

TOTARA VALLEY IRRIGATION LIMITED

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

NOTICE is hereby given that a special meeting of shareholders of Totara Valley Irrigation Limited (the *Company*) will be held at the Pleasant Point Rugby Football Club clubrooms at Pleasant Point Domain, State Highway 8, Pleasant Point at 3.00 pm on Wednesday, 25 June 2014 to consider (with or without modification) the following resolutions:

Resolution 1 – Special resolution – Sale of assets and liabilities

That subject to and conditional upon the other transactions, amalgamations and rearrangements set out in the merger proposal forming an appendix to this notice of meeting (*the Merger Proposal*) being approved by all relevant entities, the shareholders approve the following transaction as a major transaction as required by section 129 of the Companies Act 1993:

- (a) the Company selling all of its assets and assigning all of its liabilities to SCFIS Limited (*SCFIS*) in exchange for a cash payment (which the Company must apply in full repayment of the ANZ debt) and the issue of 2,664 T Shares in SCFIS as set out in more detail in the Merger Proposal; and
- (b) the directors of the Company being authorised to act jointly or severally to sign all agreements, resolutions and documents necessary to give effect to the sale and assignment as set out in (a) above including applying for and receiving shares in SCFIS as the consideration for the said sale.

Resolution 2 – Special resolution – Winding up of Company

That:

- (a) on all of the transactions, amalgamations and other processes set out in the Merger Proposal being approved by the shareholders of the relevant entities so that all matters contained in the Merger Proposal can be implemented and completed, and after implementation of the matters set out in Resolution 1 and such other matters as the Directors consider are required to implement the Merger Proposal, the Company be wound up;
- (b) in order to give effect to the Company being wound up, all shares that the Company holds in SCFIS be distributed in specie; and
- (c) on completion of the above matters the shareholders authorise the directors to deliver a request to the Registrar of Companies in the prescribed form for the Company to be removed from the New Zealand Register of Companies on either of the grounds specified in clause 318(2) of the Companies Act 1993.

Resolution 3 – Special resolution - Ancillary authorisations for Board

That the Directors of the Company are authorised, empowered and appointed on behalf of the Company, while acting jointly or severally, to take and authorise the taking of any action which they may consider necessary or desirable for the purpose of, or in connection with, or incidental to, the proposed merger including in respect of finalising the terms of and implementing the relevant transactions and the documents referred to in this notice, the explanatory notes and the Merger Proposal.

NOTE ON RESOLUTIONS

Special Resolution Definition

Each resolution is a special resolution. A special resolution is a resolution approved by a majority of 75 per cent of the votes of those shareholders entitled to vote and voting on the question.

Resolution timings

The resolutions all relate to the proposed merger of the Merging Entities (being the Opuha Group of companies) which is intended to occur and take effect on 1 July 2014 or such other date as the Merging Entities may determine (the *Implementation Date*). The Explanatory Notes and the Merger Proposal set out details on the proposed merger.

In effect, each resolution is conditional on all other resolutions being passed and implemented as applicable and as described in the Explanatory Notes and the Merger Proposal. In addition, the resolutions are also effectively conditional on the other Merging Entities passing and implementing various resolutions relating to the proposed merger. As a result, even if the shareholders of the Company pass all the resolutions set out in this notice, the matters provided for in them will not be implemented if the other Merging Entities do not also pass and implement various associated resolutions relating to the proposed merger.

Each Resolution is summarised in the Explanatory Notes.

Quorum

- 1 A quorum for the meeting is present if shareholders or their proxies are present or have cast postal votes who are between them able to exercise a majority of the votes to be cast on the business to be transacted by the meeting (clause 4 of schedule 1 of the of the Companies Act 1993).

Proxy Forms

- 2 Proxy forms are required to be signed as follows:
 - (a) if the shareholder is a company, the proxy form must be signed by a person who has express or implied authority to sign the proxy form as a representative of the company;
 - (b) if the shareholder is an incorporated body the proxy form must be signed by the authorised signatories of that body as required by the constitution of that body;
 - (c) if the holding is held jointly (as with a husband and wife) the proxy form must be signed by both shareholders;
 - (d) if there is an individual shareholder then the proxy form should be signed by that person in his or her usual signature or by the attorney of that shareholder; and
 - (e) if a trust holds the shares then all of the trustees in whose name those shares are registered must sign the proxy form.

- 3 If the proxy form is being signed under a power of attorney, a copy of the power of attorney (unless already deposited with the Company) and a signed certificate of non revocation of the power of attorney must be produced to the Company with the proxy form.
- 4 The proxy form must be signed and:
 - (a) deposited at the Registered Office of the Company, c/- of Quantum Advantage Limited, 4C Sefton Street East, Timaru 7910; or
 - (b) faxed to Quantum Advantage Limited to (03) 687 1223; or
 - (c) emailed to Quantum Advantage Limited to julie.j@qaltd.co.nz,by 4.00 pm on Tuesday the 24th day of June 2014, otherwise it will not be valid (unless it is otherwise produced before the start of the Meeting).

