

26 August 2021

Dear Silverwood Unit Holder,

It is with a strong sense of déjà vu that we write to you again from a COVID-19 mandated lockdown. We hope all of you are fit and well and sticking to the bubble rules so that you and yours stay healthy. We are OK.

As those who attended the AGM will know, COVID-19 and its associated disruptions have continued to affect Silverwood – particularly as the Transmission Gully Motorway is still not completed. Prior to the new outbreak and Level 4 lockdown, the best estimate for opening was later this year. Now we are in the hands of the Government. We also await the outcome of the Land Valuation Tribunal court case – and possibly a final lap of negotiations with NZTA and/or Porirua City Council.

In the meantime:

1. We are maintaining the existing interest in/enquiries about the remaining parcels of land – which will be able to be put to the market for sale in parallel with the opening of Transmission Gully Motorway and associated link roads (which will have the effect of restoring access to those land parcels).
2. The Land Valuation Tribunal hearing has been concluded and, pre-lockdown, we had been confident of a decision before the end of this year.
3. Dialogue with the Porirua City Council about re-zoning (to 'Future Urban') is continuing.
4. In the meantime, Silverwood is continuing to keep a close eye on expenses – and, where possible, seek not spend money unless it has a clear view on how that expenditure can achieve a return for investors.

New wind up date - now 31 March 2024

As advised 12 months ago, because of the impact of COVID-19 and other delays, our earlier FMA mandated wind-up date of 31 March 2021 was no longer a viable option. As a result, the directors of the General Partner initially proposed a one year postponement to the supervisor (Covenant) and the FMA.

Ultimately, this discussion led to the FMA granting a replacement series of exemptions, acknowledging that it was not feasible to meet the original wind up date due to circumstances outside the General Partner's control.

Consistent with the 2016 exemptions, the 2021 exemptions provide relief from a number of the licensing and governance requirements of the Financial Markets Conduct Act 2013 (the FMC Act) and the Financial Markets Conduct Regulations 2014 (FMC Regulations) because Silverwood is currently in wind up mode. As a result, the level of activity is quite low – and the primary activity is that of disposing of the remaining land assets (and crystallising compensation claims for earlier land takings).

The 2021 exemptions also require Silverwood to inform investors by providing:

- a summary of the wind up plan – which is set out below and is essentially just an updated version of the wind up plan developed in 2016; and
- an explanation of the nature and effect of the exemptions – which is set out in the appendix to this bulletin.

In addition, the General Partner must report to the supervisor (Covenant) every 6 months on progress of winding up against the winding up plan.

Wind up plan summary

In keeping with the previous wind up plan, and as has previously been advised, the process of selling the balance of Silverwood's land assets has been impacted by the designations (and land takings) for the Transmission Gully Motorway. Some of the land takings split the land in blocks without access. Consequently, the General Partner has not only had to negotiate to receive fair value for land taken (and pursue Land Valuation Tribunal claims), but also has had to negotiate to regain title to the balance of land. This process is ongoing. It is expected that the negotiations (and the Land Valuation Tribunal hearings) will be concluded, and the balance of the compensation will be received, in respect of the land takings, in the next 12-24 months.

It has also been necessary to wait for NZTA and the Porirua City Council to build new roads and physically re-create new access to the blocks of land. Re-gaining access is needed to sell the residual land (which now only comprises two lots (one of which is being subdivided into two smaller titles)). This process has taken far longer than originally expected, and is now expected to be completed (and the remaining lots marketed for sale) by the re-scheduled completion of the Transmission Gully Motorway – at the end of 2021.

In the meantime, the balance of the proceeds of sale of the residential lots in the Silverwood residential subdivision (undertaken by a joint venture partner) have been distributed to the limited partners, net of costs.

All or substantially all of the scheme liabilities (other than deferred management fees) have been repaid incrementally out of the proceeds of realisation of Silverwood's land assets. Primarily, these liabilities comprised trade payables associated with preparing for sale of land assets.

The balance of the scheme liabilities comprise deferred management fees (for the General Partner). These liabilities were approved by investors in 2006 and are described in some detail in the Limited Partnership's financial statements. Payments to satisfy the deferred management fees began in the 2015 financial year – and have been made with each distribution to the limited partners of the net proceeds of the sale of Silverwood's land assets. It is expected that completion of this process will coincide with the last distribution to limited partners (i.e. prior to winding up)

The process of:

- realisation of Silverwood's remaining land assets (including compensation claims for previous land takings);
- repayment of scheme liabilities; and
- distribution of the proceeds to the scheme participants (investors),

is expected to be completed by the revised wind up date of 31 March 2024.

