

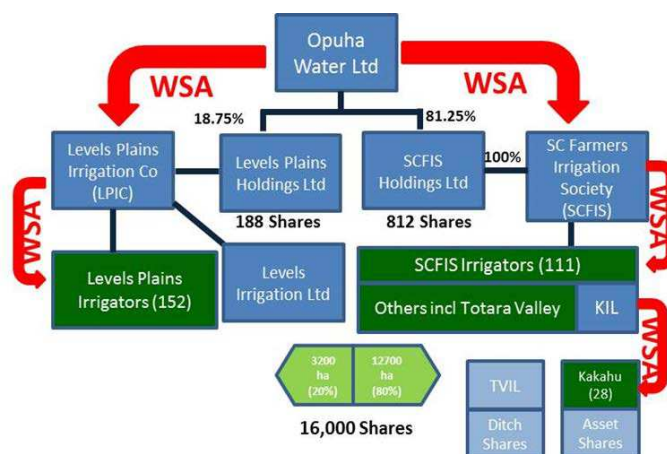
RESTRUCTURE MEMORANDUM

Introduction

- 1 You should be aware from previous correspondence or attending recent “shed meetings” that the Opuha group of companies (the *Opuha Group*) is proposing to restructure. The Opuha Group includes:
 - (a) Opuha Water Limited (*OWL*);
 - (b) South Canterbury Farmers Irrigation Society Limited (*SCFIS*) and its holding company, SCFIS Holdings Limited (*SCFIS Holdings*);
 - (c) Levels Plain Irrigation Co. Limited (*LPIC*) and its wholly owned subsidiaries, Levels Irrigation Limited (*LIL*) and Levels Holdings Limited (*Levels Holdings*);
 - (d) Totara Valley Irrigation Limited (*Totara Valley*); and
 - (e) Kakahu Irrigation Limited (*Kakahu*).
- 2 It is anticipated that special meetings of the various entities comprising the Opuha Group will be held in late November to consider the restructure, with the restructure to take effect shortly after the special meetings (assuming the restructure is approved at those meetings). Those meetings are likely to be held on the same day as the annual meeting for the relevant company. Notices of those special meetings and annual meetings will be distributed in the coming weeks.
- 3 If you are a SCFIS shareholder then you may have already attended a meeting relating to the proposed restructure. The first step in the restructure involves the conversion of SCFIS from an industrial and provident society to a company (see below under the heading “Restructure Steps”). This requires the approval of SCFIS shareholders at two separate meetings. The first meeting occurred this last Tuesday evening and the relevant resolutions were passed. A second meeting, to be held on 7 November 2013, will seek to confirm the resolutions passed last Tuesday.

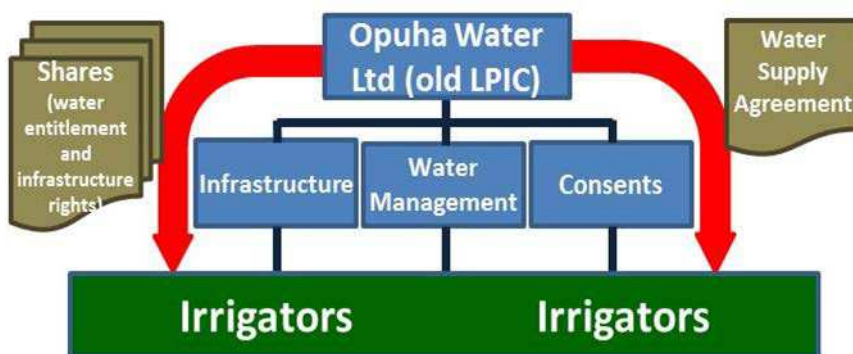
Broad overview of proposed restructure

- 4 The current structure of the Opuha Group is complex and is illustrated in the diagram overleaf:



Opuha group of entities - current structure

- 5 For various reasons (see below) the Opuha Group proposes to restructure so that the various entities comprising the Opuha Group are consolidated into one entity as set out in the diagram below:



Opuha Water Ltd - new structure

- 6 In broad terms, the restructure (if implemented) will result in:
- (a) one entity holding all the assets currently held by the different entities in the Opuha Group (this one entity is the existing LPIC which will be renamed Opuha Water Limited on completion of the restructure (the *New OWL*));
 - (b) the *New OWL* managing and operating the Opuha Dam and the irrigation scheme currently operated through the Opuha Group;
 - (c) each current shareholder in the existing entities holding shares in the *New OWL* and being a party to a Water Agreement with the *New OWL*;
 - (d) where currently shares relating to infrastructure within an area are held by shareholders the *New OWL* will issue a similar type of infrastructure share;
 - (e) current rights to water will not be affected. Those rights will continue and shareholders will hold shares in the *New OWL* in proportion to the rights to water held.