Attendance and Voting Rights

- 5 All shareholders or that shareholder's proxy or representative, are entitled to attend the meeting and vote. On a show of hands each shareholder has one vote and on a poll one vote for each share held.
- 6 If the shareholder is a company or an incorporated body which wishes to be represented at that meeting by an individual that shareholder will need to pass a resolution appointing that person as a representative. A copy of that resolution must be brought to the meeting.

Dissenting Shareholders' Rights

- 7 If Resolution 1 is passed by special resolution, each shareholder who voted all of its shares against Resolution 1 is entitled to require the Company to purchase its shares in the Company in accordance with section 111 of the Companies Act 1993. This buyout right is enshrined in section 110 of the Companies Act 1993.
- 8 The price that the Company is required to purchase those shares for is a price that is fair and reasonable.
- 9 Any dissenting shareholder that requires the 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.

Dated this 28th day of May 2014

By order of the Board

EXPLANATORY NOTES

- 1 The Board of the Company has called a special meeting of shareholders to pass the certain resolutions relating to the proposed merger of the Merging Entities. The Merging Entities are:
 - a. Opuha Water Limited (*Opuha*);
 - b. SCFIS Limited (previously South Canterbury Farmers Irrigation Society Limited) (*SCFIS*) and its wholly owned subsidiary, SCFIS Holdings Limited (*SCFIS Holdings*);
 - c. Levels Plain Irrigation Co. Limited (*Levels Plain*) and its wholly owned subsidiaries, Levels Irrigation Limited (*Levels Irrigation*) and Levels Plain Holdings Limited (*Levels Holdings*);
 - d. Totara Valley Irrigation Limited (*Totara*); and
 - e. Kakahu Irrigation Limited (*Kakahu*).

- 2 The Merger Proposal that forms an appendix to this notice of meeting provides further details and background on the proposed merger. In short the Merger Proposal involves:
 - a. the assets and liabilities of Kakahu and Totara being sold and transferred to SCFIS in exchange for issues of shares; and
 - b. the other companies amalgamating into SCFIS and all shares in those companies being cancelled and new shares issued to the shareholders of Levels Plain.

What does the merger mean for me?

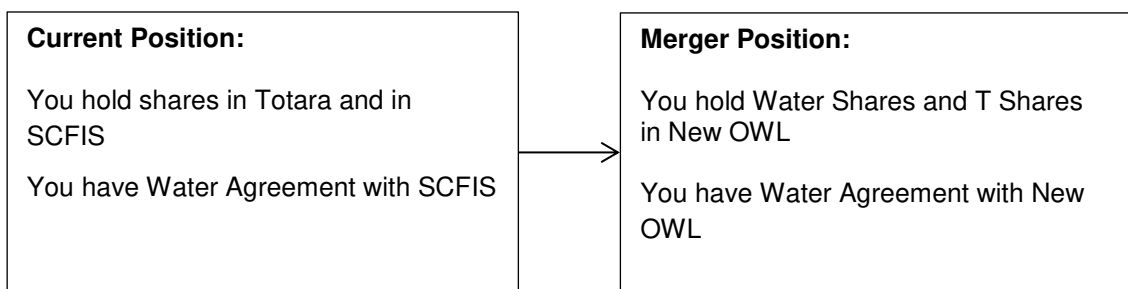
- 3 As an existing irrigator and shareholder of Totara:
 - a. it is not anticipated that the merger will in itself result in any greater water charges than those currently payable by you were the existing structure to continue;
 - b. the merger will result in you holding a specified number of Water Shares and T Shares in SCFIS (which is to be renamed "Opuha Water Limited" upon the merger (the *New OWL*)) (rather than the existing shares you hold) which broadly represent your current rights and obligations;
 - c. will maintain your existing rights; and
 - d. the merger will result in you entering into a new Water Agreement with the New OWL (see further below under the heading "Water Agreements").

- 4 The merger will result in you ceasing to be a shareholder in Totara (with Totara being wound up) and becoming a shareholder in the New OWL. You will hold two classes of shares called:
 - a. "Water Shares", which are the shares in SCFIS that you already hold and give you the right:
 - i. 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 new Water Agreement that you will be required to enter into with the New OWL (see further below under the heading "Water Agreements");

- ii. to vote on a poll at a meeting of the New OWL; and
 - iii. to an equal share in the distribution of any surplus assets of the New OWL (but subject to the rights of holders of infrastructure shares and D Shares); and
- b. "T Shares" a class of infrastructure shares, which:
- i. give you the right to use the Totara infrastructure; and
 - ii. do not provide for any voting rights, except if and when there is a separate class meeting of the holders of T Shares;
 - iii. give you the right as between all holders of T Shares of an equal share in the distribution of any surplus assets relating to the Totara infrastructure in accordance with a certain formula.

