



PRECINCT PROPERTIES NEW ZEALAND LIMITED (AS ISSUER)

## AN OFFER OF SUBORDINATED CONVERTIBLE NOTES

**PRODUCT DISCLOSURE STATEMENT DATED 25 AUGUST 2017**

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on [www.companiesoffice.govt.nz/disclose](http://www.companiesoffice.govt.nz/disclose).

Precinct Properties New Zealand Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial adviser to help you to make an investment decision.



Joint Lead Arrangers and Joint Lead Managers

Joint Lead Managers







This page and front cover: Artist's impression of Commercial Bay at completion.



# 1. KEY INFORMATION SUMMARY

## WHAT IS THIS?

This is an offer (**Offer**) of subordinated convertible notes (**Notes**). The Notes are debt securities issued by Precinct Properties New Zealand Limited (**Precinct**). You give Precinct money, and in return Precinct promises to pay you interest and (subject to the following paragraph) convert the Notes (**Conversion**) at the end of the term into ordinary shares of Precinct (**Shares**) with a minimum value determined in accordance with the terms of the Notes of approximately \$1.02 for every \$1.00 invested (and a potentially higher amount depending on the Share price at the time of Conversion).

Rather than Converting the Notes, Precinct may elect to instead pay you a cash amount equivalent to the value of those Shares as determined under the terms of the Notes (provided it meets the Payment Condition described below).

If your Notes are Converted into Shares, you may receive a return if dividends are paid on Shares or if you subsequently sell those Shares for more than you paid for the Notes.

If Precinct runs into financial trouble, you might lose some or all of the money you invested.

## ABOUT THE PRECINCT GROUP

Precinct and the companies it owns make up the Precinct Group.

The Precinct Group is New Zealand's only listed city centre real estate specialist, investing predominantly in premium and A-Grade city centre real estate. As at the date of this product disclosure statement (**PDS**), the Precinct Group owns and operates 15 New Zealand buildings located in the Auckland and Wellington CBDs.

Precinct is listed on the NZX Main Board and, as at the date of this PDS, has a market capitalisation of approximately \$1.6 billion.

## PURPOSE OF THIS OFFER

The proceeds of this Offer (net of issue costs) are to be used to repay existing bank debt, providing Precinct with flexibility and additional debt capacity to fund its future development pipeline and any other opportunities as they may arise.

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## KEY TERMS OF THE OFFER

<b>Issuer</b>	Precinct Properties New Zealand Limited.
<b>Description of the Notes</b>	Subordinated convertible notes. The Notes will Convert into ordinary shares of Precinct (subject to a Cash Election) as described further below. See section 5 of this PDS ( <i>Key features of the Notes</i> ) for more information.
<b>Offer amount</b>	Up to \$150 million, as described below.
<b>Structure of the Offer</b>	<p>The Offer consists of:</p> <ul style="list-style-type: none"> <li>• The <b>Priority Offer</b> of up to \$25 million, which is open only to New Zealand Retail Shareholders.</li> <li>• The <b>General Offer</b> of up to \$100 million (with the ability to accept oversubscriptions of up to \$25 million at Precinct's discretion). The General Offer is open to investors resident in New Zealand and certain overseas institutional investors.</li> </ul> <p>If any amount of the Priority Offer is not taken up by the relevant Closing Date, Precinct may reallocate up to a corresponding amount to the General Offer at its absolute discretion.</p>
<b>Term</b>	4 years.
<b>Conversion Date</b>	27 September 2021.

# 1. KEY INFORMATION SUMMARY (CONTINUED)

## Conversion

On the Conversion Date, all outstanding Notes will be Converted into Shares, subject to a Cash Election as described below.

The number of Shares into which each holding of Notes Converts will be determined by dividing their Principal Amount (\$1.00 per Note) (together with any Unpaid Interest (including any interest thereon)) by the Conversion Price, which is the lesser of:

1. the Conversion Price Cap of \$1.40; and
2. a 2% discount to the Market Price (calculated as per the statement below).

The Market Price is determined based on the arithmetic average of the daily volume weighted average price of Precinct ordinary shares traded through the NZX Main Board in the 20 Business Days prior to the Conversion Announcement Date, as described in section 5 of this PDS (*Key features of the Notes*).

