



SHARE ALLOCATION AND TRADING POLICY

The Share Allocation and Trading Policy outlines the conditions relating to transfer and licensing of shares within OWL's defined scheme areas.

Approved by the Board of Directors, 17 September 2019

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This document sets out the approval process for the transfer and licensing (“Share Trading”) of OWL shares, including the factors the approval is conditional on. All Share Trading is subject to the approval of the Board or their delegated authority.

Introduction

On 1st July 2014, a complex restructure took place to create one entity and provide the shareholder irrigators with a direct interest and voting rights in Opuha Water Ltd (“OWL”). On completion of the various transactions under the merger, shares were issued to all affiliated users that take water from the Opuha river systems. These issued shares were separated into various classes, largely to maintain shareholders’ previous rights to water. For more information on the restructure, please see the [Prospectus & Investment Statement](#) and [Merger Proposal](#) (both of which are available on OWL’s website under ‘Company Information’ - <http://opuhawater.co.nz/company-information/company-restructure>).

OWL’s [Constitution](#) provides that the company may agree to a transfer of shares. The [Terms and Provisions for Supply of Water](#) (“Water Agreement”) also provides for the right, under certain circumstances, of shareholders to transfer or license¹ shares to another property. Provided that the proper processes are followed, and the required approvals are obtained, trading of water between farmers within the scheme is encouraged by the company, to facilitate more efficient use of the resource.

All share transfer and licensing (“Share Trading”) approvals are at the discretion of the OWL Board or such persons who have received the Board’s delegated authority (“Delegate”) and are not legally transacted until approved. Financial transactions involving Share Trading between parties must not occur without (or must be conditional on) OWL’s final approval of the relevant transaction. In the event that a party enters into a transaction that involves Share Trading without OWL’s prior approval and without complying with this policy then OWL:

- cannot guarantee that the relevant Share Trading will be approved; and
- will have no liability whatsoever if the relevant Share Trading is delayed and/or refused.

Under this policy and the Constitution, the Board has several grounds to refuse (or delay) a request to transfer or license shares including without limitation where the proposed transaction is not in the best interests of OWL.

Purpose

Historically, the Opuha scheme has largely been grouped into two areas:

- ‘Above Dam’, meaning those shareholders/shares on the tributaries of the North Opuha, South Opuha, Upper Opihi and Te Ana Wai.
- ‘Below Dam’, meaning those shareholder/shares augmented by the Opuha Dam.

To date, OWL has taken the general stance that ‘Above Dam’ shares can be transferred ‘Below Dam’, but ‘Below Dam’ shares cannot be transferred ‘Above Dam’. This was driven by the desire to protect the reliability of existing shareholders on these ‘Above Dam’ tributaries by preventing further allocation. It has never, however, been clearly defined in a formal policy what constitutes ‘Above Dam’ and ‘Below Dam’ and in particular, which category Lake Opuha itself fits in to. There has also never been a formal policy on whether shares can be transferred between the scheme areas and what a transfer and license may be conditional upon.

¹ The term ‘licensing’ is referred to in OWL’s Constitution and is interchangeable with the term ‘lease’.

OWL has taken the view that reference to the 'Above Dam/Below Dam' scheme areas is overly simplistic and ambiguous and therefore a more logical, transparent classification based on the individual non-augmented tributaries and sub-schemes is necessary. OWL also acknowledges the need to more clearly define the conditions that must be met for the transfer and licensing of shares within and between the OWL defined scheme areas.

The purpose of this policy is, therefore, to define the requirements relating to the trading of share classes within and between the scheme areas, to avoid delaying or refusing (where possible) an application due to a lack of information provided by either the shareholder or the purchaser/lessee.

Plan Change 7 (PC7) to the Land and Water Regional Plan will include minimum flows for the Opihi tributaries - North and South Opuha, Upper Opihi and Te Ana Wai. It is likely that the minimum flow requirements on these tributaries will increase over the next ten years and beyond, having a direct impact on the reliability of shareholders who abstract from these tributaries. At the time of writing this policy, PC7 is yet to move through the submission and hearing process. This policy will, therefore, be reviewed (and amended if required) when PC7 has become operative, and the full implications of the plan provisions are understood.

Definitions

Except where expressly defined in this policy, capitalised words and terms have the same corresponding meaning as those definitions set out in the [Terms and Provisions for Supply of Water](#) and/or the [Short Form Water Agreement](#) (as applicable).

Scope

This policy is applicable to shareholders to cover the trading of all OWL share classes. The policy also provides a process for OWL employees for processing share trading applications, and for the OWL Board or their Delegates on conditions when considering an application to transfer or license shares.

Specifically, the policy covers the following scenarios:

- Land transfer (shares remain on existing land)
 - Sale/purchase of land and shares, where the beneficiary materially changes
 - Leasing of land with shares
- Land transfer (change to how shares used/applied)
 - Sale/license of shares to a new parcel of land that is previously unshared
 - Sale/license of shares to an existing shareholder (or water user) wishing to top up their allocation to increase their irrigated area or their reliability
- Shareholding entity change (individual, partnership, trustee)
- Water is to be supplied to new parcel of land

This policy should be read in conjunction with OWL's [Constitution, Terms and Provisions for Supply of Water](#) and the policy documents associated with the "L", "K" and "T" share classes, which outline the conditions entered into with each of the irrigation schemes merged into OWL on company restructure (which are available on OWL's website under 'Company Information').

Objectives

The objectives of this policy are:

- To enable the movement of water within regulatory, constitutional and operational limits of OWL;
- To provide a clear process for share trading to the Board, staff and shareholders; and

- To ensure compliance with the company Constitution, Terms and Provisions for Supply of Water, internal policies, the Companies Act 1993 and all the relevant regulatory authorities.

Policy Review

The Board may in its sole discretion (subject to the Constitution and the Companies Act 1993):

- Review, update amend or replace this policy at any time; and/or
- Approve or refuse any proposed Share Trading in a manner otherwise as set out in this policy.

Share Classes

The following classes of shares are currently issued:

- 16,000 “W” Shares
- 3,296 “L” Shares (Levels Plain scheme)
- 3,208 “K” Shares (Kakahu scheme)
- 2,664 “T” Shares (Totara Valley scheme)
- 150 “D” Shares

The Board may change the number and classes of shares required to be held by a shareholder to qualify for the supply of water or access to specific infrastructure, provided the same standard as to the number of shares to be held shall apply to all shareholders taking water from a specified part of, or area within, the scheme area.

