

MERGER PROPOSAL RELATING TO

SCFIS LIMITED

and

SCFIS HOLDINGS LIMITED

and

LEVELS PLAIN IRRIGATION CO. LIMITED

and

LEVELS PLAIN HOLDINGS LIMITED

and

LEVELS IRRIGATION LIMITED

and

TOTARA VALLEY IRRIGATION LIMITED

and

KAKAHU IRRIGATION LIMITED

and

OPUHA WATER LIMITED

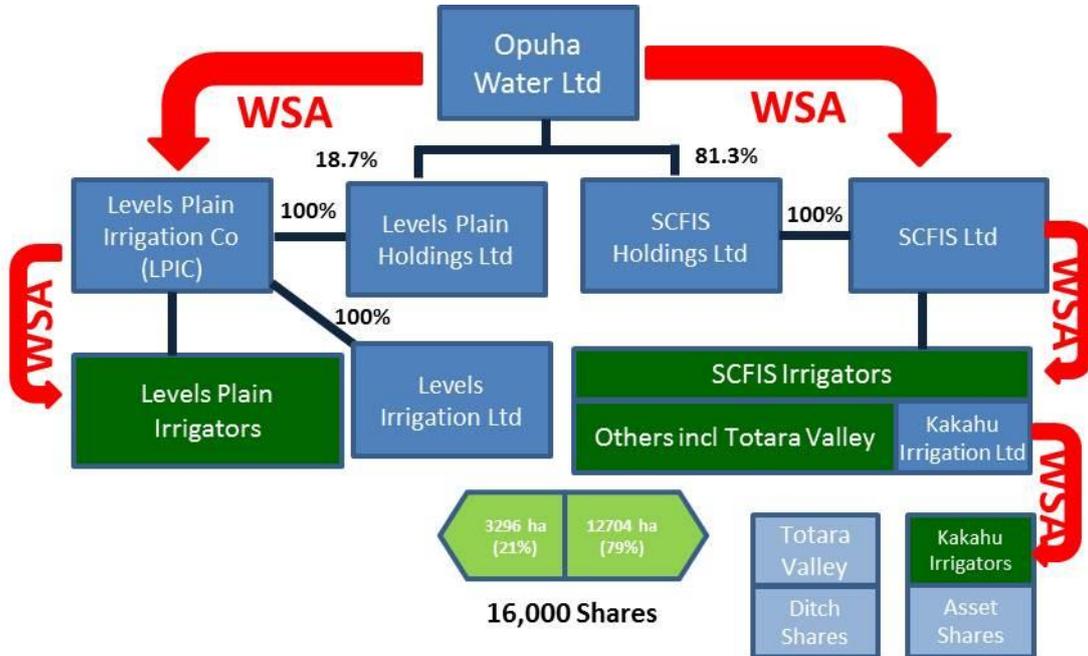
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SECTION 1: OVERVIEW OF MERGER PROPOSAL

Broad overview of Merger Proposal

- 1 The current structure of the Merging Entities is complex and is illustrated in the diagram below:



- 2 Currently:
- Opuha owns the Opuha Dam, some irrigation infrastructure (including the Sutherlands irrigation scheme), generation assets and some of the resource consents;
 - Totara owns the irrigation infrastructure within the Totara irrigation area and some related resource consents;
 - Kakahu owns the irrigation infrastructure within the Kakahu irrigation area and some related resource consents;
 - Levels Plain owns the irrigation infrastructure within the Levels Plain irrigation area and some related resource consents;
 - SCFIS, SCFIS Holdings, Levels Irrigation and Levels Holdings are non-trading companies with no assets or liabilities except in relation to intra group transactions and shareholding arrangements.
- 3 The liabilities of the operating companies (excluding all intercompany liabilities which will be extinguished following the Proposed Merger) as at 31 March 2014 were as follows:

Opuha \$25,071,140

Kakahu	\$8,390,000
Totara	\$238,488
Levels Plain	\$0

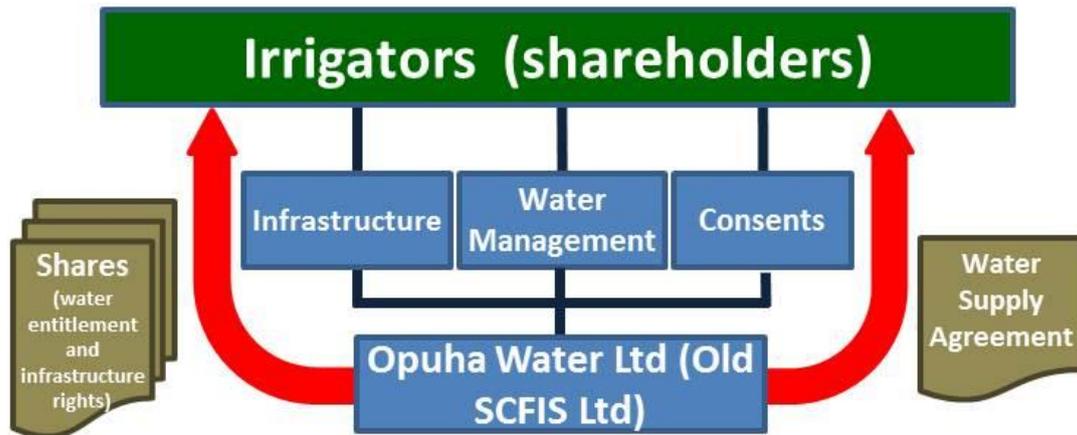
These amounts were owing to banks. All normal trade creditors and debtors are excluded as these balance each other.

- 4 An independent valuation has been obtained of the companies which will sell or merge their assets and liabilities into the New OWL. The valuation has been prepared on a consistent basis and these values are set out below:

Opuha	\$66,458,000
Kakahu	\$10,683,000
Totara	\$1,230,000
Levels Plain	\$2,631,000

A short form version of the valuation report is attached to the Investment Statement and Prospectus for Merger Proposal which accompanies this Merger Proposal.

- 5 The Merger Proposal, which will require shareholder approval from each Merging Entity by special resolution, will result in:
- a. Kakahu selling all of its assets to the New OWL and assigning its liabilities to the New OWL in exchange for the issue of 3,208 Infrastructure Shares in the New OWL;
 - b. Totara selling all of its assets to the New OWL and assigning its liabilities to the New OWL in exchange for the issue of 2,664 Infrastructure Shares in the New OWL;
 - c. all other companies of the Merging Entities amalgamating into the New OWL with the shareholders of Levels Plain being issued 3,296 Infrastructure Shares, 3,296 Water Shares and 526 D Shares in the New OWL; and
 - d. the New OWL consolidating bank debt of all of the Merging Entities so that all of the liabilities are assumed and owed by the New OWL.
- 6 As a result of the above transactions, the various entities comprising the Merging Entities are consolidated into one entity as set out in the diagram below:



7 In broad terms, the Proposed Merger (if implemented) will result in:

- a. one entity holding all the assets (including the dam, generation assets currently held and all existing consents) and assuming all liabilities (including bank debt) currently owed by the different entities in the Merging Entities (this one entity is the existing SCFIS which will be renamed Opuha Water Limited on completion of the merger (referred to in this document as the *New OWL* or the *Company*));
- b. the New OWL managing and operating the Opuha Dam and generation assets and the irrigation schemes currently operated through the Merging Entities;
- 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; and
- d. the New OWL issuing Infrastructure Shares to the shareholders of the companies that owned infrastructure assets before the merger.

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. All holders of Water Shares will be required to enter into a new form of Water Agreement.

- 8 No payments (in addition to any current water charges) will be required to be made by any irrigator to effect the Proposed Merger.
- 9 There is an area within the irrigation scheme known as Sutherlands where the land owners irrigate approximately 635 hectares using resource consents held by Totara and hold sufficient existing shares in Totara to irrigate 635 hectares. Those arrangements will continue after the Merger Proposal is implemented. The annual charges for water and services reflect this shareholding arrangement.
- 10 SCFIS currently is, and as a consequence the New OWL will be, a co-operative company with the same policy as Opuha of operating the company broadly on a break even position. The New OWL's revenue will comprise charges from the irrigators for the supply of water and in addition income generated from the sale of electricity to Trustpower Limited. In general it is not anticipated that the New OWL will make any profits and, in particular, will not be operated to generate profits for the purpose of distributing profits back to shareholders by way of a dividend.

- 11 A key objective of the Proposed Merger has been to ensure that irrigators retain their current rights and entitlements within the new structure. 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.
- 12 The process to achieve this Proposed Merger is achieved through a number of steps which are broadly described below under the heading "Merger Steps". Each step in the Proposed Merger is subject to, and dependent on, the other steps being approved and implemented. Most of the steps are intended to occur on or about 1 July 2014 or such other date as the Merging Entities may agree (the *Implementation Date*). If any of the steps do not occur the subsequent steps will not occur and the merger will not happen.