The following table illustrates the number of Shares to be issued on Conversion and the value provided at a range of possible Share prices. The examples are for illustrative purposes only, are not forward looking statements and do not indicate, guarantee or forecast future Share prices.

## ILLUSTRATION OF THE VALUE OF SHARES / CASH RECEIVED

Example Market Price	Conversion Price	Principal Amount to be Converted	Number of Shares received	Value of Shares received	Cash amount to be paid if Cash Election selected
\$1.25	\$1.225	\$10,000	8,163	\$10,203.75	\$10,203.75
\$1.30	\$1.274	\$10,000	7,849	\$10,203.70	\$10,203.70
\$1.35	\$1.323	\$10,000	7,558	\$10,203.30	\$10,203.30
\$1.40	\$1.372	\$10,000	7,288	\$10,203.20	\$10,203.20
\$1.45	\$1.400	\$10,000	7,142	\$10,355.90	\$10,355.90
\$1.50	\$1.400	\$10,000	7,142	\$10,713.00	\$10,713.00

Explanatory notes and assumptions for the above table are set out on page 17.

## Cash Election

Rather than Converting the Notes into Shares, Precinct may elect to instead pay a cash amount to Noteholders at the end of the term. In this case, Noteholders would be paid an amount equal to the Market Price (calculated as set out above) of all the Shares that would have otherwise been issued to them on Conversion of their Notes, so that they receive an equivalent value to those Shares (as determined under the terms of the Notes) and will similarly benefit from any appreciation of the Share price above the Conversion Price Cap of \$1.40 prior to the Conversion Date.

See section 5 of this PDS (*Key features of the Notes*) for further information.

Precinct may only elect to pay the cash amount if it is not insolvent and no event of default in respect of borrowed money is continuing (and Precinct would not become insolvent, and no such event of default would occur, as a result of making such payment) (the **Payment Condition**).

## Interest Rate

The Notes will pay a fixed rate of interest.

The Interest Rate will be determined by Precinct in conjunction with the Joint Lead Arrangers following a bookbuild, and announced via NZX on or about the Rate Set Date.

## Interest payments

Interest is scheduled to be paid quarterly in arrear in equal amounts.

Interest payments may be suspended in certain circumstances as described below.

**Interest suspension**

Payments of interest on the Notes will be suspended if Precinct does not meet the Payment Condition (as described above) in respect of such interest.

Any suspended interest payment (**Unpaid Interest**) will accumulate and interest will accrue on it at the Interest Rate (compounding on each Interest Payment Date) until paid. No dividend or other return will be made to Shareholders while any interest on the Notes is suspended.

Unpaid Interest is required to be paid no later than 5 Business Days after Precinct meets the Payment Condition in respect of such interest. Any Unpaid Interest (including any interest thereon) will be added to the Principal Amount on Conversion.

See section 5 of this PDS (*Key features of the Notes*).

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**Early conversion**

The Notes may Convert prior to the Conversion Date:

- after an Event of Default;
- at the Noteholders' option after a Compulsory Acquisition Event; or
- at Precinct's option after a Tax Event,

as described in section 5 of this PDS (*Key features of the Notes*).

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**Further payments, fees or charges**

Taxes may be deducted from interest payments on the Notes. See section 7 of this PDS (*Tax*) for further details.

The Offer is subject to certain selling restrictions and you will be required to indemnify certain people if you breach these. More information on this can be found in section 8 of this PDS (*Selling restrictions*).

You are not required to pay brokerage or any other fees or charges to Precinct to purchase the Notes or for the Notes to Convert into Shares. However, you may have to pay brokerage to the firm from whom you receive an allocation of Notes, for the transfer of Notes or, after the issue of Shares on Conversion, for the sale of the Shares.

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**Offer Opening Date**

5 September 2017.

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**Offer Closing Dates**

For the Priority Offer, 5pm (New Zealand time) on 19 September 2017.

For the General Offer, 5pm (New Zealand time) on 22 September 2017.

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**Minimum application amounts**

For the Priority Offer, \$1,000.