- 7 A key objective of the proposed restructure has been to ensure that irrigators retain their current rights and entitlements within the new structure. For example, the Boards of the various entities do not anticipate that the water charges payable by irrigators under the proposed new structure would be any greater than those payable if the existing structure continued.
- 8 The process to achieve this restructure is complicated and achieved through a number of steps which are broadly described below under the heading "Restructure Steps". Each step in the restructure beyond Step 1 is subject to and dependent on the other steps being approved and implemented. Most of the steps are intended to occur on or about late November / early December following the special meetings referred to above. If any of the steps beyond Step 2 do not occur the subsequent steps will not occur and the restructure will not happen.

Reasons for restructure

- 9 There are a variety reasons why the Boards of each of the existing entities within the Opuha Group consider that the restructure needs to occur and recommend the restructure to shareholders. These reasons include the following.
 - (a) The regulatory world in respect of water use is changing and the Opuha Group needs to change with it to ensure to the maximum extent possible that existing water rights remain for irrigators in the Opuha Group. This is a significant issue and one of the key drivers for the restructure. In particular, the relevant rules and requirements stipulated under the Canterbury Land and Water Regional Plan have been drafted in favour of schemes with structures like the one proposed and will, as a result, potentially make future compliance less onerous and costly for its irrigators than it would otherwise be.
 - (b) There is the ability for the proposed new structure to be a recognised scheme within the regulatory framework with irrigators who belong to such schemes having significant potential benefits in respect to land use flexibility.
 - (c) The current structure is more complicated than it needs to be. There has always been an intention to simplify the current structure and it is time that this occurred.
 - (d) The current structure does not reflect how the scheme is currently operated and managed and does not provide the shareholder irrigators with a direct interest and vote in the company (being the current OWL) that ultimately operates and manages the Opuha Group. For example, as currently structured, LPIC Holdings and SCFIS Holdings currently have shareholder voting rights in respect to OWL and irrigators do not have direct voting rights in respect of matters such as the composition of the Board of OWL. Under the proposed new structure each shareholder irrigator will have direct voting rights in the New OWL.
 - (e) The scheme will be able to better optimise water use.
 - (f) There will likely be some organisational and cost saving efficiencies;

- (g) Multiplicity of financial statements and annual meetings will no longer be required.

The restructure process to date

10 There has been a significant amount of work that has been undertaken to date in respect of the proposed restructure. A key aspect of this preparatory work has been to keep irrigators informed and provide an opportunity for input from irrigators. The process to date has included:

- (a) the OWL Board obtaining extensive professional advice from its advisors in respect of the restructure, including legal advice and taxation advice;
- (b) the Boards of each of the entities within the Opuha Group being consulted;
- (c) the formation of a Steering Group, comprising representatives from different areas within the scheme, to:
 - (i) advocate for the specific issues that affect that area of the scheme;
 - (ii) assist with “shaping” the proposed restructure, and informing and promoting the proposed restructure; and
 - (iii) assist with the decision making process in regard to the scheme’s key documents, including the water agreement, company constitution for the New OWL and policy documents;
- (d) holding a number of “shed meetings” involving presentations to shareholder groups across the scheme’s area to present and discuss the proposed restructure and what the restructure means for each shareholder group.

In addition, as noted above, a special meeting of the shareholders of SCFIS occurred this last Tuesday as part of Step 1.

Outcomes of the proposed restructure

- 11 As noted above, if you are an existing irrigator, then the restructure:
- (a) will not result in any greater charges than those payable if the existing structure continued;
 - (b) will maintain your existing rights.

Water Agreements

12 As a result of the restructure each shareholder irrigator will need to enter into a new water agreement to provide for the future needs of the scheme and the shareholder

irrigator. The water agreement comprises a short form water agreement and Terms that apply to it. The form of short form water agreement that you are required to enter into will form part of the “Meeting Pack” accompanying the notices of meeting that will be sent to you, and the Terms that apply to it will shortly be able to be viewed on OWL’s website at www.opuhawater.co.nz. Under the water agreement:

- (a) irrigators will retain their current water usage entitlements;
- (b) the costs of water supply will not increase by reason only of the new agreement or restructure;
- (c) any infrastructure costs currently associated with a particular part of the scheme will continue to be paid by those irrigators who directly benefit from that infrastructure.

Shareholder and company structure

- 13 Each irrigator will become a shareholder in the New OWL.
- 14 It is proposed that the new OWL will be re-registered as a co-operative company. Under modern taxation laws a co-operative company is an effective vehicle for an irrigation entity as:
 - (a) it enables there to be a connection between the shares held in the company and the volume of water supplied to each shareholder;
 - (b) dividends are not required to be paid and allows all profits earned by the company to be retained within the company and used for the mutual benefit of all members;
 - (c) it allows the Board of the company to enforce the terms and conditions of resource consents held by the company so that if a particular shareholder breaches the terms of those consents enforcement action can be taken against that shareholder; and
 - (d) provision can be made that no one group of irrigators holding a significant percentage of the shares in the company can control the company.