Reasons for the Proposed Merger

- 13 There are a variety of reasons why the Boards of each of the existing Merging Entities consider that the Proposed Merger needs to occur and recommend the Proposed Merger to shareholders. These reasons include the following:
- a. the regulatory world in respect of water use is changing and the Merging Entities need to change with it to ensure to the maximum extent possible that existing water rights remain for irrigators in the Merging Entities. This is a significant issue and one of the key drivers for the merger. 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, as a result, potentially make future compliance less onerous and costly for its irrigators than it would otherwise be;
 - b. water distribution to irrigators is a simple concept, but the current structure of many different companies is complicated. The various historical anomalies within those companies create additional complications and regulatory compliance for no real benefit to irrigators. The merger will simplify the current structure and result in organisational and cost saving efficiencies. This simplification has been proposed for a long period of time and it is time that this occurred;
 - c. the current structure does not reflect how the scheme is currently operated and managed. The structure following the Proposed Merger will reflect the current centralised operation and management of the Merging Entities;
 - d. the current structure does not provide the shareholder irrigators with a direct interest and vote in Opuha, which ultimately operates and manages the Merging Entities. Under the proposed new structure each shareholder irrigator will have direct voting rights in the New OWL; and
 - e. multiplicity of financial statements and annual meetings will no longer be required.

The merger process to date

- 14 There has been a significant amount of work that has been undertaken to date in respect of the Proposed Merger. 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 Opuha Board obtaining extensive professional advice from its advisors in respect of the merger, including legal advice and taxation advice;

- b. the Boards of each of the Merging Entities 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; and
 - ii. 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; and
 - d. in the initial stages a number of "shed meetings" were held to discuss (among other things) the proposed outcomes of the Merging Entities being merged.
- 15 In addition, a preliminary step in the merger involving the conversion of South Canterbury Farmers Irrigation Society Limited from an industrial and provident society to a company (renamed SCFIS Limited) has been completed. Two member meetings were held to implement this conversion. SCFIS was registered as a co-operative company at that time.

Water Agreements

- 16 As a result of the merger 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. Should an irrigator fail to do so, the New OWL will have the power to stop the irrigator's access to water and require that irrigator to surrender its shares (for a nominal value of \$1.00 per share).
- 17 The water agreement is in a new form and comprises a short form water agreement and terms and conditions that apply to it. The form of short form water agreement that you are required to enter into is enclosed. The terms and conditions that apply to are able to be viewed on Opuha's website www.opuhawater.co.nz. See the heading "Access to Documents and Further Queries" below for further information.
- 18 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 merger; and
 - c. any infrastructure costs currently associated with particular infrastructure forming part of the scheme will continue to be paid by those irrigators who directly benefit from that infrastructure.

New OWL - a Co-operative Company

- 19 Each irrigator will become a shareholder in the New OWL, which is registered as a co-operative company. A co-operative company is an effective vehicle for an irrigation entity of this nature. In addition:
- 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 it 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 under the terms of the Water Agreement 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

- 20 It is proposed that the New OWL will adopt a new constitution. A copy of the proposed constitution can be viewed on Opuha's website www.opuhawater.co.nz. See the heading "Access to Documents" below for further information.
- 21 A summary of the principal provisions of the constitution of the New OWL is included in Section 3 of this document.

Access to Documents and Further Queries

- 22 The following documents for the New OWL can be viewed and downloaded at Opuha's website: www.opuhawater.co.nz:
 - a. the proposed new constitution;
 - b. the terms and conditions of the new water agreement;
 - c. company policies;
 - d. the Merger Proposal;
 - e. the agreement for sale and purchase between Kakahu and SCFIS;
 - f. the agreement for sale and purchase between Totara and SCFIS; and
 - g. the Investment Statement and Prospectus for Merger Proposal.

Alternatively, these documents can be requested by contacting Opuha at:

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

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

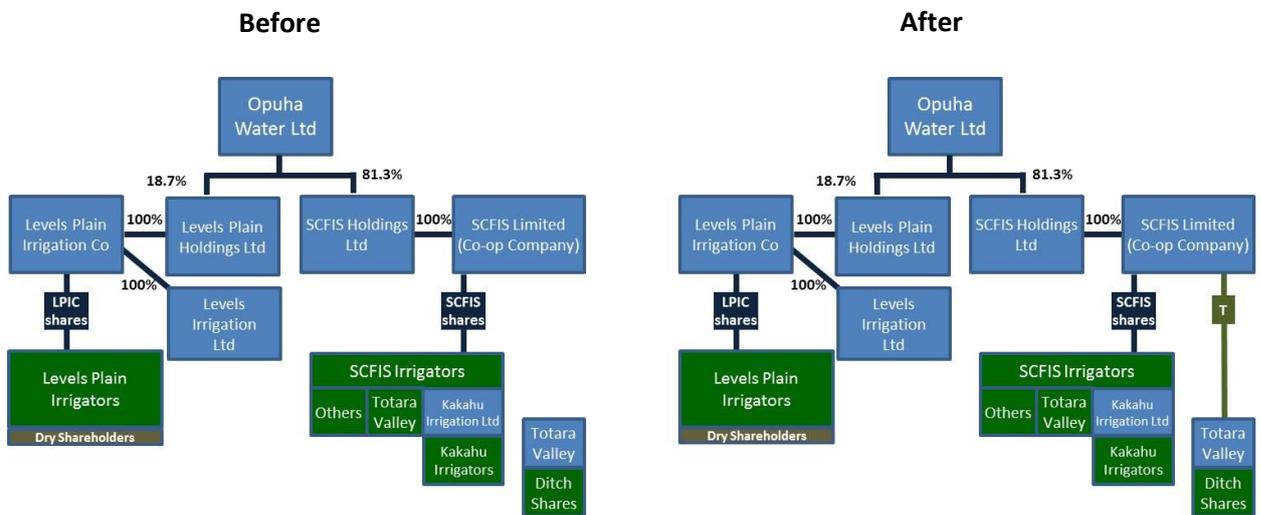
Any other queries in relation to the Merger Proposal may also be made by contacting Opuha.

Merger Steps

- 23 There are 4 key steps that need to be undertaken to implement the Proposed Merger which are intended to occur in the order set out below and will effectively all occur contemporaneously on the Implementation Date. Each step is summarised below.

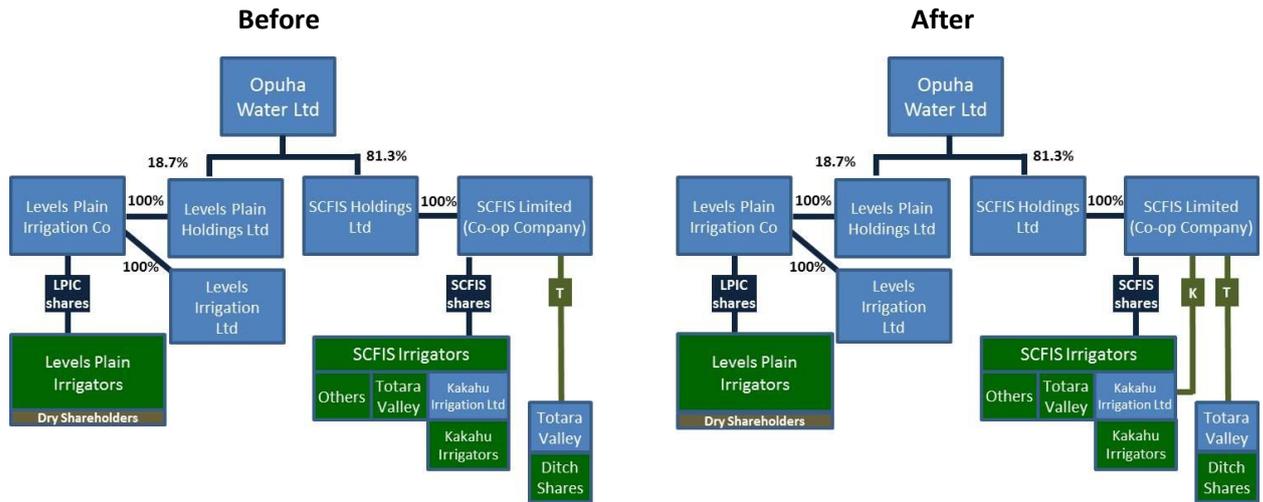
Step 1 – Totara sells its assets and liabilities to SCFIS Limited

- 24 Totara will sell all of its assets and liabilities to SCFIS at market value and in exchange SCFIS will issue infrastructure shares in SCFIS (T Shares) to Totara.