For the General Offer, \$5,000.

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**NO GUARANTEE**

The Notes are not guaranteed by any member of the Precinct Group or any other person. Precinct is solely responsible for repayment of the securities.

**HOW YOU CAN GET YOUR MONEY OUT EARLY**

Neither you nor any other person has a right to redeem or Convert the Notes prior to the Conversion Date, except after an Event of Default, (at the Noteholders' option) after a Compulsory Acquisition Event or (at Precinct's option) after a Tax Event. See section 5 of this PDS (*Key features of the Notes*) for further details.

Precinct intends to quote these Notes on the NZX Main Board. This means you may be able to sell them on the NZX Main Board before the end of their term if there are interested buyers. If you sell your Notes, the price you get will vary depending on factors such as the financial condition of the Precinct Group and movements in market interest rates. You may receive less than the full amount that you paid for them.

As the Notes are Convertible, changes in the Share price may also affect the price you get on a sale of your Notes. Precinct intends to quote any Shares issued on any Conversion on the NZX Main Board. This means you may be able to sell them on the NZX Main Board

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## 1. KEY INFORMATION SUMMARY *(CONTINUED)*

after Conversion if there are interested buyers. You may get less than you invested in the Notes upon any sale of your Shares. The price will depend on the demand for the Shares.

### HOW NOTES RANK FOR REPAYMENT

On a liquidation of Precinct, each Note (before any Conversion into Shares) will be a subordinated obligation of Precinct, ranking:

- behind all claims on Precinct (including bank borrowing, USPP Notes, Secured Bonds, trade creditors and other unsubordinated debt), except as described below;
- equally with other Notes, and any other subordinated securities that, by their terms, rank equally with the Notes; and
- ahead of Shareholders and holders of other subordinated securities that, by their terms, rank after the Notes.

Shares issued on Conversion will rank equally with all other Shares on issue and behind all other claims on Precinct.

You should also read section 5 of this PDS (*Key features of the Notes*).

### NO SECURITY

The Notes are not secured against any assets of any member of the Precinct Group or any other person.

### KEY RISKS AFFECTING THIS INVESTMENT

Investments in debt securities have risks. A key risk is that Precinct does not meet its commitments to repay you or pay you interest (credit risk). Section 6 of this PDS (*Risks of investing*) discusses the main factors that give rise to the risk. You should consider if the credit risk of these debt securities is suitable for you.

The interest rate for these Notes should also reflect the degree of credit risk. In general, higher returns are demanded by investors from businesses with higher risk of defaulting on their commitments. You need to decide whether the Offer is fair.

Precinct considers that the most significant risk factors are:

- the risk that one or more of the Precinct Group's developments may be subject to delays, cost overruns or other construction-related issues. Such risks may be difficult to predict or adequately mitigate, and may have significant financial and reputational impacts on the Precinct Group's business; and
- funding risks given the Precinct Group's reliance on external funding as a real estate specialist. Any default or breach of the financial covenants included in such funding may have a significant adverse impact on the Precinct Group's ability to obtain funding and its financial condition.

If these Notes Convert into Shares, these risks will change significantly. You should consider whether the degree of uncertainty about the Precinct Group's future performance and returns is suitable for you.

This summary does not cover all of the risks of investing in the Notes. You should also read section 6 of this PDS (*Risks of investing*) and section 5 of this PDS (*Key features of the Notes*).

### NO CREDIT RATING

Precinct's credit worthiness has not been assessed by an approved rating agency. This means that Precinct has not received an independent opinion of its capability and willingness to repay its debts from an approved source.

### WHERE YOU CAN FIND OTHER MARKET INFORMATION ABOUT PRECINCT

This is a short-form offer document that Precinct is permitted to use because both these Notes and the Shares into which they may Convert rank at least equally with Precinct's existing Shares which are traded on the NZX Main Board (NZX: PCT). Precinct is subject to a disclosure obligation that requires it to notify certain material information to the NZX for the purpose of that information being made available to participants in the market. Precinct's page on the NZX website, which includes information made available under the disclosure obligation referred to above, can be found at [www.nzx.com/companies/PCT](http://www.nzx.com/companies/PCT).