Constitution

- 15 It is proposed that the new OWL will adopt a new constitution. A draft copy of the proposed constitution will shortly be available from the offices of OWL or you can request a copy be emailed to you.

16 OWL's contact details are:

Opuha Water Limited
Opuha House
875 Arowhenua Road
RD 4
Timaru 7974

Phone: (03) 614 7801
Fax: (03) 614 7860
Email: christine@opuha.co.nz

17 As at the date of sending this memorandum, the provisions of that proposed constitution include the following:

- (a) Shareholder Eligibility - a person (which includes a company or trust) will only be eligible to become or continue to be a shareholder if that person:
 - (i) holds land or an interest in land within the scheme area or is otherwise approved by the Board;
 - (ii) has entered in a new water agreement; and
 - (iii) observes the terms and conditions of the new water agreement;
- (b) Transfer of shares/ water rights - a shareholder who sells a farm can also transfer its shares to the purchaser of that farm so transferring the right to water to the purchaser. Any transfers are subject to Board approval and the transferee entering into a water agreement;
- (c) Assignment of right to water - subject to the Board giving its prior approval a person who has a right to water will be able to:
 - (i) assign the right to water to an irrigator in the scheme area; and
 - (ii) lease the right to that water to an irrigator in the scheme area;
- (d) Compliance with water agreement – there are provisions to protect the shareholders in the event that there is a material and continuing breach of contractual terms by a water user. The company will first take steps to give notice of the breach so the user will have the opportunity to remedy the breach. If a dispute arises arbitration will be available. If after that process has been completed a water user fails to remedy the breach and to comply with the terms under the water agreement, or does not comply with best practice in accessing water, then the shares can be surrendered at their nominal value and the water agreement cancelled. This is to protect all shareholders and the rights held by the company to distribute water;
- (e) Appointment of directors - the Board will comprise:

- (i) Up to five (5) land owners or their representative who must farm within the scheme area or hold a direct or indirect interest in a company, trust or other ownership structure that acquires water from the scheme. These directors will hold office for up to three (3) years and can be reappointed; and
 - (ii) up to two (2) additional persons who are appointed by the Board for a term not exceeding three years;
- (f) Changes to constitution - the constitution can be changed by a special resolution which is a resolution passed by 75% of those voting on the resolution voting for the resolution.
- (g) Voting - It is essential that no shareholder can hold in excess of 20% of the voting shares as this would create issues under the Takeovers Code. The company may require shareholders to disclose all shareholdings held by associated persons to minimise the risk of the Takeovers Code applying.

The proposal is that each shareholder will have one vote on a show of hands and one vote for each qualifying share on a poll. There are further provisions to prevent a person controlling more than 15% of the voting rights at a meeting either directly or with associated persons. If a number of shareholders act so as to become associated persons and enter into an arrangement to vote their shares together their voting rights will be restricted to 15% of the votes cast at that meeting.

The Chairman can act as the proxy holder for shareholders provided the Chairman is directed by the proxy how to vote; and

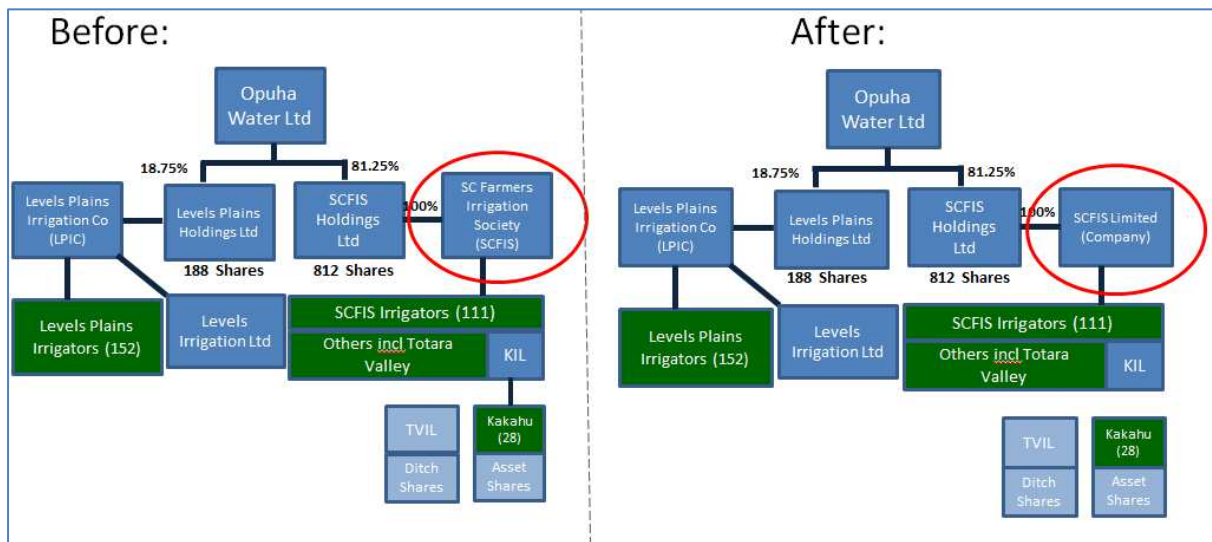
- (h) Nominal value of shares - the Co-operative Companies Act 1996 requires co-operatives to have a nominal value for shares. For the purposes of the company the nominal value will be the issue price for the shares of \$1.00. Where shares are issued at a premium the total price will comprise a nominal value of \$1.00 for the qualifying shares with the balance being a share premium.