The General Partner will continue its current pattern of seeking to make interim distributions at the earliest available opportunity so that the net proceeds of the realisation of Silverwood assets are distributed in a timely manner, except to the extent that funds are reasonably required to:

- facilitate the realisation process; or



SILVERWOOD CORPORATION limited

General Partner of and managing
Silverwood Land 2015 Limited Partnership

- meet reasonably anticipated scheme liabilities – such as the costs of winding up

As usual, I am happy to take your call if you have a concern or would like to discuss the above in more detail,

Kind Regards,
Peter Tiedemann
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Appendix nature and effect of the exemptions

The 2021 effectively extends the exemptions granted to the Silverwood in 2016 and relate to the following licensing, governance and reporting requirements under the Financial Markets Conduct Act 2013 (**FMC Act**) and the Financial Markets Conduct Regulations 2014 (**FMC Regulations**):

- exemptions from sections 127(1)(c), 133(a) and 388(a) of the FMC Act (requirement to have a licensed manager);
- exemptions from sections 135, 127(1)(b), 133(3) and clause 22(1)(b) of Schedule 4 of the FMC Act (requirement for the scheme's governing document to be updated to comply with the content requirements in the FMC Act) – which is subject to the condition that the manager prepares a wind up plan (which must be provided to the supervisor and investors) and regularly reports to the supervisor on progress against the plan;
- exemptions from sections 127(1)(f), 133(a) and 156(1) of the FMC Act (requirement for the scheme's land to be held by the supervisor or an independent custodian) – which is subject to the condition that a registered encumbrance is registered against the title of the land in favour of the supervisor;
- exemption from regulation 87(1) of the FMC Regulations (relating to certain technical aspects of the annual assurance (audit) engagement);
- exemption from regulation 86(3) of the FMC Regulations (requirement for daily reconciliation of scheme moneys) – which is suited to managed funds, but not those where there are fewer assets (and they are of a class that takes much longer to sell); and
- exemption from regulation 95(1) of the FMC Regulations (relating to certain technical aspects of the statement of investment policy and objective (SIPO)).

For more information, including a copy of the Financial Markets Conduct (Silverwood Land 2015 Limited Partnership) Exemption Notice 2021, please see:

<https://www.fma.govt.nz/compliance/exemptions/current-exemption-notice/financial-markets-conduct-act-exemptions/silverwood-land-2015-ltd-partnership/>

Silverwood Land 2015 Limited Partnership
Summary of wind up plan
Financial Markets Conduct (Silverwood Land 2015 Limited Partnership)
Exemption Notice 2021

Introduction

The FMA considered it appropriate to effectively extend the exemptions previously granted to the Silverwood Land 2015 Limited Partnership in 2016 (subject to a small number of changes) to reflect the fact that due to circumstances outside the manager's control, it has not been feasible to wind up the Limited Partnership by 31 March 2021. As a result, a new time frame for winding up of the Limited Partnership has been estimated, namely 31 March 2024.

Consistent with the 2016 exemptions, the 2021 exemptions provide relief from a number of the licensing and governance requirements of the Financial Markets Conduct Act 2013 (the **FMC Act**) and the Financial Markets Conduct Regulations 2014 (**FMC Regulations**) because the Limited Partnership (which is a 'scheme' for the purposes of the FMC Act) is currently in wind up mode as a result of having sold its forestry assets. As a result, its primary activity is that of disposing of its remaining land assets.

As is discussed below, it is anticipated that those land assets will be sold and the net proceeds will be distributed to the Limited Partners (investors) before the end of the current lifespan of the (extended) exemptions – being the close of 31 March 2024.

Once again, the exemptions from the licensing and governance requirements of the FMC Act are subject to the conditions that the General Partner, as manager of the scheme, must provide for the scheme to be wound up by 31 March 2024. Consequently, the General Partner has formulated a (revised) wind-up plan and the key elements of that plan are summarised below.

Ultimately, the process of terminating (and liquidating) the Limited Partnership requires the approval of a "Special Resolution". At present, in terms of the Limited Partnership's governing documents, a Special Resolution is a resolution passed at a meeting of the Limited Partners, by Limited Partners holding at least 75% of total LP Units. This requirement effectively grandfathered the voting threshold that was applied when the predecessor to the Limited Partnership was established.

However, one of the lessons that has been learned is that such a high voting threshold could prove difficult to achieve. As a result, the General Partner is giving consideration to proposing an amendment to the governing documents to alter the voting threshold so that it lines up with that applicable to the passing of a special resolution by a company registered under the Companies Act 1993. Such a change would alter the threshold to require the votes of limited partners holding at least 75% of the votes of those limited partners voting and entitled to vote on the matter. That is, a vote would only require the approval of 75% of those who participate in the voting process (and removes the risk of the approval threshold not being achieved as a result of limited partners not participating in the voting process).