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12 MADDEN STREET, WYNYARD QUARTER

## CHAIRMAN'S LETTER

Dear Investor

On behalf of the Board of Directors, I am pleased to provide investors with the opportunity to invest in subordinated convertible notes to be issued by Precinct Properties New Zealand Limited.

Precinct is seeking to raise **up to \$150 million** through a Priority Offer and a General Offer. The proceeds of the Offer (net of issue costs) will be used to repay existing bank debt, providing Precinct with flexibility and additional debt capacity to fund its future development pipeline and any other opportunities as they may arise.

The Notes pay a **fixed rate of interest** (expected to be announced via NZX on 4 September 2017), with quarterly interest payments over the 4 year term subject to meeting the Payment Condition.

In addition to interest payments, on Conversion of the Notes into Shares, or payment by Precinct of an equivalent cash amount determined under the terms of the Notes under a Cash Election, **Noteholders will receive a minimum value determined in accordance with the terms of the Notes of approximately \$1.02 for every \$1.00 invested, and will benefit from any appreciation of Precinct's Share price above \$1.40.**

**Precinct is New Zealand's only listed city centre real estate specialist, investing predominantly in premium and A-Grade city centre real estate.** Precinct's strategy continues to be concentrated on ownership of office and other assets in prime locations, and creating unique and vibrant precincts with exciting retail, leisure and dining offerings.

Precinct currently owns **15 New Zealand buildings** located in the Auckland and Wellington CBD's. Collectively these are valued at over **\$2.0 billion.**

At the date of this PDS, **Precinct has a considerable active development pipeline.** This is expected to contribute significantly to the value of its portfolio. This includes current high-profile, current developments at Commercial Bay and Bowen Campus, and future scheduled development projects at Wynyard Quarter (stages 2-4), Bowen Campus and 1 Queen Street.

The Notes will help strengthen Precinct's overall capital structure and further diversify its funding sources.

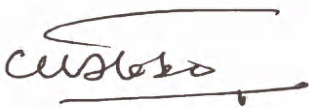
Eligible investors should contact their financial adviser with regards to participating in the General Offer. Our New Zealand Retail Shareholders can alternatively apply for Notes directly under the Priority Offer.

There are a number of risks that may affect returns on your investment in the Notes. An overview of the key risks is contained within this PDS which you should read before deciding whether to invest in the Notes.

I encourage you to seek financial, investment or other professional advice from a qualified professional adviser and that you take the time to consider this Offer.

On behalf of the Board I look forward to your involvement in this Offer and support of our business.

For more information on the Notes, please visit our website at **[www.precinctnotesoffer.co.nz](http://www.precinctnotesoffer.co.nz)**.



**CRAIG STOBO**

CHAIRMAN, PRECINCT PROPERTIES NEW ZEALAND LIMITED

25 AUGUST 2017



## 2. KEY DATES AND OFFER PROCESS

Rate Set Date	4 September 2017
Opening Date	5 September 2017
Closing Date for the Priority Offer	19 September 2017 at 5pm (New Zealand time)
Closing Date for the General Offer	22 September 2017 at 5pm (New Zealand time)
Issue Date and allotment date	27 September 2017
Expected date of initial quotation and trading of the Notes on the NZX Main Board	28 September 2017
Interest Payment Dates	27 March, 27 June, 27 September and 27 December in each year <sup>1</sup>
First Interest Payment Date	27 December 2017
Market Price calculation period	The 20 Business Day period prior to (but not including) the Conversion Announcement Date
Conversion Announcement Date	5 Business Days before the Conversion Date (expected to be 20 September 2021). On this date Precinct will announce the final Conversion Price. On or before this date Precinct will announce whether it intends to make a Cash Election.
Conversion Date	27 September 2021 <sup>2</sup>

<sup>1</sup> If any date on which an interest payment is due to be made is not a Business Day, payment shall instead be made on the next Business Day. Interest payments may be suspended in some circumstances, as described in this PDS.

<sup>2</sup> The Notes may Convert before the Conversion Date in some circumstances, as described in this PDS.

The timetable is indicative only and subject to change. Precinct may, in its absolute discretion and without notice, vary the timetable (including by opening or closing the Offer early, accepting late applications and extending any Closing Date).