Water Shares

“W” shares (also known as “Water” shares) provide a right to receive water each irrigation season. For more information on what a “W” share confers on the holder see the [Terms and Provisions of Supply of Water](#).

Under the [Constitution](#) and the Water Agreement, the Board can determine how many “W” shares must be held for each hectare of land for which water is required for irrigation. The current requirement is 1 “W” share to receive water at a standard flow rate of 0.41336 litres per second based on an application rate equivalent to 25mm of water per hectare per week with a seasonable cap of 5,625m³ for each irrigation season.

This policy allocates these 16,000 “W” shares to specific areas within the Opuha command area. Each of these areas have been defined under ‘[Scheme Area Share Trading Considerations](#)’. Allocations are based around a nominal allocation with tolerances to provide some flexibility whilst considering operational efficiencies and infrastructure constraints.

Infrastructure Shares

The “L” shares, “K” shares and “T” shares are each a type of “Infrastructure” shares or “I” shares in OWL’s [Constitution](#) and entitle the holder to the right to access and to use OWL owned infrastructure.

D Shares

“D” Shares are a separate class of share (neither “W” share nor “I” share) for shareholders that own shares in the Levels Plain scheme but did not have entitlement to water under a Water Agreement with Levels Plain Irrigation Co Ltd prior to company restructure. As D shares are not tradable, they are therefore not covered in this policy.

Categories of Transferable Shares

A shareholder is entitled to trade shares only in the circumstances set out below. The following has been extracted from the [Terms and Provisions of Supply of Water](#).

Sale of Property

Where the shares and the water rights attached to those shares relate to a specified approved property the Board may require that the water continues to be supplied to that property as a precondition to the transfer of the shares.

Transfer to another Property

Where shares are being transferred to a transferee who wishes to use the water relating to those shares on a property that is not currently irrigated using that water then the Board may refuse to transfer the usage of that water, except to a property approved by the Board and on such conditions as the Board may reasonably impose and provided further that the property to which the water is delivered is within the Opuha command area (or a specified area) and can be economically serviced from the distribution system.

Transfer of Shares and Water Rights

The shares and the right to water attached thereto may be transferred to a person or entity that owns or farms a property in the scheme area or any other person or entity approved by the Board subject to:

- the prior written consent of OWL which consent may be withheld without giving any reason or may be given on such conditions as the company determines including the entering into of a Water Supply Agreement;
- the distribution system having the capacity and capability of delivering that water to the property in the scheme area as requested by the proposed transferee of shares;
- where there is specific infrastructure for the delivery of water within a specified area that both the “W” shares and “I” shares are transferred together and in the same proportions so that the shareholder has the right to receive water through the specific infrastructure.

Licensing of Water

A shareholder may license the right to water to a person who farms a property within the Opuha command area which is serviced by a distribution system (or may be serviced pursuant to ‘Delivery to Property not Connected’) subject to:

- the prior written consent of OWL;
- that licensee signing such documents as may be required by OWL;
- the shareholder holding that right to water continuing to be liable to pay all charges and being responsible for compliance by that licensee with all obligations under the Water Supply Agreement;
- any licensing of that water being notified to OWL prior to the start of an irrigation season, or as approved by the Board;
- such other terms and conditions as OWL consider appropriate;
- the licensing is for a specified term as notified to and approved by OWL;
- the distribution of that water will comply with and meet the requirements of all statutory requirements and any policies;

- the distribution system having the capacity and capability of delivering that water to the farm of that licensed person.

Delivery to Property not Connected

Where a shareholder requests that OWL deliver water to a property within the scheme area that is not connected to a distribution system then the following provisions shall apply:

- OWL may decline or accept such request on such terms and conditions as the Board determines;
- as part of the terms and conditions in giving approval OWL may require the shareholder making such request to:
 - pay all costs and expenses in installing a connection point or other connection and any race or pipeline, including any metering equipment, from the distribution system to the relevant property;
 - obtain all easements, consents and approvals (to be registered in favour of OWL) required to install, lay, maintain and replace any structure, race or pipeline;
 - vest all easements and any new structures including the extended races and pipelines in OWL;
 - obtain and implement all electricity and media easements including the installing of all media lines, electricity lines, water meters, and telemetry needed or required to support the delivery of water;
 - pay all charges in connecting the shareholders works to the connection point for delivery of water;
 - obtain all resource consents, and other statutory and regulatory consents required or necessary to carry out and implement that extension to the distribution system;
- The consent and approval of OWL may be given subject to such other terms and conditions (including any variation to the requirements of (b) above).

OWL Defined Scheme Areas

The Opuha scheme has been classified into eleven discrete scheme areas based on the individual non-augmented tributaries, hydrological features, and sub-schemes, as follows:

- North Opuha
- South Opuha
- Upper Opihi
- Te Ana Wai
- Lake Opuha
- Lake Opuha Minor Tributaries
- Mainstem
- Levels Plain scheme
- Kakahu scheme
- Totara Valley scheme
- Sutherlands scheme

Conditions of Share Trading

In determining whether the transfer or licensing of shares can occur within or between scheme areas, there are a number of factors which will be considered by OWL. The approval of any trading of shares is conditional on the matters set out below:

Allocation

Allocation limits are set in this policy to limit the minimum and maximum number of shares that can be held within each OWL defined scheme area. The allocation limits are determined according to the characteristics of the scheme area as follows:

- For each of the four main non-augmented tributary scheme areas - North and South Opuha, Upper Opihi and Te Ana Wai - allocation limits are those set by ECan in Plan Change 7 to protect instream values. The maximum number of shares able to be held within these scheme areas will align with this allocation. Where the current shared allocation is higher than the PC7 allocation limit², the consented allocation limit will be the limiting number. For the minor tributaries of Lake Opuha, the maximum allocation is based on the current consented allocation. There is no minimum allocation specified for the non-augmented tributaries as this does not directly impact water efficiency within the scheme. All allocations specified in this policy will be reviewed when PC7 is made operative.
- For each of the sub-schemes, this policy specifies a minimum and maximum allocation. The maximum is based on the physical capacity of the scheme i.e. consented rate minus maximum carriage water. The minimum is 80% of a nominal³ allocation value.
- For Lake Opuha, the policy specifies an 'existing' allocation and a 'reliability' allocation.
- The existing allocation for Lake Opuha is capped at the current shareholding. The transfer of shares to the Lake Opuha scheme area is not permitted until such time as PC7 has become operative, OWL management and governance understand the implications of PC7, and any respective changes are made to this policy to allow such a transfer.
- A reliability allocation for Lake Opuha has been determined by OWL to reflect the storage allocation sufficient to provide shareholders in North Opuha, South Opuha and Upper Opihi scheme areas with an equivalent 95% reliability. This reliability allocation block is allocated proportional to the number of shares held by each shareholder within these scheme areas and is not tradable. No additional shares are required to access this reliability allocation. Further information regarding the use of this reliability allocation is provided in Appendix 2.
- It is acknowledged that future abstraction from Lake Opuha may be required to mitigate a loss in reliability experienced by shareholders from the North and South Opuha and Upper Opihi, as a result of PC7. The possibility of any subsequent allocation will be assessed by the Board when the full implications of PC7 are understood.

² This may occur for two reasons 1) a shareholder holds excess shares relative to their consented entitlement; and 2) shareholder holds shares for their total rate of take, while the PC7 allocation limit is based on the sum of the total rate for surface water takes and the stream depletion component of hydraulically connected groundwater takes. Where a scheme area has a number of hydraulically connected groundwater takes, the shared allocation is likely to be higher than the PC7 allocation limit.

³ The nominal allocation is that specified at the time of the restructure, as outlined in the [Prospectus & Investment Statement](#).

- There is no allocation specified for be ‘Mainstem’ scheme area consisting of the Opuha and Opihi (downstream of confluence) rivers, as the allocations specified for the remaining scheme areas will limit the minimum and maximum shares able to be allocated.
- With the exclusion of share trading where the shares stay on the same land parcel, all schemes areas are subject to a minimum share trade of five “W” shares. The purpose of such is to ensure there are not small pockets of shares traded to new shareholders which leads to operational (water and staff time) inefficiencies. This condition does not prevent a share trade of less than five “W” shares to shareholders who already have existing shares if the total sum of new and existing held by that shareholder is equal to or greater than five shares. This condition does also not prevent shareholders forming a ‘sub-group’ to manage water among themselves.

Any Share Transfer or Licensing is conditional on:

- Operating within the minimum and maximum specified shared allocation for each scheme area.
- Meeting the minimum share trade requirements

Consents and Compliance

Resource consents are required for any new water take from the river, lake or hydraulically connected groundwater. The ease of the consenting process is dependent on the scheme area the new take resides within.

- The non-augmented tributary scheme areas are fully allocated therefore new consents (other than BN takes) will not be consented in the future.
- New consents for augmented takes are generally straightforward if OWL provides written confirmation that the consent applicant holds sufficient shares for the rate of take being sought, and therefore, sufficient water will be released from the dam.
- Abstractions from Lake Opuha have never been tested in terms of the resource consent process, and there are likely to be infrastructure requirements that need to be met.

A land use consent is required under Plan Change 5 of the Land and Water Regional Plan if the farming activity has >50ha irrigation or exceeds the winter grazing⁴ thresholds (10ha for a property less than 100ha, 10% of a property between 100-1000ha, or 100ha for any property larger than 1000ha). Land use consents to farm will be subject to the nitrogen baseline, or in the orange zone the lawful exceedance (whichever is the greater). Two ‘High Nitrogen Concentration’ areas within the scheme (Levels Plains and Fairlie Basin) are also likely to require % reductions in nitrate losses over the next 15 years. It is in the best interest of OWL shareholders that nitrate losses do not exceed current or baseline levels through the transfer or licensing of shares, therefore OWL must be satisfied that the shares being traded can be used within land use consent and nutrient management constraints.

This is of particular importance in the North and South Opuha and Upper Opihi scheme areas who, under this policy, will have access to water from Lake Opuha. It is of fundamental importance that this lake water is utilised to increase reliability as opposed to increasing irrigated area and/or intensification. Further irrigation area constraints are therefore placed on the North and South Opuha and Upper Opihi in light of this.

OWL hold a number of consents which set regulatory controls on the operation of the Opuha Dam, sub-schemes and associated infrastructure. Compliance with these consent conditions is OWL’s upmost priority.

⁴ Winter grazing is defined in the Land and Water Regional Plan as ‘the grazing of cattle within the period of 1 May to 30 September, where the cattle are contained for break-feeding of in-situ brassica and root vegetable forage crops or for consuming supplementary feed that has been brought onto the property’.

Any share trading will therefore be assessed against these existing scheme consents to ensure the transfer does not compromise OWL's ability to maintain compliance.

Any Share Transfer or Licensing is conditional on:

- The appropriate water take (and associated) consents being applied for and obtained by the regulatory authority and OWL is satisfied that the shares traded can be used within the consent conditions;
- The appropriate land use consents have been applied for and obtained and OWL is satisfied that the shares being traded can be used within land use consent and nutrient management constraints;
- The irrigated area in the North Opuha, South Opuha and Upper Opihi scheme areas does not increase beyond the current (April 2019) area; and
- Ensuring OWL's ability to remain compliant with existing resource consent conditions is not compromised, e.g. rates of take and irrigation command areas.

Infrastructure

OWL owns and manages a complex network of races, pipes and in-river conveyance in its operation of the scheme. Any transfer or licensing of shares will require an assessment of how any new infrastructure associated with the transfer is integrated with the existing scheme infrastructure.

Under the Constitution, the Board has specific grounds to refuse or delay a transfer if:

- The Board has determined that it is impractical or uneconomic to deliver water to the property as required by the proposed transferee; and/or
- There is no infrastructure to deliver water to the property of the transferee and the transferee will not bear the costs of constructing such infrastructure.

Infrastructure issues relating to recreational and aesthetics and health and safety considerations are largely associated with potential infrastructure on Lake Opuha, as the bed of the lake is largely owned by OWL. These considerations must be factored into the design of any infrastructure and are also the particular interest of both the regional and district councils (in terms of their consenting requirements).

Newly constructed infrastructure may also lead the Board to determine that there is a new "I Area" in the scheme area. In the event that a new I Area is created then the Board may require the proposed transferee to subscribe for a new class of "I" shares relevant to the newly constructed infrastructure.