The number of T Shares that you receive will reflect your current shareholding in Totara. For further information on the offer of these shares, please see the SCFIS Limited Investment Statement and Prospectus for Merger Proposal, a copy of which is attached.

- 5 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, but do not own Water Shares in SCFIS. Those arrangements will continue after the Merger Proposal is implemented. The annual charges for water and services reflect this shareholding arrangement.
- 6 The shareholders of the other Merging Entities will also own Water Shares and be party to a Water Agreement. Depending on the company they were originally a shareholder of, they may also hold a class of infrastructure shares similar to T Shares.
- 7 However, shareholders of Levels Plain who do not have any entitlements to water under an existing water agreement will be issued "D Shares" instead of Water Shares or infrastructure shares.



SUMMARY OF RESOLUTIONS

- 8 All of the resolutions:
- a. take effect in the order that they are set out in the notice of meeting; and

- b. are subject to all other resolutions set out in this notice of meeting being passed, as well as being subject to the Board being satisfied that the other Merging Entities have passed all other resolutions and taken all required actions to give effect to the proposed merger.

- 9 Subject to the passing of all necessary resolutions, it is proposed that the merger will occur on the Implementation Date (being 1 July 2014) or such other date as the Merging Entities may determine.

Resolution 1

- 10 Resolution 1 is a special resolution to sell all of Totara's assets and assign all of Totara's liabilities to SCFIS. This will be done by way of entering into an agreement for sale and purchase (the *Totara Sale Agreement*).
- 11 The consideration payable under the Totara Sale Agreement is \$1,230,000 which has been determined following the commissioning of a valuation by an appropriate valuer. A summarised version of the valuation report is attached to the Investment Statement and Prospectus for Merger Proposal which accompanies this notice of meeting. It represents the determined value of the business and assets of Totara. The consideration will be satisfied under the Totara Sale Agreement by payment of an amount equal to Totara's bank debt (forecasted to be \$233,779 on the Implementation Date and which must be applied by Totara in full repayment of all ANZ debt owing by Totara) together with the issue of 2,664 "T Shares" in SCFIS.
- 12 The Board is of the view that this valuation is appropriate for the purposes of the Totara Sale Agreement. From a shareholder's perspective the Board considers the real benefit that a shareholder obtains from its shareholding is the additional returns the shareholder personally derives from its farming business that it would not have received were it not a shareholder. These returns are reflected in the value of the shareholder's land and business and not in the value of the irrigation infrastructure itself.
- 13 This particular transaction relates to Step 1 of the merger steps set out in Section 1 of the Merger Proposal under the heading "Merger Steps" (the *Merger Steps*).

Resolution 2

- 14 Resolution 2 is a special resolution to wind up Totara. After the Implementation Date SCFIS will hold all the existing assets of the Merging Entities and there will no longer be any reason for Totara to continue to exist. See Step 3 of the Merger Steps.
- 15 As part of the above resolution, it is proposed that the shares that Totara holds in SCFIS (being T Shares issued under the Totara Sale Agreement) will be distributed in specie to Totara's shareholders. After this distribution shareholders will then personally hold T Shares as well as the Water Shares that they hold at present.
- 16 The rights and obligations attaching to Water Shares and T shares are set out in the proposed form of constitution that SCFIS (which will become the New OWL) will adopt at its next special meeting of shareholders. A copy is available at www.opuhawater.co.nz or by contacting Opuha Water Limited. In summary:
- a. Water Shares give the holder the right to receive water during the irrigation season up to a maximum level and subject to the constitution and the terms of the Water Agreement;
 - b. T Shares entitle the holder to access the Totara infrastructure within the area designated by the New OWL as the Totara infrastructure area.

In levying charges under the Water Agreement the New OWL will levy separate charges to each shareholder to reflect their respective holding of Water Shares and T Shares.

- 17 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, but do not own Water Shares in SCFIS. Those arrangements will continue after the Merger Proposal is implemented. The annual charges for water and services reflect this shareholding arrangement.

Resolution 3

- 18 Resolution 3 is a special resolution to generally authorise the Board to undertake all matters and do all things they consider reasonably necessary to give effect to the Resolutions above and the proposed merger, including all ancillary matters that will need to be undertaken by the Board of Totara to complete the proposed merger.