If any Closing Date is extended, the Issue Date, the expected date of initial quotation and trading of the Notes on the NZX Main Board, the Interest Payment Dates, the Conversion Announcement Date and the Conversion Date may also be extended. Any such changes will not affect the validity of any applications received.

Precinct reserves the right to cancel the Offer and the issue of the Notes, in which case all application monies received will be refunded (without interest) as soon as practicable (within 10 Business Days).

### 3. TERMS OF THE OFFER

<b>Issuer</b>	Precinct Properties New Zealand Limited.
<b>Description of the Notes</b>	<p>Subordinated convertible notes. The Notes will Convert into Shares (subject to a Cash Election) as described further below.</p> <p>On Conversion of the Notes into Shares, or payment by Precinct of an equivalent cash amount determined under the terms of the Notes under a Cash Election, Noteholders will receive a minimum value determined in accordance with the terms of the Notes of approximately \$1.02 for every \$1.00 invested, and will benefit from any appreciation of Precinct's Share price above \$1.40.</p> <p>See section 5 of this PDS (<i>Key features of the Notes</i>) for more information.</p>
<b>Offer amount</b>	Up to \$150 million, as described below.
<b>Structure of the Offer</b>	<p>The Offer consists of:</p> <ul style="list-style-type: none"> <li>• The Priority Offer of up to \$25 million, which is open only to New Zealand Retail Shareholders.</li> <li>• The General Offer of up to \$100 million (with the ability to accept oversubscriptions of up to \$25 million at Precinct's discretion). The General Offer is open to investors resident in New Zealand and certain overseas institutional investors.</li> </ul> <p>If any amount of the Priority Offer is not taken up by the relevant Closing Date, Precinct may reallocate up to a corresponding amount to the General Offer at its absolute discretion.</p>
<b>Issue price</b>	\$1.00 per Note, being the Principal Amount of each Note.
<b>Term</b>	4 years.
<b>Conversion Date</b>	27 September 2021.
<b>Conversion</b>	<p>On the Conversion Date, all outstanding Notes will be Converted into Shares, subject to a Cash Election.</p> <p>The number of Shares into which each holding of Notes Converts will be determined by dividing their Principal Amount (together with any Unpaid Interest (and any interest thereon)) by the Conversion Price, which is the lesser of:</p> <ol style="list-style-type: none"> <li>1. the Conversion Price Cap of \$1.40; and</li> <li>2. a 2% discount to the Market Price.</li> </ol> <p>The Market Price is determined based on the arithmetic average of the daily volume weighted average price of Shares on the NZX Main Board in the 20 Business Days prior to (but not including) the Conversion Announcement Date, as described in section 5 of this PDS (<i>Key features of the Notes</i>).</p> <p>The Conversion Announcement Date is 5 Business Days before the Conversion Date.</p> <p>The Conversion Price Cap may be adjusted in certain circumstances (see section 5 of this PDS (<i>Key features of the Notes</i>)).</p>



**Cash Election**

Rather than Converting the Notes into Shares, Precinct may elect to instead pay a cash amount to Noteholders at the end of the term. In this case, Noteholders would be paid an amount equal to the Market Price of all the Shares that would have otherwise been issued to them on Conversion of their Notes, so that they receive an equivalent value to those Shares (as determined under the terms of the Notes) and will similarly benefit from any appreciation of the Share price above the Conversion Price Cap prior to the Conversion Date.

See section 5 of this PDS (*Key features of the Notes*) for further information.

Precinct may only make a Cash Election if it meets the Payment Condition in respect of such cash amount.

Precinct will announce whether it intends to make a Cash Election via NZX on or before the Conversion Announcement Date.

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**Interest Rate**

The Notes will pay a fixed rate of interest.

The Interest Rate will be determined by Precinct in conjunction with the Joint Lead Arrangers following a bookbuild, and announced via NZX on or about the Rate Set Date.

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**Interest Payment Dates**

Interest is scheduled to be paid quarterly in arrear on 27 March, 27 June, 27 September and 27 December each year (or if that day is not a Business Day, the next Business Day) until and including the Conversion Date, with the first Interest Payment Date being 27 December 2017.