Any Share Transfer or Licensing is conditional on:

- Any proposed new infrastructure being appropriate and compatible with existing scheme network infrastructure;
- OWL (in its sole discretion) being confident that the recreational/aesthetic and Health & Safety aspects are appropriately managed in the design of any infrastructure and on the appropriate consents being applied for and granted; and
- The proposed transferee of "W" shares also obtaining new "I" shares in such an amount as determined by the Board (provided that a new "I Area" is created by the Board as a result of the new infrastructure/the relevant share trading).

Share Trading Considerations

The conditions of share trading specific to each of the OWL defined scheme areas are provided in Appendix 1.

For the avoidance of doubt, final approval of the trading of shares will not be given by OWL until it is satisfied that all of the conditions have been met.

Share Trading Approval Levels

The **Constitution** vests the approval authority in the OWL Board. It also provides the Board the authority to delegate some of their decision-making authority and have done so for certain share trading transactions. Under the Companies Act 1993, the OWL Board cannot delegate their powers to decline share transfers and licensing.

All share trading transactions approved by the delegated authority must be reported to the Board in the Management Report following the approval, with a formal resolution recorded in the next minutes of Board meeting.

The Water Supply Agreement (“WSA”) between OWL and the shareholder/water user requires two signatories on behalf of OWL, one Director and one authorised person, which is considered to be the delegated authority under this policy.

The Board **has delegated** authority to the CEO for the following share trading:

- Land Transfer and Licensing (where no change to how shares used/applied)
- Shareholding Entity Change

The Board **has not delegated** the following types of share trading:

- Trade of shares to an existing shareholder wishing to top up their allocation to increase reliability
- Trade of shares to a new parcel of land that is previously unshared (dryland)
- Land Transfer and Licensing (where there is a change to how shares used/applied)
- Any share trades that do not fit the any of the above examples

Share Transfer or Licensing Process

Shareholders have the ability to trade their shares by way of a transfer or license their shares. This must be done in accordance with the **Terms and Provisions for Supply of Water** and any Shareholders’ Agreement (if one exists). If a shareholder wishes to buy or sell property that includes OWL shares, that shareholder is required to comply with OWL’s requirements under this policy.

The process for transferring and licensing shares, is provided at the back of the **Application to Transfer Shares** and **Application to License Shares**, both of which are available on OWL’s website under ‘Shares’ - <http://opuhawater.co.nz/company-information/shares>.

Appendix 1: Scheme Area Share Trading Considerations

On the following pages, the specific conditions of share trading are provided for each of the OWL defined scheme areas.

North Opuha

The North Opuha scheme area comprises the surface water and hydraulically connected groundwater of the North Opuha river and its tributaries, feeding Lake Opuha. The scheme area is non-augmented and is subject to tributary specific minimum flows.

There is currently no OWL owned infrastructure in the North Opuha scheme area, therefore shareholders in this irrigation area are not required to hold “I” class shares. Shareholders in this scheme area are ‘affiliated’ with OWL and required to hold shares as a condition of their resource consent with ECan.

The approval of all share trading in the North Opuha scheme area is conditional on:

Assessment	Impact
Allocation	The maximum shared allocation for the North Opuha, determined by the maximum consented allocation set by ECan, is not exceeded. There is no minimum share allocation. <i>Refer allocation table below;</i> and Meeting the minimum share trade requirements.
Consents and Compliance	The appropriate water take (and associated) consents being applied for and obtained by the regulatory authority and OWL is satisfied that the shares traded can be used within the consent conditions (<i>Note: New BA consents are not being granted by ECan, as North Opuha is considered fully allocated</i>); and The appropriate land use consents have been applied for and obtained and OWL is satisfied that the shares being traded can be used within land use consent and nutrient management constraints; and The irrigated area in the North Opuha scheme areas does not increase beyond the current (April 2019) area.
Infrastructure	N/A - generally simple surface water or hydraulically connected groundwater take with few external factors to consider.

Allocation	Current Consented Allocation (l/s)	Minimum Allocation (l/s)	Minimum OWL shares	Maximum PC7 Allocation (l/s)	Maximum OWL shares
“W” Shares	109.3 ⁵ l/s	n/a	n/a	68 ⁶ l/s	164 ⁷ shares
“I” Shares	n/a	n/a	n/a	n/a	n/a

⁵ The current consented allocation exceeds the current shared allocation from the North Opuha

⁶ PC7 maximum allocation reflects the lesser of the shared or consented allocation for each of the shareholders in the North Opuha, as it is the shared allocation that is the constraining number.

⁷ Equivalent shares to the maximum allocation provided for under PC7

South Opuha

The South Opuha scheme area comprises the surface water and hydraulically connected groundwater of the South Opuha river and its tributaries, feeding Lake Opuha. The scheme area is non-augmented and is subject to tributary specific minimum flows.

There is currently no OWL owned infrastructure in the South Opuha scheme area, therefore shareholders in this irrigation area are not required to hold “I” class shares. Shareholders in this scheme area are ‘affiliated’ with OWL and required to hold shares as a condition of their resource consent with ECan.

The approval of all share trading in the South Opuha scheme area is conditional on:

<u>Assessment</u>	<u>Conditions</u>
Allocation	The maximum shared allocation for the South Opuha, determined by the maximum consented allocation set by ECan, is not exceeded. There is no minimum share allocation. <i>Refer allocation table below</i> ; and Meeting the minimum share trade requirements.
Consents and Compliance	The appropriate water take (and associated) consents being applied for and obtained by the regulatory authority and OWL is satisfied that the shares traded can be used within the consent conditions (<i>Note: New BA consents are not being granted by ECan, as South Opuha is considered fully allocated</i>); and The appropriate land use consents have been applied for and obtained and OWL is satisfied that the shares being traded can be used within land use consent and nutrient management constraints; and The irrigated area in the South Opuha scheme areas does not increase beyond the current (April 2019) area.
Infrastructure	N/A - generally simple surface water or hydraulically connected groundwater take with few external factors to consider.