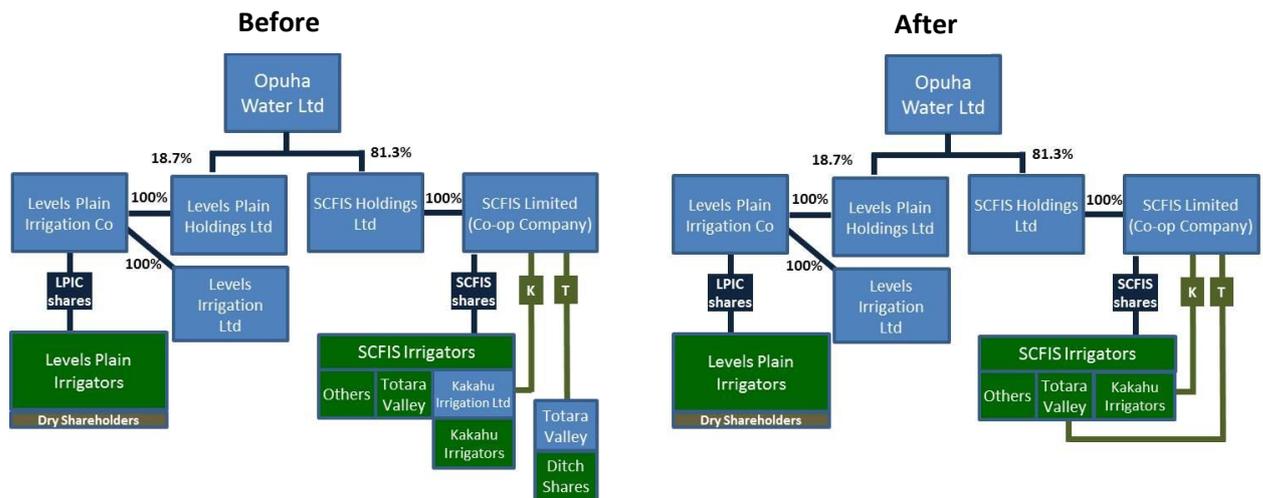
Step 2 – Kakahu sells its assets and liabilities to SCFIS

- 25 Kakahu will sell all of its assets and liabilities (excluding its existing shares in SCFIS) to SCFIS at market value and in exchange SCFIS will issue infrastructure shares (K Shares) in SCFIS to Kakahu.



Step 3 – Totara and Kakahu are deregistered

- 26 The shareholders of each of Totara and Kakahu will resolve to wind up the relevant company and the shares that each company holds in SCFIS (including those obtained from the sales of assets to SCFIS) will be distributed to its shareholders.

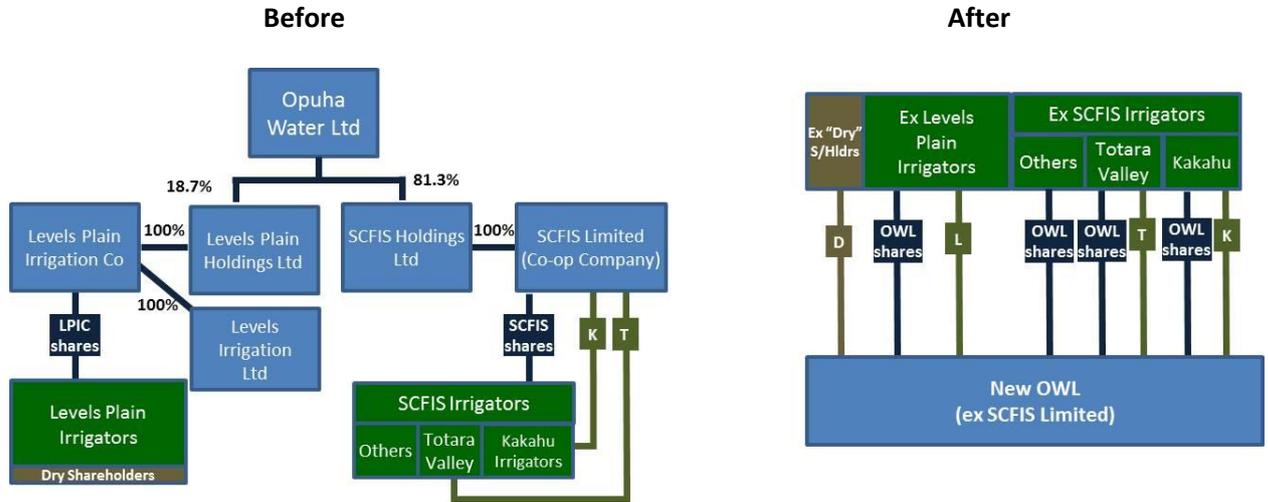


Step 4 – Other entities are amalgamated

- 27 Each of Levels Plain, Levels Holdings, Levels Irrigation, SCFIS Holdings and Opuha will amalgamate with SCFIS. During this process SCFIS will change its name to “Opuha Water Limited”.
- 28 The other entities will cease to exist. All of the assets and liabilities of each company (including the infrastructure, resource consents, generation assets and bank loans) will be assumed by the New OWL.
- 29 As part of the amalgamation, Levels Plain shareholders that have entitlement to water under a water agreement with Levels Plain will be issued infrastructure shares (L Shares) and Water

Shares in the New OWL. Levels Plain shareholders that do not have entitlement to water under a water agreement (i.e., who currently hold “dry” shares) will be issued D Shares in the New OWL.

- 30 Existing SCFIS shareholders will retain their existing Water Shares.



- 31 Further details of the amalgamation are provided in the Amalgamation Proposal in Section 2 of this Merger Proposal.
- 32 As part of the merger shareholder meetings will be held. At the SCFIS shareholder meeting additional resolutions will also be proposed to be passed to adopt a new constitution and approve bank funding arrangements.

SECTION 2: AMALGAMATION PROPOSAL

Introduction

- 1 This document sets out the terms of a proposal under Part 13 of the Companies Act 1993 (the Act) to amalgamate the Amalgamating Companies.
- 2 This document contains the information required by section 220(1) of the Act and contains or refers to other information required to be sent to the shareholders of each Amalgamating Company under section 221(3) of the Act in order to complete the amalgamation.
- 3 This document will be filed with the Registrar of Companies together with the resolutions and certificates required by the Act.

Summary of the Amalgamation

- 4 The amalgamation is intended to become effective on 1 July 2014 (the *Implementation Date*).
- 5 Upon the amalgamation becoming effective:
 - 5.1 SCFIS will continue as the surviving legal entity and change its name to "Opuha Water Limited" (the *New OWL*). SCFIS has been determined as the surviving legal entity on the basis of professional advice provided by Opuha's professional advisors.
 - 5.2 each of the other Amalgamating Companies will be removed from the New Zealand Register of Companies and cease to exist;
 - 5.3 the New OWL will succeed to and assume all the Amalgamating Companies' property rights, powers, privileges, liabilities and obligations; and
 - 5.4 the entirety of shareholders' interests in the Amalgamating Companies will be replaced with a shareholding in the New OWL.
- 6 The registered office and address for service of SCFIS (the New OWL) is:

C/- Quantum Advantage Limited
4C Sefton Street East
Timaru 7910

Upon completion of the amalgamation its registered office and address for service will be changed to:

875 Arowhenua Road
RD 4
Timaru 7974

- 7 The directors of the New OWL as at the date of this Amalgamation Proposal are, and upon completion of the amalgamation will be:

7.1 Nigel James Gormack, 5 Park Lane, Timaru 7910;

- 7.2 Antony Charles Howey, 39 Butlers Road, RD 4, Timaru 7974;
 - 7.3 Nicola Alice Orbell Hyslop, 411 Pleasant Point Highway, Levels, RD 5, Timaru 7975;
 - 7.4 Thomas Craig Lambie, 342 Totara Valley Road, RD 12, Pleasant Point 7982;
 - 7.5 William Dermott O’Sullivan, 91 Cricklewood Road, RD 17, Fairlie 7987; and
 - 7.6 Alvin John Reid, 169 Scott Road, RD 26, Temuka 7986.
- 8 The Board of the New OWL is required to comprise of:
- 8.1 no less than four (4) and up to five (5) land owners or their representatives 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
 - 8.2 up to two (2) additional persons who are appointed by the Board for a term not exceeding three years (but may be reappointed by the Board at that time).

The individuals listed above all intend to stand for re-election at the next annual meeting of shareholders. Thereafter, a rotation policy will apply to the election and retirement of directors.

Share Structure of the New OWL

- 9 The New OWL will have:
- 9.1 16,000 Water Shares;
 - 9.2 3,296 L Shares;
 - 9.3 3,208 K Shares;
 - 9.4 2,664 T Shares; and
 - 9.5 526 D Shares.

The L Shares, K Shares and T Shares are collectively referred to as “Infrastructure Shares” or “I Shares” in the New OWL’s proposed form of constitution. D Shares are a separate class of share (neither Water Share nor Infrastructure Share) for existing shareholders that own shares in Levels Plain, but do not have entitlement to water under a water agreement with Levels Plain. A description of the Water Shares, D Shares and each of the classes of I Shares is set out below.