Restructure Steps

- 18 There are 10 main steps that need to be undertaken to implement the proposed restructure. As noted above, an initial meeting of SCFIS shareholders has occurred as part of the implementation of Step 1. Each step is summarised below. Please note this is a summary only and the relevant notices of meeting will attach notes containing more detail as applicable.
- 19 Steps 2 to 10 are intended to occur in the order set out below and will effectively all occur contemporaneously on the restructure implementation date, intended at this stage to be a specified day at the end of November / early December.

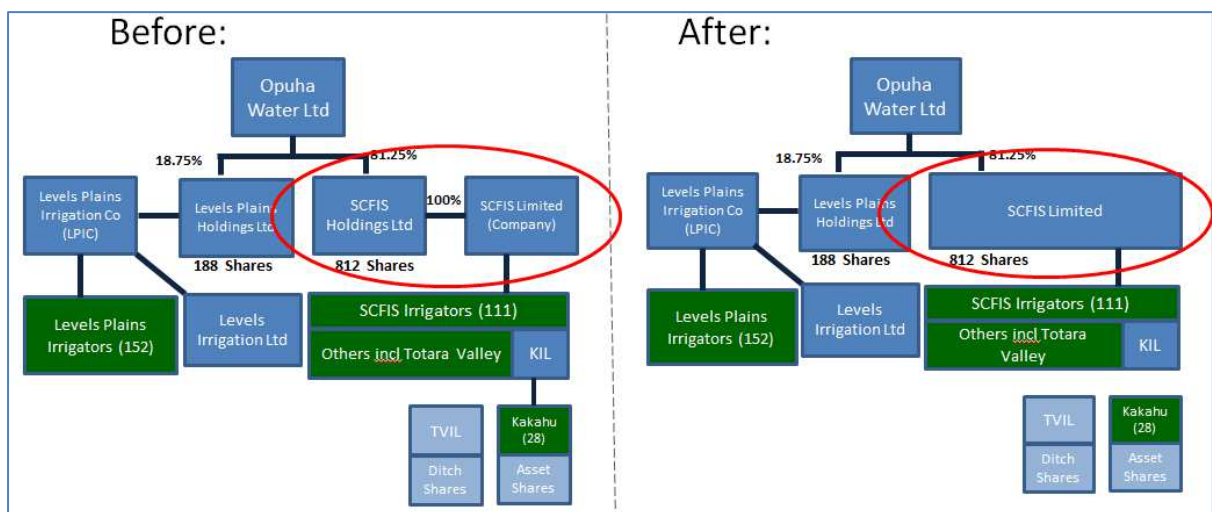
Step 1 - convert SCFIS to a company

20 SCFIS is an Industrial and Provident Society registered under the Industrial and Provident Societies Act 1908. SCFIS is to be “converted” to a company under the Companies Act 1993 (the *Companies Act*) which will then allow it to amalgamate with SCFIS pursuant to step two. SCFIS will re-register as a co-operative company and adopt a new constitution. This allows SCFIS to continue as a standalone entity if all of the proposed resolutions are not passed.