<u>Allocation</u>	<u>Current Consented Allocation (l/s)</u>	<u>Minimum Allocation (l/s)</u>	<u>Minimum OWL shares</u>	<u>Maximum PC7 Allocation (l/s)</u>	<u>Maximum OWL shares</u>
“W” Shares	634.4 ⁸ l/s	n/a	n/a	634.41 ⁹ /s	1535 ¹⁰ shares
“I” Shares	n/a	n/a	n/a	n/a	n/a

⁸ Single consent for Cascade Irrigation Race Ltd

⁹ PC7 maximum allocation reflects the current consented allocation from the South Opuha

¹⁰ Equivalent shares to the maximum allocation provided for under PC7

Upper Opihi

The Upper Opihi scheme area comprises the surface water and hydraulically connected groundwater of the Upper Opihi river and its tributaries, above the confluence of the Opihi and Opuha Rivers. The scheme area is non-augmented and is subject to tributary specific minimum flows.

There is currently no OWL owned infrastructure in the Upper Opihi scheme area, therefore shareholders in this irrigation area are not required to hold “I” class shares. Shareholders in this scheme area are ‘affiliated’ with OWL and required to hold shares as a condition of their resource consent with ECan.

The approval of all share trading in the Upper Opihi scheme area is conditional on:

Assessment	Impact
Allocation	The maximum shared allocation for the Upper Opihi, determined by the maximum consented allocation set by ECan, is not exceeded. There is no minimum share allocation. <i>Refer allocation table below;</i> and Meeting the minimum share trade requirements.
Consents and Compliance	The appropriate water take (and associated) consents being applied for and obtained by the regulatory authority and OWL is satisfied that the shares traded can be used within the consent conditions (<i>Note: New BA consents are not being granted by ECan, as Upper Opihi is considered fully allocated</i>); and The appropriate land use consents have been applied for and obtained and OWL is satisfied that the shares being traded can be used within land use consent and nutrient management constraints; and The irrigated area in the Upper Opihi scheme areas does not increase beyond the current (April 2019) area.
Infrastructure	N/A - generally simple surface water of hydraulically connected groundwater take with few external factors to consider.

Allocation	Current Consented Allocation (l/s)	Minimum Allocation (l/s)	Minimum OWL shares	Maximum PC7 Allocation (l/s)	Maximum OWL shares
“W” Shares	510 ¹¹ l/s	n/a	n/a	409 ¹² l/s	990 ¹³ shares
“I” Shares	n/a	n/a	n/a	n/a	n/a

¹¹ The current consented allocation exceeds the current shared allocation from the Upper Opihi

¹² The maximum PC7 allocation reflects the lesser of the shared or consented allocation for each of the shareholders in the Upper Opihi, as it is the shared allocation that is the constraining number.

¹³ Equivalent shares to the maximum allocation provided for under PC7

Te Ana Wai

The Te Ana Wai scheme area comprises the surface water and hydraulically connected groundwater of the Te Ana Wai and its tributaries, which flows into the Opihi river near Pleasant Point. The scheme area is non-augmented and is subject to tributary specific minimum flows.

There is currently no OWL owned infrastructure in the Te Ana Wai scheme area, therefore shareholders in this irrigation area are not required to hold “I” class shares. Shareholders in this scheme area are ‘affiliated’ with OWL and required to hold shares as a condition of their resource consent with ECan.

In June 2009, an agreement was reached with the Te Ana Wai users whereby the shares that were held in OWL entitled them to twice the allocation of that of a normal “W” share (to reflect the unreliability of the tributary). Once transferred out of the Te Ana Wai scheme area these will revert back to normal “W” shares with no ability to brought back into the Te Ana Wai scheme area with the same provisions in the original agreement.

The approval of all share trading in the Te Ana Wai scheme area is conditional on:

Assessment	Impact
Allocation	The maximum shared allocation for the Te Ana Wai, determined by the maximum consented allocation set by ECan, is not exceeded. There is no minimum share allocation. <i>Refer allocation table below;</i> and Meeting the minimum share trade requirements.
Consents and Compliance	The appropriate water take (and associated) consents being applied for and obtained by the regulatory authority and OWL is satisfied that the shares traded can be used within the consent conditions (<i>Note: New BA consents are not being granted by ECan, as Te Ana Wai is considered fully allocated</i>); and The appropriate land use consents have been applied for and obtained and OWL is satisfied that the shares being traded can be used within land use consent and nutrient management constraints.
Infrastructure	N/A - generally simple surface water of hydraulically connected groundwater take with few external factors to consider.

Allocation	Current Consented Allocation (l/s)	Minimum Allocation (l/s)	Minimum OWL shares	Maximum PC7 Allocation (l/s)	Maximum OWL shares
“W” Shares	267 l/s	n/a	n/a	267 ¹⁴ l/s	323 ¹⁵ shares
“I” Shares	n/a	n/a	n/a	n/a	n/a

¹⁴ PC7 maximum allocation reflects the current consented allocation from the Te Ana Wai

¹⁵ Equivalent shares to the maximum allocation provided for under PC7, subsequently halved to reflect the 2009 agreement.

Lake Opuha

Lake Opuha is a new scheme area created during the drafting of this policy. The Lake Opuha scheme area comprises the area of the lake above the Opuha Power Station.

There is currently no OWL owned infrastructure in the Lake Opuha scheme area, however, if collective scheme infrastructure was developed in the future, OWL may establish Lake Opuha as a new “I Area” and the relevant shareholders would be required to hold “I” class shares. Any shareholders in this scheme area would be ‘affiliated’ with OWL and required to hold shares as a condition of their resource consent with ECan.

The approval of all share trading in the Lake Opuha scheme area is conditional on:

Assessment	Impact
Allocation	<p>The following maximum shared allocations are not exceeded:</p> <ol style="list-style-type: none"> 1) Maximum existing shared allocation 2) Maximum reliability allocation determined by OWL to reflect the storage allocation sufficient to provide shareholders in North Opuha, South Opuha and Upper Opihi scheme areas with an equivalent 95% reliability under existing minimum flows. This reliability allocation block is allocated proportional to the number of shares held by each shareholder within these scheme areas and is not tradable. No additional shares are required to access this reliability allocation. <i>Refer allocation table below;</i> and Meeting the minimum share trade requirements.
Consents and Compliance	<p>The transfer of existing shared allocation <i>within</i> Lake Opuha is conditional on:</p> <ul style="list-style-type: none"> • The appropriate water take (and associated) consents being applied for and obtained by the regulatory authority and OWL is satisfied that the shares traded can be used within the consent conditions; and • The appropriate land use consents have been applied for and obtained and OWL is satisfied that the shares being traded can be used within land use consent and nutrient management constraints. • The irrigated area in the North Opuha, South Opuha and Upper Opihi scheme areas does not increase beyond the current (April 2019) area. <p>The transfer of existing shared allocation <i>to</i> Lake Opuha scheme area from any other scheme area is not permitted.</p> <p>The consents and compliance conditions associated with the use of the reliability allocation for Lake Opuha is detailed in Appendix 2.</p>
Infrastructure	<p>The transfer of existing shared allocation <i>within</i> Lake Opuha is conditional on:</p> <ul style="list-style-type: none"> • OWL being confident that the recreational/aesthetic and Health & Safety aspects are appropriately managed in the design of any infrastructure and on the appropriate consents being applied for and granted. <p>The infrastructure conditions associated with the use of the reliability allocation for Lake Opuha is detailed in Appendix 2.</p>