- 10 SCFIS currently has 12,704 Water Shares on issue. Of these Water Shares, currently:
- 10.1 Kakahu owns 3,208 Water Shares;
 - 10.2 the shareholders of Totara and some shareholders of Levels Plain personally own some of these Water Shares; and
 - 10.3 the remaining Water Shares are owned by the other irrigators within the irrigation scheme.

- 11 Under the New OWL, each shareholder of Levels Plain that has entitlements to water under a water agreement with Levels Plain will be issued 1 Water Share and 1 L Share for every 4 ordinary shares that it holds in Levels Plain as at the Implementation Date. Please see below under the heading "L Shares" for further information on L Shares.
- 12 Each shareholder of Levels Plain that does not have any water entitlement under an existing water agreement with Levels Plain will be issued 1 D Share for every ordinary share that it holds in Levels Plain as at the Implementation Date. Please see below under the heading "D Shares" for further information on D Shares.
- 13 Before the amalgamation becomes effective SCFIS will purchase all of Kakahu's assets (except the 3,208 Water Shares it holds in SCFIS) and assume all of its liabilities in exchange for a payment of a cash sum (which must be applied towards ASB debt) and the issue of 3,208 K Shares in SCFIS. These shares will not be cancelled upon the amalgamation coming into effect. This will result in Kakahu holding:
- 13.1 3,208 Water Shares; and
- 13.2 3,208 K Shares.
- While this is not part of the amalgamation, it is noted that it is intended these Water Shares and K Shares will be distributed to Kakahu's shareholders in specie on the winding up of Kakahu.
- 14 Before the amalgamation becomes effective SCFIS will purchase all of Totara's assets and assume all of its liabilities in exchange for a payment of a cash sum (which must be applied towards ANZ debt) and the issue of 2,664 T Shares in SCFIS. These T Shares will not be cancelled upon the amalgamation coming into effect. Unlike Kakahu, the shareholders of Totara already personally own Water Shares in SCFIS. Totara itself does not currently own any shares in SCFIS. While this is not part of the amalgamation, it is noted that it is intended that T Shares will be distributed to Totara's shareholders in specie on the winding up of Totara.
- 15 Shares held by the shareholders of Levels Irrigation, Levels Holdings, SCFIS Holdings and Opuha will be cancelled without payment or the provision of other consideration when the amalgamation becomes effective.
- 16 The Co-operative Companies Act 1996 permits co-operatives to have a nominal value for shares. Each class of shares will have a nominal value of \$1.00 per share. Where shares are issued at a premium the total price will comprise a nominal value of \$1.00 per share for the qualifying shares with the balance being a share premium.

Water Shares

- 17 In summary, Water Shares give the shareholder the right to receive water during the irrigation season up to a maximum level and subject to the terms of the New OWL's constitution and the Water Agreement (including charges payable) that each shareholder is required to enter into under the constitution. A Water Share confers on the holder:
- 17.1 the right to 1 vote on a poll at a meeting of the Company on any resolution, provided no holder of Water Shares (including associated persons of that holder) shall exercise more than 15% of the votes cast;
- 17.2 the right to an equal share in rebates or dividends authorised by the Board;

- 17.3 the right to an equal share in the distribution of the Surplus Assets of the Company but subject to the rights of holders of Infrastructure Shares and D Shares in respect of Surplus Assets; and
- 17.4 with some exceptions, the right to receive 0.41 litres of water per second from the irrigation scheme.

D Shares

18 In summary, D Shares do not give the shareholder the right to receive any water. To obtain rights to water a shareholder would need to purchase Water Shares and L Shares. D Shares may be converted into L Shares within one year after the Implementation Date.

- 18.1 Every 4 D Shares held by a person entitles that person to the right to 1 vote on a poll at a meeting of the company on any resolution, provided no holder of D Shares (including associated persons of that holder) shall exercise more than 15% of the votes cast. For the avoidance of doubt, any person that holds 3 or less D Shares does not have the right to vote (except at a separate class meeting of the holders of D Shares).
- 18.2 By virtue of being a holder of D Shares there is no requirement or right to hold Water Shares or L Shares or to sign a Water Agreement.
- 18.3 The Company reserves the right to charge each holder of D Shares an annual charge of \$1.00 per share on account of covering services;
- 18.4 In the event the Company is liquidated holders of D Shares shall have the right as between all holders of D Shares to an equal share in the distribution of Surplus Assets of the Company in accordance with the following formula:

$$\frac{\left(\frac{2.631}{81.002}\right)}{\left(\begin{array}{l} \text{number of L Shares on issue x 4} \\ \text{plus number of D Shares on issue} \end{array}\right)} \times SA = \$ \text{ per D share}$$

where SA = the value of the Surplus Assets of the Company as a whole remaining after the payment of creditors' claims and available for distribution in accordance with section 313 of the Act.

- 18.5 Subject to the Act, the Co-operative Companies Act 1996 and the company's constitution a holder of D Shares may, at its option surrender its D Shares or require the Company to redeem its D Shares within one year after the Implementation Date for the price of \$50.00 per share.
- 18.6 Subject to the Act, the Co-operative Companies Act 1996 and the Company's constitution, commencing one year after the Implementation Date a holder of D Shares may, at its option surrender its D Shares or require the Company to redeem its D Shares for the greater of fair value and a nominal value per share of \$1.00.
- 18.7 Subject to the Act, the Co-operative Companies Act 1996 and the Company's constitution, commencing one year after the Implementation Date the Company may, at its option, redeem or surrender D Shares for the greater of fair value and a nominal value per share of \$1.00.

- 18.8 Fair value of any D Shares under paragraphs 18.6 and 18.7 is to be determined by a suitably qualified person appointed by the Company (in its sole discretion) who is not associated with, or interested in, the Company.
- 18.9 A holder of D Shares may convert its D Shares into L Shares within one year after the Implementation Date, (at a conversion rate of 4 D Shares to 1 L Share) provided that it complies with the terms of L Shares, including the requirement to be a party to a Water Agreement (or such other agreement with the Company) under which that holder has agreed to pay all charges relating to the right to use and access the Levels Plain Infrastructure. Water Shares would be required to be acquired to obtain water and the holder would need to be a party to a Water Agreement.

L Shares

- 19 Each shareholder of Levels Plain will be issued L Shares. The terms of the L shares are set out in the constitution.
- 19.1 L Shares entitle the holder to the right to access and use of the Levels Plain infrastructure (being intakes, pipes, valves, delivery channels and other infrastructure) within the area designated by the New OWL as the Levels Plain infrastructure area. Access to that infrastructure may be given to other persons at the discretion of the Board of the New OWL.
- 19.2 Holders of L Shares do not have the right to vote except at a separate class meeting of the holders of L Shares. In these circumstances the holders of L Shares shall be entitled to one vote for each L Share held provided no holder of L shares (including associated persons of that holder) shall exercise more than 15% of the votes cast at the relevant meeting of holders of L Shares.
- 19.3 Each holder of L Shares must also be a party to a Water Agreement with the New OWL under which the New OWL shall levy separate charges to each shareholder to reflect their respective holding of Water Shares and L Shares. Those charges may be varied from time to time.
- 19.4 Holders of L Shares shall have the right as between all holders of L Shares to an equal share in the distribution of Surplus Assets of the Company in accordance with the following formula:

$$\frac{\left(\frac{2.631}{81.002}\right)}{\left(\begin{array}{l} \text{number of L Shares on issue x 4} \\ \text{plus number of D Shares on issue} \end{array}\right)} \times 4 \times SA = \$ \text{ per L Share}$$

where SA = the value of the Surplus Assets of the Company as a whole remaining after the payment of creditors' claims and available for distribution in accordance with section 313 of the Act.

- 20 Shareholders of Levels Plain that have entitlements to water under a water agreement with Levels Plain will be issued 1 L Share and 1 Water Share (as discussed above) for every 4 ordinary shares that it holds in Levels Plain as at the Implementation Date. This ratio reflects that at present Levels Plain shareholders hold 4 shares for each hectare and the Water Shares will be issued on the basis of 1 share per hectare.

K Shares

- 21 As noted above, before the amalgamation becomes effective SCFIS will purchase all of Kakahu's assets (other than the 3,208 Water Shares it holds in SCFIS) and assume all of its liabilities in exchange for the issue of K Shares in SCFIS. The terms of the K Shares are set out in the constitution.
- 21.1 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 the New OWL as the Kakahu infrastructure area. Access to that infrastructure may be given to other persons at the discretion of the Board of the New OWL.
- 21.2 Holders of K Shares do not have the right to vote except at a separate class meeting of the holders of K Shares. In these circumstances the holders of K Shares shall be entitled to one vote for each K Share held provided no holder of K shares (including associated persons of that holder) shall exercise more than 15% of the votes cast at the relevant meeting of holders of K Shares.
- 21.3 Each holder of K Shares must also be a party to a Water Agreement with the New OWL under which the New OWL shall levy separate charges to each shareholder to reflect their respective holding of Water Shares and K Shares. Those charges may be varied from time to time.
- 21.4 Holders of K Shares shall have the right as between all holders of K Shares to an equal share in the distribution of Surplus Assets of the Company in accordance with the following formula:

$$\frac{\left(\frac{10,683,000 - RD}{81,002,000}\right)}{\text{number of K Shares on issue}} \times SA = \$ \text{ per K Share}$$

where:

RD (Residual Debt) = the amount of that debt owing in respect of the Kakahu assets at the time of liquidation provided that RD shall not be less than zero;

SA = the value of the Surplus Assets of the New OWL as a whole remaining after the payment of creditors' claims and available for distribution in accordance with section 313 of the Act.