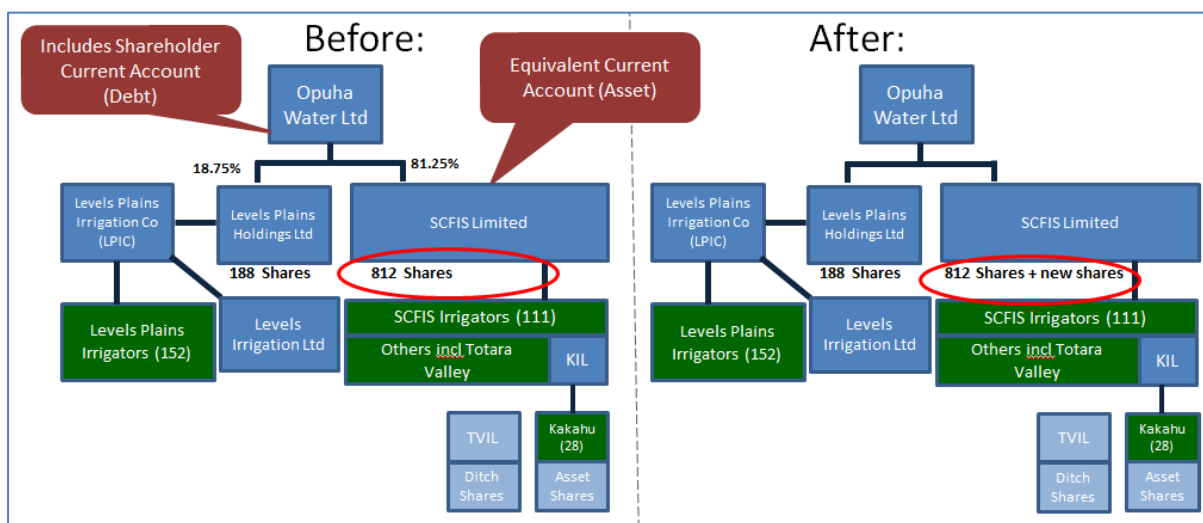
Step 2 -SCFIS and SCFIS Holdings amalgamate

21 Now that SCFIS is a company, it can amalgamate with SCFIS Holdings. SCFIS will be the continuing entity and SCFIS Holdings will cease to exist. Only board approval (and not shareholder approval) is required for the amalgamation to take effect. It is anticipated that this amalgamation will be approved prior to the special meeting and will take effect on restructure implementation date.



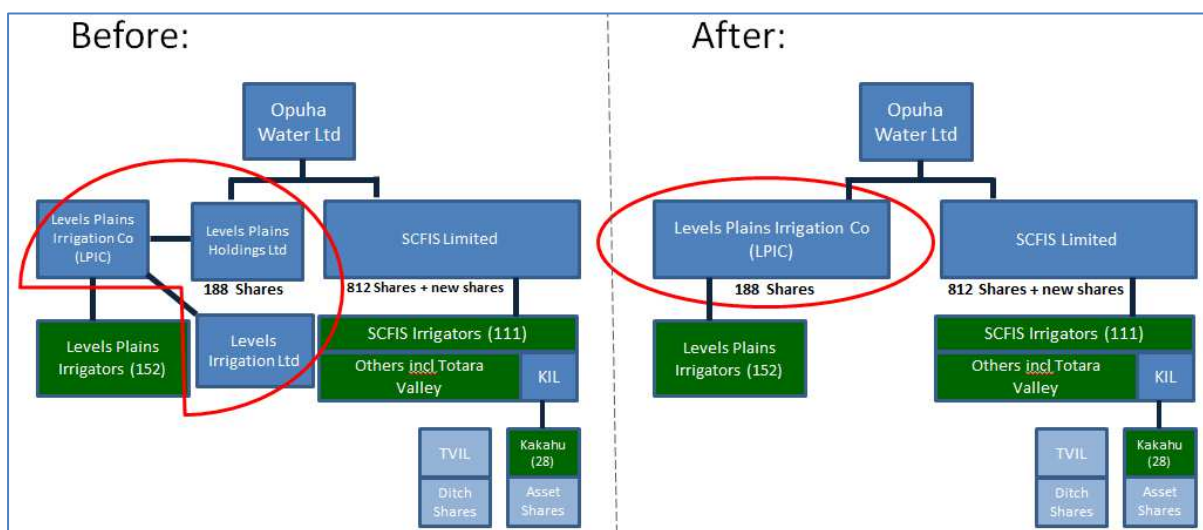
Step 3 – SCFIS converts debt in OWL to equity