Allocation	Current Consented Allocation (l/s)	Minimum Allocation (l/s)	Minimum OWL shares	Maximum Allocation (l/s)	Maximum OWL shares
“W” Shares	33.1 l/s	n/a	n/a	33.1 l/s existing 114 l/s reliability allocation	Existing - 80 shares Reliability allocation- already shared
“I” Shares	n/a	n/a	n/a	n/a	n/a

Lake Opuha Minor Tributaries

The Lake Opuha Minor Tributaries comprise the surface water and hydraulically connected groundwater of the tributaries that flow into Lake Opuha, excluding the North and South Opuha rivers. These are understood by OWL to be Station stream and an ‘un-named tributary’ that flows parallel with the South Opuha. The scheme area is non-augmented and subject to tributary specific minimum flows.

There is currently no OWL owned infrastructure in the Lake Opuha minor tributary area, therefore shareholders in this irrigation area are not required to hold “I” class shares. Shareholders in this scheme area are ‘affiliated’ with OWL and required to hold shares as a condition of their resource consent with ECan.

The approval of all share trading in the Lake Opuha minor tributaries scheme area is conditional on:

Assessment	Impact
Allocation	The maximum shared allocation for the Lake Opuha minor tributaries, determined by the consented allocation at April 2019, is not exceeded. There is no minimum share allocation. <i>Refer allocation table below;</i> and Meeting the minimum share trade requirements.
Consents and Compliance	The appropriate water take (and associated) consents being applied for and obtained by the regulatory authority and OWL is satisfied that the shares traded can be used within the consent conditions; and The appropriate land use consents have been applied for and obtained and OWL is satisfied that the shares being traded can be used within land use consent and nutrient management constraints; and The irrigated area in the Lake Opuha minor tributaries scheme areas does not increase beyond the current (April 2019) area.
Infrastructure	N/A - generally simple surface water or hydraulically connected groundwater take with few external factors to consider.

Allocation	Current Consented Allocation (l/s)	Minimum Allocation (l/s)	Minimum OWL shares	Maximum PC7 Allocation (l/s)	Maximum OWL shares
“W” Shares	37.9 ¹⁶ l/s	n/a	n/a	37.9 ¹⁷ l/s	96 ¹⁸ shares
“I” Shares	n/a	n/a	n/a	n/a	n/a

¹⁶ The current consented allocation for Station Stream (29.6l/s and ‘unnamed tributary’ (8.3l/s)

¹⁷ PC7 maximum allocation reflects is equivalent to the consented allocation for shareholders in the Lake Opuha minor tributaries.

¹⁸ Equivalent shares to the maximum allocation provided for under PC7

Mainstem

Mainstem is an augmented scheme area made up of surface water and hydraulically connected groundwater in the Opuha and Opihi mainstem and tributaries (excluding Upper Opihi and Te Ana Wai).

There is currently no OWL owned infrastructure in the Mainstem scheme area, therefore shareholders in this irrigation area are not required to hold “I” class shares. Shareholders in this scheme area are ‘affiliated’ with OWL and required to hold shares as a condition of their resource consent with ECan.

The approval of all share trading in the Mainstem scheme area is conditional on:

Assessment	Impact
Allocation	<p>There is no allocation specified for be Mainstem, Below Generation scheme area, as the allocations specified for the remaining scheme areas will limit the minimum and maximum shares able to be allocated.</p> <p>Meeting the minimum share trade requirements.</p>
Consents and Compliance	<p>The appropriate water take (and associated) consents being applied for and obtained by the regulatory authority and OWL is satisfied that the shares traded can be used within the consent conditions; and</p> <p>The appropriate land use consents have been applied for and obtained and OWL is satisfied that the shares being traded can be used within land use consent and nutrient management constraints; and</p> <p>OWL’s ability to remain compliant with existing resource consent conditions associated with the operation of the Opuha dam and associated infrastructure is not compromised.</p>
Infrastructure	N/A - generally simple surface water of hydraulically connected groundwater take with few external factors to consider.

Allocation	Current Consented Allocation (l/s)	Minimum Allocation (l/s)	Minimum OWL shares	Maximum Allocation (l/s)	Maximum OWL shares
“W” Shares	7844 ¹⁹	n/a	n/a	n/a	n/a
“I” Shares	n/a	n/a	n/a	n/a	n/a

¹⁹ Calculated using best information available April 2019. Based on accounting for the full rate of take of stream depleting consents as opposed to the stream depleting component

Levels Plain Scheme

The Levels Plain scheme area comprises all surface water supplied by the Levels Plain infrastructure. The scheme is downstream of the Opuha Dam and is a gravity distribution system via open channels. The Levels Plain scheme is an old scheme (originally commissioned in 1930's) and comprises a river diversion intake with some control gates and a fish screen and then a network of around 50km of open races. OWL holds resource consents related to the operation of the Levels Plain scheme, and in particular the diversion of water from the river into the distribution network. Water is diverted from the lower Opihi River below Pleasant Point and distributes the water throughout the Levels area with an irrigated area of approximately 3,303 hectares.

"L" shares were created as a result of the company restructure on 1st July 2014 and issued to the Levels Plain scheme shareholders to reflect to value of the infrastructure transferred to OWL under an amalgamation agreement. "L" shares entitle the holder to the right to access and to use the Levels Plain infrastructure (being intakes, pipes, valves, delivery channels and other infrastructure) within the area designated by OWL as the Levels Plain infrastructure area.