Interest payments may be suspended in certain circumstances as described below.

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**Interest payments and entitlement**

Regular payments of interest on Interest Payment Dates will be of equal quarterly amounts. Any other payment of interest on the Notes (including the early bird interest and Unpaid Interest discussed below), will be calculated based on the number of days in the relevant period and a 365-day year.

Scheduled interest payments made on each Interest Payment Date will be paid to the person registered as the Noteholder as at the record date immediately preceding the relevant Interest Payment Date.

The record date for interest payments is 5pm on the date that is 10 days before the relevant Interest Payment Date. If the record date falls on a day which is not a Business Day, the record date will be the immediately preceding Business Day.

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**Early bird interest**

You will receive interest calculated on a daily basis at the Interest Rate on application money you paid, in respect of accepted applications, from (and including) the date that application money is received into the bank account for the Offer to (but excluding) the Issue Date. Early bird interest will be paid (less any withholding tax required to be deducted) to you as soon as practicable and, in any event, no later than 5 Business Days after the Issue Date.

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**Interest suspension**

Payments of interest on the Notes will be suspended if Precinct does not meet the Payment Condition.

Unpaid Interest will accumulate and interest will accrue on it at the Interest Rate (compounding on each Interest Payment Date) until paid. No dividend or other return will be made to Shareholders while any interest on the Notes is suspended.

Unpaid Interest is required to be paid no later than 5 Business Days after Precinct meets the Payment Condition. Any Unpaid Interest (including any interest thereon) will be added to the Principal Amount on Conversion.

See section 5 of this PDS (*Key features of the Notes*).

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### 3. TERMS OF THE OFFER *(CONTINUED)*

#### Ranking

On a liquidation of Precinct, each Note (before any Conversion into Shares) will be a subordinated obligation of Precinct, ranking:

- behind all claims on Precinct (including bank borrowing, USPP Notes, Secured Bonds, trade creditors and other unsubordinated debt), except as described below;
- equally with other Notes, and any other subordinated securities that, by their terms, rank equally with the Notes; and
- ahead of Shareholders and holders of other subordinated securities that, by their terms, rank after the Notes.

Shares issued on Conversion will rank equally with all other Shares on issue and behind all other claims on Precinct.

You should also read section 5 of this PDS (*Key features of the Notes*).

#### Early Conversion

Neither you nor any other person has a right to redeem or Convert the Notes prior to the Conversion Date, except for Conversion:

- after an Event of Default;
- at the Noteholders' option after a Compulsory Acquisition Event; or
- at Precinct's option after a Tax Event,

as described in section 5 of this PDS (*Key features of the Notes*).

#### Events of Default

If an Event of Default occurs and is continuing, the Supervisor may in its discretion, and must upon being directed to do so by an Extraordinary Resolution of Noteholders, declare the Notes to be immediately Convertible into Shares.

The Events of Default are set out in clause 9 of the Supplemental Trust Deed (a copy of which is contained on the Disclose Register) and are summarised in section 5 of this PDS (*Key features of the Notes*).

#### Offer Opening Date

5 September 2017.

#### Offer Closing Date

For the Priority Offer, 5pm (New Zealand time) on 19 September 2017.

For the General Offer, 5pm (New Zealand time) on 22 September 2017.

#### Scaling

Precinct may scale applications at its discretion, and may scale preferentially to existing Shareholders.

#### Refunds

If Precinct does not accept your application (whether because of late receipt or otherwise) or accepts it in part, all or the relevant balance of your application money received will be repaid to you as soon as practicable and, in any event, no later than 5 Business Days after the Issue Date. No interest will be paid on refunds.

#### Minimum application amounts

For the Priority Offer, \$1,000.

For the General Offer, \$5,000.

#### How to apply

Application instructions are set out in section 12 of this PDS (*How to apply*).

Precinct reserves the right to refuse all or any part of any application for Notes under the Offer without giving a reason.



**No underwriting**

The Offer is not underwritten.