22 OWL has a current account debt owing to SCFIS. OWL will repay that debt by way of the issue of shares in OWL.



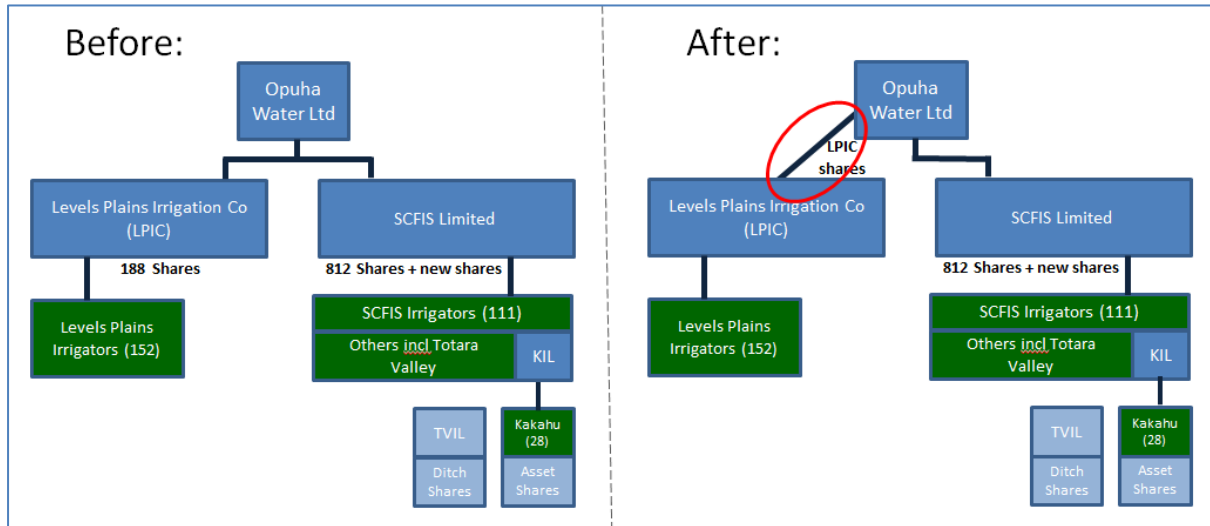
Step 4 – LPIC, LPIC Holdings and LIL amalgamate

23 LPIC, LPIC Holdings and LIL will amalgamate with each other. LPIC will be the continuing entity and LPIC Holdings and LIL will cease to exist. As LPIC Holdings and LIL are wholly owned subsidiaries of LPIC, the amalgamation will not affect any shareholdings in LPIC. Only board approval (and not shareholder approval) is required for the amalgamation to take effect. It is anticipated that this amalgamation will be approved prior to the special meeting and will take effect on the restructure implementation.



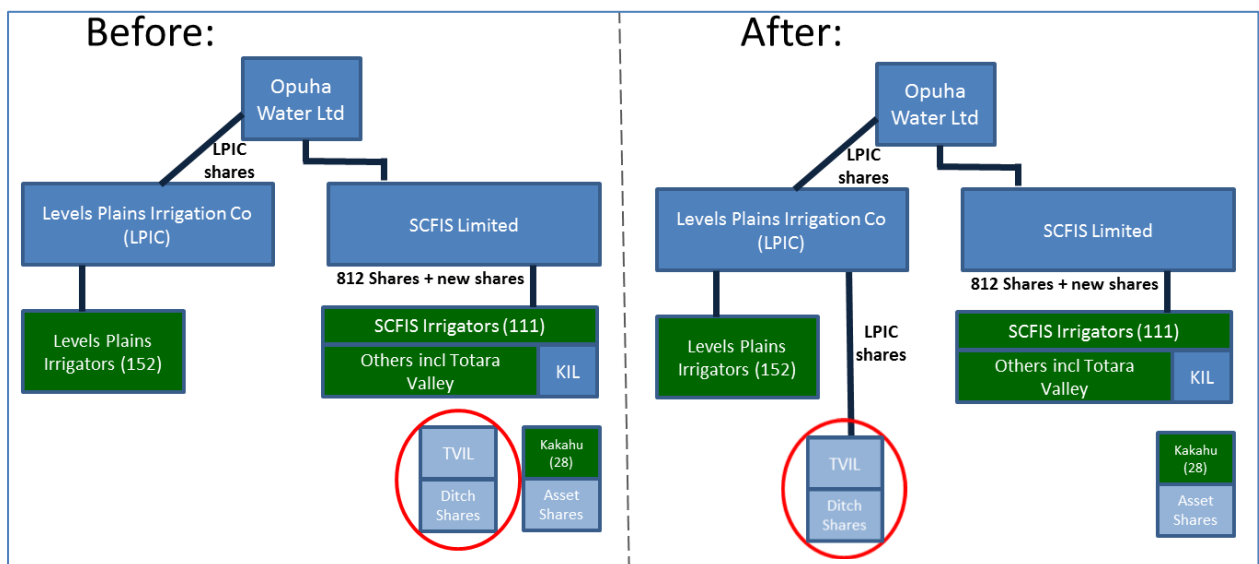
Step 5 – OWL sells its assets to LPIC

- 24 OWL will sell all of its assets and liabilities to LPIC and in exchange LPIC will issue shares in LPIC to OWL. LPIC currently holds 187 shares in OWL. These shares will be cancelled prior to this transaction.