The approval of all share trading in the Levels Plain scheme area is conditional on:

Assessment	Impact
Allocation	<p>Operating within maximum and minimum allocations defined by OWL. The maximum is based on the physical capacity of the scheme i.e. consented rate minus maximum carriage water. The minimum is 80% of the nominal allocation value. <i>Refer allocation table below</i>; and</p> <p>The net impact of any movement of water or change in delivery location must not result in a breach of the minimum and maximum allocation. Any change above maximum allocation may require an ordinary resolution of the holders of "L" class shares; and</p> <p>Meeting the minimum share trade requirements.</p>
Consents and Compliance	<p>The appropriate water take (and associated) consents being applied for and obtained by the regulatory authority and OWL is satisfied that the shares traded can be used within the consent conditions; and</p> <p>The appropriate land use consents have been applied for and obtained and OWL is satisfied that the shares being traded can be used within land use consent and nutrient management constraints; and</p> <p>OWL's ability to remain compliant with existing resource consent conditions, including but not limited to rate of take, is not compromised.</p>
Infrastructure	<p>OWL being confident that the offtake infrastructure design is appropriate for the Levels Plain open channel (race) network. Note, it is unlikely that the Levels Plain scheme infrastructure has the capacity to operate at the maximum allocation. This will be a key factor for the Board in determining whether the trade shall be approved.</p> <p>Any proposed new infrastructure being appropriate and compatible with existing Levels Plain network. The Operations team must be able to manage the re-directed flows in the scheme infrastructure. Should water delivery capacity be unable to cope, it may be levied that the shareholders/water user is responsible to cover any costs associated with modification.</p>

Allocation	Current Consented Allocation (l/s)	Minimum Usable Allocation (l/s)	Minimum OWL shares	Maximum Usable Allocation (l/s)	Maximum OWL shares
"W" Shares	3,000 l/s	1,092 l/s	2,642 shares	2,200 l/s ²⁰	5,322 shares
"I" Shares	n/a	1,092 l/s	2,642 shares	2,200 l/s	5,322 shares

²⁰ The difference between the current consented allocation and the maximum usable allocation is carriage water

Kakahu Scheme

The Kakahu scheme area comprises all surface water supplied by the Kakahu infrastructure. The scheme is downstream of the Opuha Dam and is a gravity distribution system via open channels and pipeline. OWL holds resource consents related to the operation of the Kakahu scheme, and in particular the diversion of water from the river into the distribution network. Water is diverted from the Opuha River at Skipton and distributes the water to the area south east of the Opuha Dam, with an irrigated area of approximately 3,208 hectares.

“K” shares were created as a result of the company restructure on 1st July 2014 and issued to the Kakahu scheme shareholders to reflect to value of the infrastructure transferred to OWL under a sale and purchase agreement. “K” shares entitle the holder to the right to access and to use the Kakahu infrastructure (being intakes, pipes, valves, delivery channels and other infrastructure) within the area designated by OWL as the Kakahu infrastructure area.

The approval of all share trading in the Kakahu scheme area is conditional on:

Assessment	Impact
Allocation	<p>Operating within maximum and minimum allocations defined by OWL. The maximum is based on the physical capacity of the scheme i.e. consented rate minus maximum carriage water. The minimum is 80% of the nominal allocation value. <i>Refer allocation table below</i>; and</p> <p>The net impact of any movement of water or change in delivery location must not result in a breach of the minimum and maximum allocation. Any change above maximum allocation may require an ordinary resolution of the holders of “K” class shares; and</p> <p>The current consented allocation includes maximum carriage water, the Kakahu scheme infrastructure is currently unable meet 100% maximum allocation. The nominal allocation is currently greater than the maximum allocation as a result of the allowance made for carriage water. It is anticipated that a change of conditions will be sought to increase consented allocation to reflect nominal allocation (which in turn will increase the maximum allocation/OWL shares); and</p> <p>Meeting the minimum share trade requirements.</p>
Consents and Compliance	<p>The appropriate water take (and associated) consents being applied for and obtained by the regulatory authority and OWL is satisfied that the shares traded can be used within the consent conditions; and</p> <p>The appropriate land use consents have been applied for and obtained and OWL is satisfied that the shares being traded can be used within land use consent and nutrient management constraints; and</p> <p>OWL’s ability to remain compliant with existing resource consent conditions, including but not limited to rate of take and Kakahu command area, is not compromised.</p>
Infrastructure	<p>OWL being confident that the offtake infrastructure design is appropriate for the Kakahu network. Any proposed new infrastructure being appropriate and compatible with existing Kakahu open channel (race) and pipeline network. The Operations team must be able to manage the re-directed flows in the scheme infrastructure. Should water delivery capacity be unable to cope, it may be levied that the shareholders/water user is responsible to cover any costs associated with modification.</p>

Allocation	Current Consented Allocation (l/s)	Minimum Usable Allocation (l/s)	Minimum OWL shares	Maximum Usable Allocation (l/s)	Maximum OWL shares
“W” Shares	1,325 l/s	1,061 l/s	2,566 shares	1,245 l/s ²¹	3,012 shares
“I” Shares	n/a	1,061 l/s	2,566 shares	1,245 l/s	3,012 shares

²¹ The difference between the current consented allocation and the maximum usable allocation is carriage water

Totara Valley Scheme

The Totara Valley scheme area comprises all surface water supplied by the Totara Valley infrastructure. The scheme is downstream of the Opuha Dam and is a gravity distribution system via open channels. The Totara Valley scheme comprises a river diversion intake, an open channel primary distribution race, approximately 14km long, and some minor structures along the race. OWL holds resource consents related to the operation of the Totara Valley scheme, and in particular the diversion of water from the river into the distribution network. Water is diverted from the Opihi River at Raincliff and distributes the water down through the Totara Valley area to irrigate approximately 2,200 hectares (including the 635 ha Sutherlands scheme).

“T” shares were created as a result of the company restructure on 1st July 2014 and issued to the Totara Valley scheme shareholders to reflect to value of the infrastructure transferred to OWL under a sale and purchase agreement. “T” shares entitle the holder to the right to access and to use the Totara Valley infrastructure (being intakes, pipes, valves, delivery channels and other infrastructure) within the area designated by OWL as the Totara Valley infrastructure area.

