorporated clubs, etc, but use personal name(s) of office bearer(s).

Superannuation Funds – Do not use name of fund, but use name of trustee.

CERTIFICATE OF NON-REVOCATION OF POWER OF ATTORNEY

(Complete this section if you are acting as attorney for someone)

I, _____ (Name of Attorney)

of _____ (Address and Occupation of Attorney)

HEREBY CERTIFY THAT

By a Power of Attorney dated the _____ day of _____

_____ (name of person for whom attorney is signing) (Donor)

appointed me his / her / its attorney on the terms and conditions set out in the Power of Attorney.

I have executed the application for Perpetual Preference Shares printed on the face of this form as attorney under that Power of Attorney and pursuant to the powers thereby conferred upon me.

At the date of this certificate, I have not received any notice or information of the revocation of that Power of Attorney by the death or liquidation of the Donor or otherwise.

SIGNED AT _____ this _____ day of _____ 2008

_____ (Signature of Attorney)

CERTIFICATE OF NON-REVOCATION OF AGENT

(Complete this section if you are acting as agent for someone)

I, _____ (Name of Agent)

of _____ (Address and Occupation of Agent)

HEREBY CERTIFY THAT

By the Agency Agreement dated the _____ day of _____

_____ (Name of person for whom Agent is signing) (Donor)

appointed me his/her/its Agent on the terms and conditions set out in the Agency Agreement.

I have executed the application for Perpetual Preference Shares printed on the face of this form as Agent under the appointment and pursuant to the powers thereby conferred on me.

At the date of this certificate I have not received any notice or information of the revocation of that appointment by the death or liquidation of the Donor or otherwise.

SIGNED AT _____ this _____ day of _____ 2008

_____ (Signature of Agent)

Directory

Registered Office and Contact Address of Quayside Holdings Limited

Quayside Holdings Limited
C/ Quay Accountants Limited
156 The Strand
Whakatane

Board of Directors of Quayside Holdings Limited

Bryan David Riesterer, Chairman, Opotiki
John Morris Green, Rotorua
Athole John Herbert, Papamoa
Neil Francis Oppatt, Rotorua
Michael John Smith, Tauranga
Andrew John von Dadelszen, Tauranga

Joint Lead Managers

First NZ Capital Securities Limited
10th Floor
Caltex Tower
282 Lambton Quay
Wellington

Telephone: 0800 005 678
Facsimile: 04 474 4052

ABN AMRO Craigs Limited
ABN AMRO Craigs House
158 Cameron Road
PO Box 13155
Tauranga

Telephone: 0800 272 442
Facsimile: 07 571 8625

Organising Participant

First NZ Capital Securities Limited
10th Floor
Caltex Tower
282 Lambton Quay
Wellington

Co-managers

Direct Broking Limited
2nd Floor
154 Featherston Street
Wellington

Telephone: 0800 800 372
Facsimile: 04 498 7064

Goldman Sachs JBWere (NZ) Limited
Level 38, Vero Centre
48 Shortland Street
PO Box 887
Auckland

Telephone: 09 357 3200
Facsimile: 09 357 3248

Auditors

Audit New Zealand

Solicitors in respect of the Offer for Quayside Holdings Limited and Bay of Plenty Regional Council

Chapman Tripp
10 Customhouse Quay
Wellington

Cooney Lees Morgan
87 First Avenue
Tauranga

Administrative Agent

The New Zealand Guardian Trust Company Limited
Vero Centre, 48 Shortland Street
PO Box 1934
Auckland

Share Registrar

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna
North Shore City 0622
Private Bag 92119
Auckland 1142