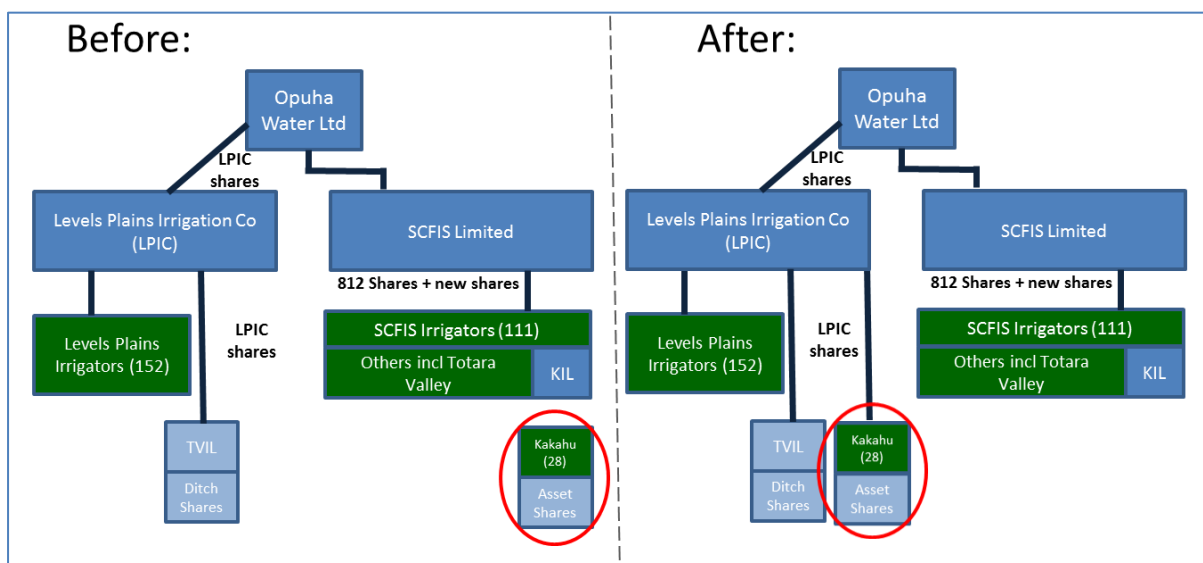
Step 6 – Totara Valley sells its assets to LPIC

- 25 Totara Valley will sell all of its assets and liabilities to LPIC in exchange LPIC will issue shares in LPIC to Totara Valley.



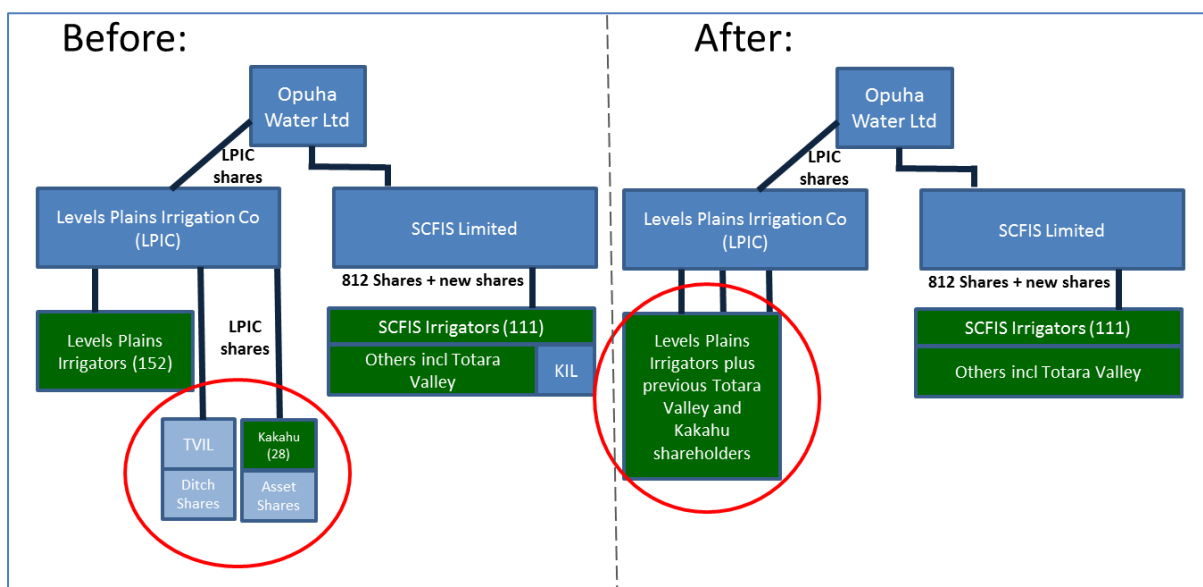
Step 7 – Kakahu sells its assets to LPIC