The approval of all share trading in the Totara Valley scheme area is conditional on:

Assessment	Impact
Allocation	<p>Operating within maximum and minimum allocations defined by OWL. The maximum is based on the physical capacity of the scheme i.e. consented rate minus maximum carriage water. The minimum is 80% of the nominal allocation value. <i>Refer allocation table below</i>; and</p> <p>The net impact of any movement of water or change in delivery location must not result in a breach of the minimum and maximum allocation. Any change above maximum allocation may require an ordinary resolution of the holders of “T” class shares; and</p> <p>Meeting the minimum share trade requirements.</p>
Consents and Compliance	<p>The appropriate water take (and associated) consents being applied for and obtained by the regulatory authority and OWL is satisfied that the shares traded can be used within the consent conditions; and</p> <p>The appropriate land use consents have been applied for and obtained and OWL is satisfied that the shares being traded can be used within land use consent and nutrient management constraints; and</p> <p>OWL’s ability to remain compliant with existing resource consent conditions, including but not limited to rate of take and the Totara Valley scheme area.</p>
Infrastructure	<p>OWL being confident that the offtake infrastructure design is appropriate for the Totara Valley network. Note, it is unlikely that the Totara Valley scheme infrastructure has the capacity to operate at the maximum allocation. This will be a key factor for the Board in determining whether the trade shall be approved.</p> <p>Any proposed new infrastructure being appropriate and compatible with existing Totara Valley open channel (race) network. The Operations team must be able to manage the re-directed flows in the scheme infrastructure. Should water delivery capacity be unable to cope, it may be levied that the shareholders/water user is responsible to cover any costs associated with modification.</p>

Allocation	Current Consented Allocation (l/s)	Minimum Usable Allocation (l/s)	Minimum OWL shares	Maximum Usable Allocation (l/s)	Maximum OWL shares
“W” Shares	1,300 l/s	728 l/s	1,760 shares	1,220 l/s ²²	2,951 shares
“I” Shares	n/a	728 l/s	1,760 shares	1,220 l/s	2,951 shares

²² The difference between the current consented allocation and the maximum usable allocation is carriage water

Sutherlands Scheme

The Sutherlands scheme area comprises all surface water supplied by the Sutherlands infrastructure. The scheme is supplied via Gardner’s Pond which is situated at the bottom of the Totara Valley scheme.

Sutherlands scheme landowners irrigate using resource consents held by the Totara Valley scheme i.e. there is no stand-alone take consent for the Sutherlands Scheme. Sutherlands scheme users are required to hold sufficient “T” class shares to irrigate. Unshared allocations in the Sutherlands scheme are provided via incremental water (carriage) from the Totara Valley scheme.

In the future, it is intended that the Sutherlands scheme users will be issued with “S” class shares which will represent their interest in the Sutherlands scheme infrastructure (pipeline).

The approval of all share trading in the Sutherlands scheme area is conditional on:

Assessment	Impact
Allocation	Operating within maximum and minimum allocations defined by OWL. The maximum is based on the physical capacity of the scheme i.e. consented rate minus carriage water. The minimum is 80% of the nominal allocation value. The net impact of any movement of water or change in delivery location must not result in a breach of the minimum and maximum allocation. <i>Refer allocation table below;</i> and Meeting the minimum share trade requirements.
Consents and Compliance	The appropriate water take (and associated) consents being applied for and obtained by the regulatory authority and OWL is satisfied that the shares traded can be used within the consent conditions; and The appropriate land use consents have been applied for and obtained and OWL is satisfied that the shares being traded can be used within land use consent and nutrient management constraints; and OWL’s ability to remain compliant with existing resource consent conditions, including but not limited to rate of take and Sutherlands command area, is not compromised.
Infrastructure	OWL being confident that the offtake infrastructure design is appropriate for the Sutherlands network. Any proposed new infrastructure being appropriate and compatible with existing Sutherlands pipe pipeline network. The Operations team must be able to manage the re-directed flows in the scheme infrastructure. Should water delivery capacity be unable to cope, it may be levied that the shareholders/water user is responsible to cover any costs associated with modification.

Allocation	Current Consented Allocation (l/s)	Minimum Usable Allocation (l/s)	Minimum OWL shares	Maximum Usable Allocation (l/s)	Maximum OWL shares
“W” Shares	n/a	264 l/s	639 shares	330 l/s	798 shares
“I” Shares	n/a	264 l/s	639 shares	330 l/s	798 shares
“S” Shares	n/a	n/a	n/a	n/a	n/a

Appendix 2: The Utilisation of ‘Reliability’ Allocation for Lake Opuha

This Policy specifies an existing and a reliability allocation for Lake Opuha.

The existing allocation for Lake Opuha is capped at the current shareholding such that there can be no trading of shares into the Lake Opuha scheme area from any other scheme area.

Shareholders on the North Opuha, South Opuha Upper Opihi scheme areas are restricted by the minimum flows on their tributaries and so have lower reliability than those directly augmented by releases from the Opuha Dam. A reliability allocation for Lake Opuha of 114 l/s has been determined by OWL to reflect the storage allocation sufficient to provide shareholders in these scheme areas with an equivalent 95% reliability. This reliability allocation block is allocated proportional to the number of shares held by each shareholder within these scheme areas and is not tradable. No additional shares are required to access this reliability allocation.

The intent of this reliability allocation block is to provide for increased reliability of shareholders in these scheme areas, as opposed to increasing the irrigated area and/or intensification. This is of particular importance given the Fairlie Basin is considered a ‘High Nitrogen Concentration Area’ under PC7. Constraints are therefore placed on the use of this reliability allocation i.e. there is to be no increase in irrigated area resulting from the use of water from Lake Opuha.

Approval from the OWL Board must be obtained prior to the utilisation of any reliability allocation from Lake Opuha. Approval will be conditional on:

Assessment	Impact
Allocation	The applicant being a shareholder of the North Opuha, South Opuha or Upper Opihi Scheme area; The allocation applied for being proportional to the number of shares held by the applicant; and The maximum reliability allocation of 114l/s not being exceeded.
Consents and Compliance	The appropriate water take (and associated) consents being applied for and obtained by the regulatory authority and OWL is satisfied that the shares traded can be used within the consent conditions; The appropriate land use consents have been applied for and obtained and OWL is satisfied that the shares being traded can be used within land use consent and nutrient management constraints; and The utilisation of this reliability allocation does not increase the irrigated area in the North Opuha, South Opuha or Upper Opihi Scheme areas.
Infrastructure	OWL being confident that the recreational/aesthetic and H&S aspects are appropriately managed in the design of any infrastructure and on the appropriate consents being applied for and granted.