T Shares

- 22 As noted above, before the amalgamation becomes effective SCFIS will purchase all of Totara's assets and assume all of its liabilities in exchange for the issue of T Shares in SCFIS. The terms of the T shares are set out in the constitution.
- 22.1 T Shares entitle the holder to the right to access and to use the Totara infrastructure (being intakes, pipes, valves, delivery channels and other infrastructure) within the area designated by the New OWL as the Totara infrastructure area. Access to that infrastructure may be given to other persons at the discretion of the Board of the New OWL.

- 22.2 Holders of T Shares do not have the right to vote except at a separate class meeting of the holders of T Shares. In these circumstances the holders of T Shares shall be entitled to one vote for each T Share held provided no holder of T shares (including associated persons of that holder) shall exercise more than 15% of the votes cast at the relevant meeting of holders of T Shares.
- 22.3 Each holder of T Shares must also be a party to a Water Agreement with the New OWL under which the New OWL shall levy separate charges to each shareholder to reflect their respective holding of Water Shares and T Shares. Those charges may be varied from time to time.
- 22.4 Holders of T Shares shall have the right as between all holders of T Shares to an equal share in the distribution of Surplus Assets of the Company in accordance with the following formula:

$$\frac{\left(\frac{1,230,000 - RD}{81,002,000}\right)}{\text{number of T Shares on issue}} \times SA = \$ \text{ per T Share}$$

where:

RD (Residual Debt) = the amount of that debt owing in respect of the Totara assets at the time of liquidation provided that RD shall not be less than zero;

SA = the value of the Surplus Assets of the New OWL as a whole remaining after the payment of creditors' claims and available for distribution in accordance with section 313 of the Act.

Arrangements to Complete Amalgamation

Completion Steps

- 23 The arrangements necessary to complete the amalgamation and to provide for the subsequent management and operation of the New OWL are:
- 23.1 approval by the shareholders of each Amalgamating Company in accordance with section 221(5) of the Act;
- 23.2 issue of Water Shares, L Shares and D Shares to the shareholders of Levels Plain; and
- 23.3 completion of all other applicable procedures referred to in Part 13 of the Act.

Conditional

- 24 The amalgamation is conditional on the following conditions either being satisfied or waived, by no later than 5.00 pm on the working day prior to the Implementation Date:
- 24.1 the shareholders of Kakahu resolving to approve the following major transactions by special resolution:
- (a) the sale of all of its assets (except the 3,208 Water Shares it holds in SCFIS) and assignment of all of its liabilities to SCFIS in exchange for K Shares (the *Kakahu Sale*); and

- (b) winding up of the company;
- 24.2 the shareholders of Totara resolving to approve the following major transactions by special resolution:
- (a) the sale all of its assets and assignment all of its liabilities to SCFIS in exchange for T Shares (the *Totara Sale*); and
 - (b) winding up of the company;
- 24.3 the shareholders of SCFIS:
- (a) adopting a new constitution;
 - (b) approving the Kakahu Sale and the Totara Sale; and
 - (c) approving bank funding arrangements; and
- 24.4 immediately prior to the Implementation Date, the absence of a court order being made under section 226 of the Act directing that the amalgamation is modified or not given effect to.

Implementation Date

- 25 As noted in paragraph 4 above, the Amalgamation is intended to take effect on 1 July 2014 (the *Implementation Date*). Note that, in order to become effective, the following procedural steps must be completed:
- 25.1 the shareholders of the Amalgamating Companies must approve the amalgamation by passing special resolutions in accordance with Part 13 of the Act; and
 - 25.2 20 working days must have elapsed since the sending of the required notices to the public and secured creditors prescribed by section 221 of the Act.

Public Notice

- 26 Public Notice of the proposed amalgamation has or will be given advising shareholders and creditors, and any person to whom any of the Amalgamating Companies is under an obligation, that the Amalgamation Proposal is available for inspection and that a copy will be provided to such persons free of charge on request.
- 27 The secured creditors of each of the Amalgamating Companies have or will be provided a copy of the Amalgamation Proposal.

Registration

- 28 If the necessary special resolutions of each of the Merging Entities is passed then, after the expiry of the 20 working day period from the date of that public notice of the amalgamation has been given and all secured creditors have been provided with a copy of the Amalgamation Proposal (as described above), a copy of this Amalgamation Proposal will be delivered to the Registrar of Companies together with the necessary directors' certificates of each of the Amalgamating Companies and the other documents referred to in section 223 of the Act.

Following receipt of those documents, on the Implementation Date the Registrar of Companies will issue a certificate of amalgamation in accordance with section 224 of the Act.

SECTION 3: SUMMARY OF THE PRINCIPAL PROVISIONS OF THE CONSTITUTION OF THE NEW OWL

- 1 A copy of the proposed constitution for the New OWL can be viewed and downloaded at Opuha's website, www.opuhawater.co.nz. Alternatively, a copy of this document will be supplied to any irrigator who requests it by contacting Opuha at:

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

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

- 2 The provisions of the proposed constitution for the New OWL 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 holder of Water Shares 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 into a new Water Agreement; and
 - iii. observes the terms and conditions of the new Water Agreement;

a person that does not fit the above criteria for Water Shares may hold other types of shares in the Company if authorised under the terms of issue of those shares.
 - b. Transfer of shares / water rights - a shareholder who sells a farm can also transfer its shares to the purchaser of that farm so as to transfer 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 and shares to an irrigator in the scheme area; and
 - ii. licence 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 is required to comprise of:
- i. no less than four (4), and 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 (but may be reappointed by the Board at that time).

The initial directors of the New OWL all intend to stand for re-election at the next annual meeting of shareholders;

- f. Powers of directors – the business of the Company will be managed by or under the direction and supervision of the Board. Subject to the restriction on delegation in the Act, the Board may delegate its powers to a committee of directors, a single director, an employee or any other person;
- g. Remuneration and other benefits of directors – the Board may authorise remuneration or the provision of other benefits by the Company to a director for services as a Director or in any other capacity, provided that it has been approved by an ordinary resolution. The Board may also authorise the making of loans by the Company to a director and the giving of guarantees by the Company for debts incurred by a director;
- h. Interests of directors: - directors must disclose their interests in a transaction with the Company in accordance with the Act. Failure to do so may allow the Company to avoid that transaction. Interested directors may vote on a resolution in relation to a transaction in which they are interested unless a majority of directors request that they refrain from doing so;
- i. Proceedings of the Board – the third schedule of the Company’s constitution governs the proceedings of the Board, except where otherwise agreed by all directors in relation to a particular meeting or meetings. The third schedule of the Act does not apply to proceedings of the Board;
- j. Distributions - the Board may authorise distributions by the Company in accordance with the Act;
- k. 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;
- l. 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.

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

- m. Nominal value of shares - the Co-operative Companies Act 1996 permits co-operatives to have a nominal value for shares. For the purposes of the Company each class of shares will have a nominal value of \$1.00 per share. Where shares are issued at a premium the total price will comprise a nominal value of \$1.00 per share for the qualifying shares with the balance being a share premium.