26 Kakahu will sell all of its assets and liabilities to LPIC and in exchange LPIC will issue shares in LPIC to Kakahu.



Step 8 – Totara Valley and Kakahu are deregistered

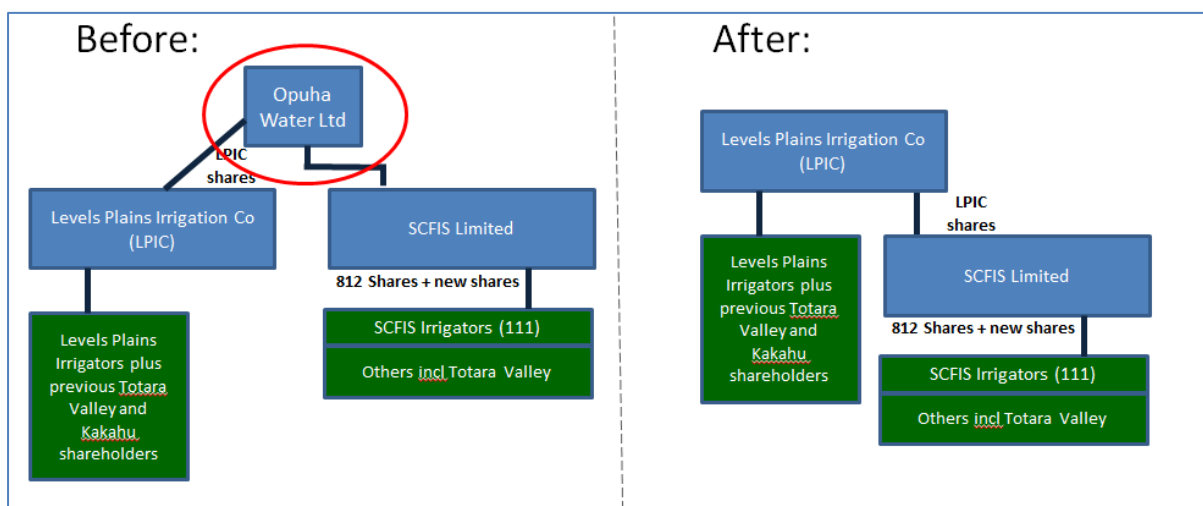
27 The shareholders of each of Totara Valley and Kakahu resolve to wind up the relevant company and the shares that each company has obtained from the sales of assets to LPIC are distributed to its shareholders.



Step 9 – OWL is deregistered

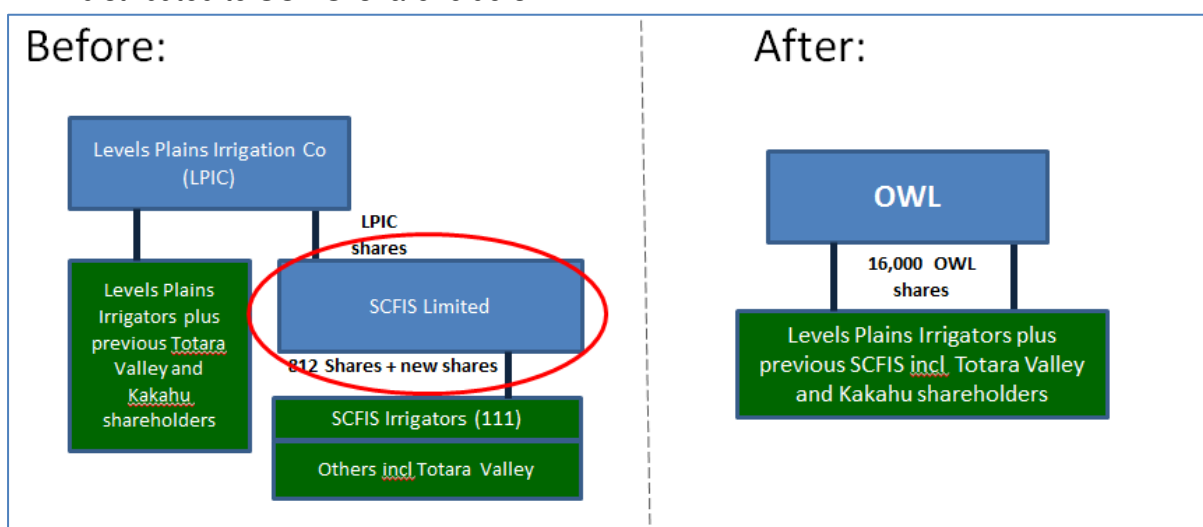
28 The remaining shareholder of OWL (being SCFIS) resolves to:

- (a) wind up OWL.
- (b) distribute the shares that OWL has obtained from the sale of assets to LPIC to SCFIS;



Step 10 SCFIS is deregistered

29 The shareholders of SCFIS resolve to wind up SCIFIS and the LPIC shares that SCFIS now owns (due to OWL transferring those shares to SCFIS under step 9) are distributed to SCFIS' shareholders.



Please note that this memorandum and the contents of it contain a summary only of the proposed restructure as at the date of sending this memorandum and are subject to change. This memorandum is provided for information purposes only.