PROXY FORM

TOTARA VALLEY IRRIGATION LIMITED

(the *Company*)

VOTING BY PROXY

All shareholders entitled to attend and vote at the meeting are entitled to appoint a proxy to attend and vote on their behalf by completing, signing and:

- (a) lodging the proxy form enclosed, at the offices of Quantum Advantage Limited, 4C Sefton Street East, Timaru 7910; or
- (b) faxing the proxy form enclosed to Quantum Advantage Limited to (03) 687 1223; or
- (c) emailing the proxy form enclosed to Quantum Advantage Limited to julie.j@qaltd.co.nz,

no later than 4.00 pm on Tuesday the 24th day of June 2014 (or otherwise producing it before the start of the Meeting). The Chairman of the Meeting is available to act as proxy if required.

PROXY FORM (FOR USE IF YOU ARE UNABLE TO ATTEND THE SPECIAL MEETING OR WISH TO VOTE AHEAD OF THE SPECIAL MEETING)

I/We _____ (FULL NAME IN BLOCK LETTERS)

of _____ (FULL ADDRESS IN BLOCK LETTERS)

being a shareholder of the Company **HEREBY**

APPOINT _____

(FULL NAME OF PROXY IN BLOCK LETTERS - INSERT THE WORDS "CHAIRMAN" IF THE CHAIRMAN IS TO BE PROXY)

of _____

(FULL ADDRESS IN BLOCK LETTERS – INSERT THE WORDS "THE COMPANY" IF THE CHAIRMAN IS TO BE THE PROXY)

or failing him or her, **APPOINT** _____

(FULL NAME OF PROXY IN BLOCK LETTERS - INSERT THE WORDS "CHAIRMAN" IF THE CHAIRMAN IS TO BE PROXY)

of _____

(FULL ADDRESS IN BLOCK LETTERS – INSERT THE WORDS "THE COMPANY" IF THE CHAIRMAN IS TO BE THE PROXY)

as my/our proxy to vote on my/our behalf at the special meeting of shareholders to be held on Wednesday the 25th day of June 2014 at 3.00 pm and at any adjournment thereof.

Unless otherwise instructed, the proxy will vote as he or she thinks fit. Should you wish to direct the proxy how to vote please indicate with a (✓) in the appropriate boxes below.

	In Favour	Against
1. Special Resolution That the sale of all of the Company's assets and assignment of all of the Company's liabilities to SCFIS in exchange for a cash payment (to be applied in full repayment of ANZ debt) and the issue of 2,664 T Shares in SCFIS be approved as a major transaction.	<input type="checkbox"/>	<input type="checkbox"/>
2. Special Resolution That the Company be wound up and all shares in SCFIS be distributed in specie and that any director of the Company be authorised to deliver a request to the Registrar of Companies for the Company to be removed from the New Zealand Register of Companies.	<input type="checkbox"/>	<input type="checkbox"/>
3. Special Resolution Ancillary authorisations for Board	<input type="checkbox"/>	<input type="checkbox"/>

Signed this day of 2014

Usual signature(s): _____

Notes

- (1) **Entitlement to appoint proxy:** A shareholder of the Company entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him/her.
- (2) **Proxy not a shareholder:** A proxy need not be a shareholder of the Company. The Chairman may be appointed as proxy.
- (3) **Name of proxy:** You must indicate the name of your proxy. Failure to do so will invalidate your vote. If you appoint the Chairman as proxy, please name your proxy as "Chairman of the Company".
- (4) **Indication of vote:** Please indicate in the appropriate boxes how your vote is to be cast. If you do not, your proxy will have the ability to cast your vote as he or she sees fit (which will be the Chairman if you have appointed the Chairman as proxy).
- (5) **Signing of proxy form**
 - (a) **Individual holder:** In the case of an individual holder, the proxy form should be signed by that person in his or her usual signature or by the attorney of that holder.
 - (b) **Joint holders:** If the holding is jointly held (as with a husband and wife) the proxy form must be signed by both holders.
 - (c) **Trust:** if a trust holds the shares then all of the trustees in whose name those shares are registered must sign the proxy form.
 - (d) **Company or other body:** If a shareholder is a company then this proxy form must signed by a person who has express or implied authority to sign the proxy form as a representative of the company. If the shareholder

is another type of incorporated body the proxy form must be signed by the authorised signatories of that body as required by the constitution of that body or by a person who has express or implied authority to sign the proxy as a representative of that body.

- (e) **Power of Attorney:** If this form has been signed under Power of Attorney a copy of the Power of Attorney (unless already deposited with the Company) and a signed certificate of non-revocation of Power of Attorney must be produced with the proxy form.
- (6) **Deposit of proxies:** Instruments appointing a proxy must be deposited at, faxed or emailed to Quantum Advantage no later than 4.00 pm, Tuesday, 24 June 2014 (or be otherwise produced before the start of the Meeting).

Please forward to:

Totara Valley Irrigation Limited
c/- Quantum Advantage Limited
4C Sefton Street East
Timaru 7910

Facsimile: (03) 687 1223

Email: julie.j@qaltd.co.nz

Appendix: Merger Proposal