SECTION 4: DIRECTORS' CERTIFICATES RELATING TO THE AMALGAMATION

SCFIS LIMITED
(SCFIS)

Directors' Certificate Relating to Amalgamation Proposal
(Section 221(2) of the Companies Act 1993 (the Act))

Date: *12 May 2014*

- 1 SCFIS, SCFIS Holdings Limited, Levels Plain Irrigation Co. Limited, Levels Plain Holdings Limited, Levels Irrigation Limited and Opuha Water Limited (the *Amalgamating Companies*) propose to amalgamate with each other and continue as SCFIS (the *Amalgamated Company*) on the terms set out in the amalgamation proposal (the *Amalgamation*).
- 2 We, the undersigned being the directors of SCFIS who voted in favour of resolutions approving the Amalgamation dated on or about the date of this certificate each certify that:
 - 2.1 in our opinion, the Amalgamation is in the best interest of SCFIS; and
 - 2.2 we are satisfied on reasonable grounds that the Amalgamated Company will, immediately after the Amalgamation becomes effective, satisfy the solvency test (as defined in the Act).
- 3 The certification provided in paragraph 2.1 above is made on the grounds that the Amalgamation:
 - 3.1 is likely to make regulatory compliance of the Opuha irrigation scheme (of which SCFIS and each of the other Amalgamating Companies is a party to) less onerous. In particular, the relevant rules and requirements stipulated under the Canterbury Land and Water Regional Plan have been drafted in favour of irrigation schemes with structures like the one proposed under the Amalgamation;
 - 3.2 will reflect the centralised operation and management of the Opuha irrigation scheme that is currently in place under which most of the operation and management of the scheme is undertaken by one of the Amalgamating Companies (Opuha Water Limited);
 - 3.3 will result in organisational and cost saving efficiencies for the shareholders of SCFIS and the shareholders of the other Amalgamating Companies; and
 - 3.4 will result in the shareholders of SCFIS having direct voting rights in the company that holds the relevant consents and manages the Opuha irrigation scheme.
- 4 The grounds for providing the certification in paragraph 2.2 above are, that having regard to:
 - 4.1 The most recent financial statements of each Amalgamating Company that are prepared under the Act or any other enactment;
 - 4.2 The accounting records of SCFIS;
 - 4.3 the Enterprise Valuation of Opuha Water and Associated Irrigation Schemes report dated 15 March 2014 by Peter Seed Limited; and
 - 4.4 all other circumstances that the directors know or ought to know would affect, or may affect, the value of the Amalgamated Company's assets and the value of the Amalgamated Company's liabilities, including contingent liabilities, having regard to:
 - (a) the likelihood of the contingency occurring; and

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(b) any claim the Amalgamated Company will be entitled to make and can reasonably expect to be met to reduce or extinguish the contingent liability,

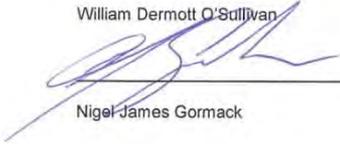
we are satisfied, on grounds that we consider to be reasonable, that the Amalgamated Company will, immediately after the Amalgamation becomes effective, satisfy the solvency test (as defined in section 4 of the Act and applied in accordance with section 222(5) of the Act) as immediately after the Amalgamation becomes effective:

- 4.5 the Amalgamated Company will be able to pay its debts as they become due in the normal course of business; and
- 4.6 the value of the Amalgamated Company's assets will be greater than its liabilities including contingent liabilities.

Signed by:



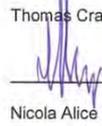
William Dermott O'Sullivan



Nigel James Gormack



Thomas Craig Lambie



Nicola Alice Orbell Hyslop

SCFIS HOLDINGS LIMITED
(SCFIS Holdings)

Directors' Certificate Relating to Amalgamation Proposal
(Section 221(2) of the Companies Act 1993 (the Act))

Date: *12 May 2014*

- 1 SCFIS Limited, SCFIS Holdings, Levels Plain Irrigation Co. Limited, Levels Plain Holdings Limited, Levels Irrigation Limited and Opuha Water Limited (the *Amalgamating Companies*) propose to amalgamate with each other and continue as SCFIS Limited (the *Amalgamated Company*) on the terms set out in the amalgamation proposal (the *Amalgamation*).
- 2 We, the undersigned being the directors of SCFIS Holdings who voted in favour of resolutions approving the Amalgamation dated on or about the date of this certificate each certify that:
 - 2.1 in our opinion, the Amalgamation is in the best interest of SCFIS Holdings; and
 - 2.2 we are satisfied on reasonable grounds that the Amalgamated Company will, immediately after the Amalgamation becomes effective, satisfy the solvency test (as defined in the Act).
- 3 The certification provided in paragraph 2.1 above is made on the grounds that the Amalgamation:
 - 3.1 is likely to make regulatory compliance of the Opuha irrigation scheme (of which SCFIS Holdings and each of the other Amalgamating Companies is a party to) less onerous. In particular, the relevant rules and requirements stipulated under the Canterbury Land and Water Regional Plan have been drafted in favour of irrigation schemes with structures like the one proposed under the amalgamation proposal;
 - 3.2 will reflect the centralised operation and management of the Opuha irrigation scheme that is currently in place under which most of the operation and management of the scheme is undertaken by one of the Amalgamating Companies (Opuha Water Limited); and
 - 3.3 will result in organisational and cost saving efficiencies for the shareholders of SCFIS Holdings and the shareholders of the other Amalgamating Companies.
- 4 The grounds for providing the certification in paragraph 2.2 above are, that having regard to:
 - 4.1 the most recent financial statements of each Amalgamating Company that are prepared under the Act or any other enactment;
 - 4.2 the accounting records of SCFIS Holdings;
 - 4.3 the Enterprise Valuation of Opuha Water and Associated Irrigation Schemes report dated 15 March 2014 by Peter Seed Limited; and
 - 4.4 all other circumstances that the directors know or ought to know would affect, or may affect, the value of the Amalgamated Company's assets and the value of the Amalgamated Company's liabilities, including contingent liabilities, having regard to:
 - (a) the likelihood of the contingency occurring; and
 - (b) any claim the Amalgamated Company will be entitled to make and can reasonably expect to be met to reduce or extinguish the contingent liability,

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we are satisfied, on grounds that we consider to be reasonable, that the Amalgamated Company will, immediately after the Amalgamation becomes effective, satisfy the solvency test (as defined in section 4 of the Act and applied in accordance with section 222(5) of the Act) as immediately after the Amalgamation becomes effective:

- 4.5 the Amalgamated Company will be able to pay its debts as they become due in the normal course of business; and
- 4.6 the value of the Amalgamated Company's assets will be greater than its liabilities including contingent liabilities.

Signed by:



Thomas Craig Lambie



William Dermott O'Sullivan

OPUHA WATER LIMITED
(*Opuha*)

Directors' Certificate Relating to Amalgamation Proposal
(Section 221(2) of the Companies Act 1993 (the *Act*))

Date: *12 May 2014*

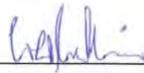
- 1 SCFIS Limited, SCFIS Holdings Limited, Levels Plain Irrigation Co. Limited, Levels Plain Holdings Limited, Levels Irrigation Limited and Opuha (the *Amalgamating Companies*) propose to amalgamate with each other and continue as SCFIS Limited (the *Amalgamated Company*) on the terms set out in the amalgamation proposal (the *Amalgamation*).
- 2 We, the undersigned being the directors of Opuha who voted in favour of resolutions approving the Amalgamation dated on or about the date of this certificate each certify that:
 - 2.1 In our opinion, the Amalgamation is in the best interest of Opuha; and
 - 2.2 we are satisfied on reasonable grounds that the Amalgamated Company will, immediately after the Amalgamation becomes effective, satisfy the solvency test (as defined in the *Act*).
- 3 The certification provided in paragraph 2.1 above is made on the grounds that the Amalgamation:
 - 3.1 is likely to make regulatory compliance of the Opuha irrigation scheme (of which Opuha and each of the other Amalgamating Companies is a party to) less onerous. In particular, the relevant rules and requirements stipulated under the Canterbury Land and Water Regional Plan have been drafted in favour of irrigation schemes with structures like the one proposed under the Amalgamation;
 - 3.2 will reflect the centralised operation and management of the Opuha irrigation scheme that is currently in place under which most of the operation and management of the scheme is undertaken by Opuha; and
 - 3.3 will result in organisational and cost saving efficiencies for the shareholders of Opuha and the shareholders of the other Amalgamating Companies.
- 4 The grounds for providing the certification in paragraph 2.2 above are, that having regard to:
 - 4.1 The most recent financial statements of each Amalgamating Company that are prepared under the *Act* or any other enactment;
 - 4.2 The accounting records of Opuha;
 - 4.3 the Enterprise Valuation of Opuha Water and Associated Irrigation Schemes report dated 15 March 2014 by Peter Seed Limited; and
 - 4.4 all other circumstances that the directors know or ought to know would affect, or may affect, the value of the Amalgamated Company's assets and the value of the Amalgamated Company's liabilities, including contingent liabilities, having regard to:
 - (a) the likelihood of the contingency occurring; and
 - (b) any claim the Amalgamated Company will be entitled to make and can reasonably expect to be met to reduce or extinguish the contingent liability,

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we are satisfied, on grounds that we consider to be reasonable, that the Amalgamated Company will, immediately after the Amalgamation becomes effective, satisfy the solvency test (as defined in section 4 of the Act and applied in accordance with section 222(5) of the Act) as immediately after the Amalgamation becomes effective:

- 4.5 the Amalgamated Company will be able to pay its debts as they become due in the normal course of business; and
- 4.6 the value of the Amalgamated Company's assets will be greater than its liabilities including contingent liabilities.