It is likely that the General Partner will seek approval to make this change at the next Annual General Meeting of the Limited Partnership – and, in conjunction with that change, or shortly thereafter to seek limited partner approval to commence winding-

up the affairs of the Limited Partnership and the distribution of the net proceeds of sale of its assets to the limited partners (in proportion to the LP Units held by them).

The driver for seeking such an early approval is to get a clear mandate for making early distributions to the limited partners – as the remainder Silverwood's land assets are sold (including the realisation of its compensation claims for land takings that have already been made for the purposes of the Transmission Gully Motorway and associated link roads).

Key steps and anticipated timetable

In keeping with the previous wind up plan, and as has previously been advised, the process of selling the balance of Silverwood's land assets has been impacted by the designations (and land takings) for the Transmission Gully Motorway. Amongst other things, some of those takings split the land in blocks without access. Consequently, to receive fair value for investors, the General Partner has not only had to negotiate to receive fair value for land taken (and pursue Land Valuation Tribunal claims where those negotiations did not achieve a fair value outcome), but also has had to negotiate to regain title to the balance of land and gain access to the new lots created by these designations. This process is ongoing. It is expected that the negotiations (and the Land Valuation Tribunal hearings) will be conclude, and the balance of the compensation will be received, in respect of the land takings, in the next 12-24 months.

It has also been necessary to wait for NZTA and the Porirua City Council to build new roads and physically create new access to the blocks of land to re-establish a reasonable market value. In essence, this has been an exercise in re-gaining access in order to ensure that the residual land (which now only comprises two lots (one of which is being subdivided into two smaller titles)) is attractive to a property developer. This process has taken far longer than originally expected, as a result of delays with the completion of the Transmission Gully Motorway, which is now expected to be completed (and the remaining lots can then be marketed for sale) by the re-scheduled completion of the Transmission Gully Motorway – at the end of 2021.

In the meantime, the balance of the proceeds of sale of the residential lots in the Silverwood residential subdivision, which was undertaken by a joint venture partner, have been received and the distributed to the limited partners, net of sale costs and the costs of winding up the joint venture.

All or substantially all of the scheme liabilities (other than the deferred management fees referred to below) have been repaid incrementally out of the proceeds of realisation of Silverwood's land assets. Primarily, these liabilities comprised trade payables associated with preparing for the sale of the land assets.

The balance of the scheme liabilities comprise deferred directors' remuneration and management fees (in respect of the General Partner). These arrangements are described in some detail in the Limited Partnership's financial statements. The amount and timing of the payments was approved by investors in the 2006. As noted in the financial statements, the deferred fees are only payable once distributions to limited partners have exceeded the Limited Partnership's equity as at 31 March 2006 (i.e. \$4,844,773 or \$4,623 per LP Unit). As the 6th distribution (made in the 2015 financial year) resulted in the aggregate distributions to limited partners exceeding March 2006 equity, the deferred fees began to be payable. Consequently, they have been paid on a pro rata basis with each distribution to the limited partners of the net proceeds of realisation of Silverwood's land assets – and that process will

continue until the deferred fees have been paid. It is expected that completion of this process will coincide with the last distribution to limited partners (i.e. prior to winding up)

Timeline

From this summary, it can be concluded that the process of:

- realisation of Silverwood's remaining land assets (including compensation claims for previous land takings);
- repayment of scheme liabilities; and
- distribution of the proceeds to the scheme participants (investors),

is expected to be completed by the revised wind up date of 31 March 2024.

Interim distributions

It also bears repeating that the General Partner will continue its current pattern of seeking to make interim distributions at the earliest available opportunity on the basis that, having decided that the scheme is wind up mode, it is more appropriate that those funds be returned to investors as soon as they become available. Therefore, the General Partner proposes to continue with the pattern of seeking to ensure that the proceeds from the realisation of scheme property are distributed to scheme participants in a timely manner, except and only to the extent that funds are reasonably required to:

- facilitate the realisation process; or
- meet reasonably anticipated scheme liabilities – such as the costs of termination of the scheme and liquidation of the Limited Partnership.

Further reporting

It is also a condition of the exemptions granted by the FMA that the General Partner:

- reports to Covenant Trustee Services Limited (the supervisor of the scheme) every 6 months, on progress of the winding up of the scheme against the winding up plan; and
- notify the supervisor in writing within 10 working days of becoming aware of any material change to or deviation from the wind up plan.

This plan will be reviewed at least 6-monthly in conjunction with the reports to the supervisor of the scheme to ensure it continues to be relevant.

Approved by the General Partner on 20 August 2021.