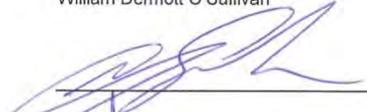
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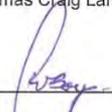
William Dermott O'Sullivan



Thomas Craig Lambie



Nigel James Gormack



Jeremy William Boys



Nicola Alice Orbell Hyslop

LEVELS PLAIN IRRIGATION CO. LIMITED
(Levels Plain)

Directors' Certificate Relating to Amalgamation Proposal
(Section 221(2) of the Companies Act 1993 (the Act))

Date: *13 May 2014*

- 1 SCFIS Limited, SCFIS Holdings Limited, Levels Plain, Levels Plain Holdings Limited, Levels Irrigation Limited and Opuha Water Limited (the *Amalgamating Companies*) propose to amalgamate with each other and continue as SCFIS Limited (the *Amalgamated Company*) on the terms set out in the amalgamation proposal (the *Amalgamation*).
- 2 We, the undersigned being the directors of Levels Plain who voted in favour of resolutions approving the Amalgamation dated on or about the date of this certificate each certify that:
 - 2.1 in our opinion, the Amalgamation is in the best interest of Levels Plain; and
 - 2.2 we are satisfied on reasonable grounds that the Amalgamated Company will, immediately after the Amalgamation becomes effective, satisfy the solvency test (as defined in the Act).
- 3 The certification provided in paragraph 2.1 above is made on the grounds that the Amalgamation:
 - 3.1 is likely to make regulatory compliance of the Opuha irrigation scheme (of which Levels Plain and each of the other Amalgamating Companies is a party to) less onerous. In particular, the relevant rules and requirements stipulated under the Canterbury Land and Water Regional Plan have been drafted in favour of irrigation schemes with structures like the one proposed under the amalgamation proposal;
 - 3.2 will reflect the centralised operation and management of the Opuha irrigation scheme that is currently in place under which most of the operation and management of the scheme is undertaken by one of the Amalgamating Companies (Opuha Water Limited);
 - 3.3 will result in organisational and cost saving efficiencies for the shareholders of Levels Plain and the shareholders of the other Amalgamating Companies; and
 - 3.4 will result in the shareholders of Levels Plain having direct voting rights in the company that holds the relevant consents and manages the Opuha irrigation scheme.
- 4 The grounds for providing the certification in paragraph 2.2 above are, that having regard to:
 - 4.1 the most recent financial statements of each Amalgamating Company that are prepared under the Act or any other enactment;
 - 4.2 the accounting of Levels Plain;
 - 4.3 the Enterprise Valuation of Opuha Water and Associated Irrigation Schemes report dated 15 March 2014 by Peter Seed Limited; and
 - 4.4 all other circumstances that the directors know or ought to know would affect, or may affect, the value of the Amalgamated Company's assets and the value of the Amalgamated Company's liabilities, including contingent liabilities, having regard to:
 - (a) the likelihood of the contingency occurring; and

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(b) any claim the Amalgamated Company will be entitled to make and can reasonably expect to be met to reduce or extinguish the contingent liability,

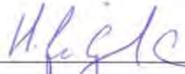
we are satisfied, on grounds that we consider to be reasonable, that the Amalgamated Company will, immediately after the Amalgamation becomes effective, satisfy the solvency test (as defined in section 4 of the Act) as immediately after the Amalgamation becomes effective:

- 4.5 the Amalgamated Company will be able to pay its debts as they become due in the normal course of business; and
- 4.6 the value of the Amalgamated Company's assets will be greater than its liabilities including contingent liabilities.

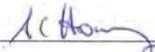
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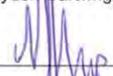
Kevin Dixon Cahill



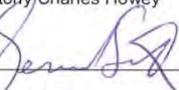
Hayden Cartwright



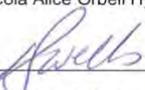
Antony Charles Howey



Nicola Alice Orbell Hyslop



Gerard Scott



Ross Sinclair Wells

LEVELS PLAIN HOLDINGS LIMITED
(Levels Holdings)

Directors' Certificate Relating to Amalgamation Proposal
(Section 221(2) of the Companies Act 1993 (the Act))

Date: *13 May 2014*

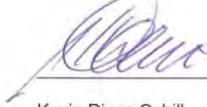
- 1 SCFIS Limited, SCFIS Holdings Limited, Levels Plain Irrigation Co. Limited, Levels Holdings, Levels Irrigation Limited and Opuha Water Limited (the *Amalgamating Companies*) propose to amalgamate with each other and continue as SCFIS Limited (the *Amalgamated Company*) on the terms set out in the amalgamation proposal (the *Amalgamation*).
- 2 We, the undersigned being the directors of Levels Holdings who voted in favour of resolutions approving the Amalgamation dated on or about the date of this certificate each certify that:
 - 2.1 in our opinion, the Amalgamation is in the best interest of Levels Holdings; and
 - 2.2 we are satisfied on reasonable grounds that the Amalgamated Company will, immediately after the Amalgamation becomes effective, satisfy the solvency test (as defined in the Act).
- 3 The certification provided in paragraph 2.1 above is made on the grounds that the Amalgamation:
 - 3.1 is likely to make regulatory compliance of the Opuha irrigation scheme (of which Levels Holdings and each of the other Amalgamating Companies is a party to) less onerous. In particular, the relevant rules and requirements stipulated under the Canterbury Land and Water Regional Plan have been drafted in favour of irrigation schemes with structures like the one proposed under the amalgamation proposal;
 - 3.2 will reflect the centralised operation and management of the Opuha irrigation scheme that is currently in place under which most of the operation and management of the scheme is undertaken by one of the Amalgamating Companies (Opuha Water Limited); and
 - 3.3 will result in organisational and cost saving efficiencies for the shareholders of Levels Holdings and the shareholders of the other Amalgamating Companies.
- 4 The grounds for providing the certification in paragraph 2.2 above are, that having regard to:
 - 4.1 the most recent financial statements of each Amalgamating Company that are prepared under the Act or any other enactment;
 - 4.2 the accounting records of Levels Holdings;
 - 4.3 the Enterprise Valuation of Opuha Water and Associated Irrigation Schemes report dated 15 March 2014 by Peter Seed Limited; and
 - 4.4 all other circumstances that the directors know or ought to know would affect, or may affect, the value of the Amalgamated Company's assets and the value of the Amalgamated Company's liabilities, including contingent liabilities, having regard to:
 - (a) the likelihood of the contingency occurring; and
 - (b) any claim the Amalgamated Company will be entitled to make and can reasonably expect to be met to reduce or extinguish the contingent liability,

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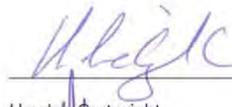
we are satisfied, on grounds that we consider to be reasonable, that the Amalgamated Company will, immediately after the Amalgamation becomes effective, satisfy the solvency test (as defined in section 4 of the Act and applied in accordance with section 222(5) of the Act) as immediately after the Amalgamation becomes effective:

- 4.5 the Amalgamated Company will be able to pay its debts as they become due in the normal course of business; and
- 4.6 the value of the Amalgamated Company's assets will be greater than its liabilities including contingent liabilities.

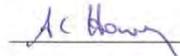
Signed by:



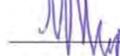
Kevin Dixon Cahill



Hayden Cartwright



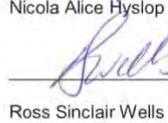
Antony Charles Howey



Nicola Alice Hyslop



Gerard Scott



Ross Sinclair Wells

LEVELS IRRIGATION LIMITED
(Levels Irrigation)

Directors' Certificate Relating to Amalgamation Proposal
(Section 221(2) of the Companies Act 1993 (the Act))

Date: *13 May 2014*

- 1 SCFIS Limited, SCFIS Holdings Limited, Levels Plain Irrigation Co. Limited, Levels Plain Holdings Limited, Levels Irrigation and Opuha Water Limited (the *Amalgamating Companies*) propose to amalgamate with each other and continue as SCFIS Limited (the *Amalgamated Company*) on the terms set out in the amalgamation proposal (the *Amalgamation*).
- 2 We, the undersigned being the directors of Levels Irrigation who voted in favour of resolutions approving the Amalgamation dated on or about the date of this certificate each certify that:
 - 2.1 in our opinion, the Amalgamation is in the best interest of Levels Irrigation; and
 - 2.2 we are satisfied on reasonable grounds that the Amalgamated Company will, immediately after the Amalgamation becomes effective, satisfy the solvency test (as defined in the Act).
- 3 The certification provided in paragraph 2.1 above is made on the grounds that the Amalgamation:
 - 3.1 is likely to make regulatory compliance of the Opuha irrigation scheme (of which Levels Irrigation and each of the other Amalgamating Companies is a party to) less onerous. In particular, the relevant rules and requirements stipulated under the Canterbury Land and Water Regional Plan have been drafted in favour of irrigation schemes with structures like the one proposed under the amalgamation proposal;
 - 3.2 will reflect the centralised operation and management of the Opuha irrigation scheme that is currently in place under which most of the operation and management of the scheme is undertaken by one of the Amalgamating Companies (Opuha Water Limited); and
 - 3.3 will result in organisational and cost saving efficiencies for the shareholders of Levels Irrigation and the shareholders of the other Amalgamating Companies.
- 4 The grounds for providing the certification in paragraph 2.2 above are, that having regard to:
 - 4.1 the most recent financial statements of each Amalgamating Company that are prepared under the Act or any other enactment;
 - 4.2 the accounting records of Levels Irrigation;
 - 4.3 the Enterprise Valuation of Opuha Water and Associated Irrigation Schemes report dated 15 March 2014 by Peter Seed Limited; and
 - 4.4 all other circumstances that the directors know or ought to know would affect, or may affect, the value of the Amalgamated Company's assets and the value of the Amalgamated Company's liabilities, including contingent liabilities, having regard to:
 - (a) the likelihood of the contingency occurring; and
 - (b) any claim the Amalgamated Company will be entitled to make and can reasonably expect to be met to reduce or extinguish the contingent liability;

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we are satisfied, on grounds that we consider to be reasonable, that the Amalgamated Company will, immediately after the Amalgamation becomes effective, satisfy the solvency test (as defined in section 4 of the Act and applied in accordance with section 222(5) of the Act) as immediately after the Amalgamation becomes effective:

- 4.5 the Amalgamated Company will be able to pay its debts as they become due in the normal course of business; and
- 4.6 the value of the Amalgamated Company's assets will be greater than its liabilities including contingent liabilities.

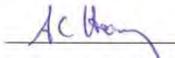
Signed by:



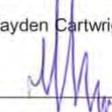
Kevin Dixon Cahill



Hayden Cartwright



Antony Charles Howey



Nicola Alice Hyslop



Gerard Scott



Ross Sinclair Wells

SECTION 5: DISSENTING SHAREHOLDERS' RIGHTS

- 1 If the amalgamation and the Amalgamation Proposal is approved by special resolution of an Amalgamating Company, the shareholders of that Amalgamating Company who voted all their shares against the amalgamation and the Amalgamation Proposal are entitled to require that Amalgamating Company to purchase their shares in that company in accordance with section 111 of the Act. This buyout right is enshrined in section 110 of the Act.
- 2 The price that the relevant Amalgamating Company is required to purchase those shares for is a price that is fair and reasonable.
- 3 Any dissenting shareholder that requires the relevant Amalgamating Company to purchase its shares will lose all of the water rights that related to those shares and will cease to receive any benefit from the irrigation scheme.

SECTION 6: MATERIAL INTERESTS OF DIRECTORS

The following Directors of the Amalgamating Companies have the material interests in the Merger Proposal (whether in his or her capacity as a Director or otherwise) set out below.

In respect to the shareholdings of the Merging Entities:

- Opuha is owned by SCFIS Holdings (813 shares) and Levels Holdings (187 shares)
- SCFIS Holdings is a wholly owned subsidiary of SCFIS
- Levels Holdings and Levels Irrigation are wholly owned subsidiaries of Levels Plain
- Kakahu holds 3,208 shares in SCFIS

SCFIS and Opuha Directors

Each of the following persons is a Director of both SCFIS Limited and Opuha Water Limited, except Jeremy Boys who is a Director of Opuha only. Each have the following additional material interests in the Merger Proposal:

Jeremy William Boys

- No material interests

Nigel James Gormack

- Director and Shareholder of Quantum Advantage Limited which provides professional services to SCFIS, SCFIS Holdings, Totara and Kakahu.

Antony Charles Howey

- Director of Levels Plain
- Director of Levels Irrigation
- Director of Levels Holdings
- Partner of A A & A C Howey that holds:
 - 100 shares in SCFIS
 - 432 shares in Levels Plain

Nicola Alice Orbell Hyslop

- Director of Levels Plain
- Director of Levels Irrigation
- Director of Levels Holdings
- Director and Shareholder of Levels Estate Company Limited that holds:
 - 16 shares in SCFIS
 - 832 shares in Levels Plain

Thomas Craig Lambie

- Director of SCFIS Holdings
- Director of Totara
- Director and Shareholder of Meadowvale Limited that holds:
 - 416 shares in SCFIS
 - 428 shares in Totara

William Dermott O'Sullivan

- Director of SCFIS Holdings
- Director and Shareholder of Glenire Farm Limited that holds 90 shares in SCFIS

Alvin John Reid

- Director of Kakahu
- Director of Totara
- Director of SCFIS Holdings
- Director of Glenire Farm Limited that holds 90 shares in SCFIS
- Director and Shareholder of Riverholme Pastures Limited that holds:
 - 130 shares in Totara
 - 302 shares in SCFIS
 - 70 shares in Kakahu
- Director and Shareholder (in his capacity as a trustee of A & J Reid Family Trust) of Skipton Farm Limited that holds 64 shares in SCFIS
- Director and Shareholder (both in his personal capacity and as a trustee of A & J Reid Family Trust) of Accord Dairies Limited that holds 140 shares in Kakahu

SCFIS Holdings DirectorsThomas Craig Lambie

- Director of SCFIS
- Director of Opuha
- Director of Totara
- Director and Shareholder of Meadowvale Limited that holds:
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- Director of SCFIS
- Director of Opuha
- Director of Kakahu
- Director of Totara
- Director of SCFIS Holdings
- Director of Glenire Farm Limited that holds 90 shares in SCFIS
- Director and Shareholder of Riverholme Pastures Limited that holds:
 - 130 shares in Totara
 - 302 shares in SCFIS
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- Director and Shareholder (in his capacity as a trustee of A & J Reid Family Trust) of Skipton Farm Limited that holds 64 shares in SCFIS
- Director and Shareholder (both in his personal capacity and as a trustee of A & J Reid Family Trust) of Accord Dairies Limited that holds 140 shares in Kakahu

Levels Plain, Levels Holdings and Levels Irrigation Directors

Levels Holdings and Levels Irrigation are wholly owned subsidiaries of Levels Plain. Each of the following persons is a Director of each of Levels Plain, Levels Holdings and Levels Irrigation and each have the following additional material interests in the Merger Proposal:

Kevin Dixon Cahill

- Director and Shareholder of Tonemace Farming Company Limited that holds 56 shares in Levels Plain

Hayden Blair Cartwright

- Director and Shareholder of Mill Farm (2005) Limited that holds:
 - 188 shares in SCFIS
 - 184 shares in Levels Plain

Antony Charles Howey

- Director of SCFIS
- Director of Opuha
- Partner of A A & A C Howey that holds:
 - 100 shares in SCFIS
 - 432 shares in Levels Plain

Nicola Alice Orbell Hyslop

- Director of SCFIS
- Director of Opuha
- Director and Shareholder of Levels Estate Company Limited that holds:
 - 16 shares in SCFIS
 - 832 shares in Levels Plain

Gerard Patrick Scott

- Director and Shareholder of G P & B E Scott Limited that holds 216 shares in SCFIS
- Trustee of Lufinconing Trust that holds 608 shares in Levels Plain

Ross Sinclair Wells

- Director and Shareholder (in his capacity as a Trustee) of Mayshiel Farm Limited that holds 192 shares in Levels Plain

SECTION 7: GLOSSARY

Act means the Companies Act 1993;

Amalgamating Companies means:

- Opuha;
- SCFIS;
- SCFIS Holdings;
- Levels Plain;
- Levels Irrigation; and
- Levels Holdings;

Amalgamation Proposal means the proposal to amalgamate the Amalgamating Companies into SCFIS set out in Section 2 of this document;

Implementation Date means 1 July 2014 or such other date as the Merging Entities may agree;

Infrastructure Shares means, together, the L Shares, K Shares and the T Shares that the New OWL will issue under its constitution on the Implementation Date;

Kakahu means Kakahu Irrigation Limited;

Levels Holdings means Levels Plain Holdings Limited;

Levels Irrigation means Levels Irrigation Limited;

Levels Plain means Levels Plain Irrigation Co. Limited;

Merger Proposal and *Proposed Merger* means the proposed restructure and merger of the Merging Entities involving the sale of the assets of Kakahu and Totara to SCFIS (and the assumption by SCFIS of the liabilities of those entities) as more particularly described in section 1 of this document and the amalgamation described in the Amalgamation Proposal;

Merging Entities means, each of:

- Opuha;
- SCFIS;
- SCFIS Holdings;
- Levels Plain;
- Levels Irrigation;
- Levels Holdings;
- Kakahu; and
- Totara;

New OWL or *Company* means SCFIS following the amalgamation of the Amalgamating Companies (which will be renamed “Opuha Water Limited” upon the amalgamation);

Opuha means Opuha Water Limited;

SCFIS Holdings means SCFIS Holdings Limited;

SCFIS means:

- SCFIS Limited; and
- includes the industrial and provident society that was converted into SCFIS Limited;

Surplus Assets means the assets of the New OWL remaining after the payment of creditors' claims and available for distribution in accordance with section 313 of the Act; and

Totara means Totara Valley Irrigation Limited.