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**Brokerage**

You are not required to pay brokerage or any other fees or charges to Precinct to purchase the Notes or for the Notes to Convert into Shares. However, you may have to pay brokerage to the firm from whom you receive an allocation of Notes, for the transfer of Notes or, after the issue of Shares on Conversion, for the sale of the Shares.

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**Quotation**

Application has been made to NZX for permission to quote the Notes on the NZX Main Board and all the requirements of NZX relating to that quotation that can be complied with on or before the date of this PDS have been duly complied with. However, the Notes have not yet been approved for trading and NZX accepts no responsibility for any statement in this PDS. NZX is a licensed market operator, and the NZX Main Board is a licensed market, under the FMCA.

NZX ticker code PCTHA has been reserved for the Notes.

Precinct intends to quote any Shares issued on Conversion of Notes on the NZX Main Board.

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**NZX waiver**

NZX has granted Precinct a waiver from NZX Listing Rule 7.12.2, such that Precinct is not required to provide 10 Business Days' notice in respect of routine payments of interest.

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**Further payments, fees or charges**

Taxes may be deducted from interest payments on the Notes. See section 7 of this PDS (*Tax*) for further details.

The Offer is subject to certain selling restrictions and you will be required to indemnify certain people if you breach these. More information on this can be found in section 8 of this PDS (*Selling restrictions*).

You may have to pay brokerage to the firm from whom you receive an allocation of Notes, for the transfer of Notes or, after the issue of Shares on Conversion, for the sale of the Shares, as described above.

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**Governing law**

New Zealand.

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**Trust Documents**

The terms of the Notes and other key terms of the Offer are set out in the Master Trust Deed, as supplemented by the Supplemental Trust Deed. The Supplemental Trust Deed amends the application of the Master Trust Deed to the Notes as subordinated obligations, including disapplying certain provisions set out in the Master Trust Deed (such as the loan to value ratio, negative pledge and guarantees) and amending or replacing others (including those relating to ranking, redemption and events of default).

You should read these documents. Copies may be obtained from the Disclose Register at [www.companiesoffice.govt.nz/disclose](http://www.companiesoffice.govt.nz/disclose).

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**Supervisor**

The New Zealand Guardian Trust Company Limited.

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**Registrar**

Computershare Investor Services Limited.

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## 4. PURPOSE OF THE OFFER

The proceeds of the Offer (net of issue costs) are to be used to repay existing bank debt, providing Precinct with flexibility and additional debt capacity to fund its future development pipeline and any other opportunities as they may arise. This will not change, irrespective of the total amount that is raised.

The Offer is not underwritten and is not conditional on raising a minimum amount.



## 5. KEY FEATURES OF THE NOTES

A number of key features of the Notes are described in section 3 of this PDS (*Terms of the Offer*). The other key features of the Notes are described below.

The Trust Documents will not apply to any Shares issued following Conversion of a Note.

### THE SUPERVISOR

The Supervisor is appointed to act as supervisor and trustee for the Noteholders on the terms contained in the Trust Documents.

You can only enforce your rights under the Notes through the Supervisor (although you can enforce your rights under the Notes against Precinct directly if the Supervisor is obliged to enforce, but has failed to do so).

### RANKING

#### Ranking on liquidation

On a liquidation of Precinct each Note (before any Conversion into Shares) will be a subordinated obligation of Precinct, ranking:

- behind all claims on Precinct (including bank borrowing, USPP Notes, Secured Bonds, trade creditors and other unsubordinated debt), except as described below;
- equally with other Notes, and any other subordinated securities that, by their terms, rank equally with the Notes; and
- ahead of Shareholders and holders of other subordinated securities that, by their terms, rank after the Notes.

Shares issued on Conversion of Notes will rank equally with all other Shares on issue and behind all other claims on Precinct.

The below diagram summarises the ranking of the Notes and the Shares on a liquidation of Precinct. In the event of a liquidation of Precinct, the actual priority amounts may differ.

Ranking	Ranking on Liquidation	Type of Liability/Equity	Amount <sup>1</sup>
Higher ▲	Liabilities that rank in priority to the Notes	These liabilities comprise: <ul style="list-style-type: none"> <li>• Liabilities preferred by law (for example, Inland Revenue and employee entitlements).</li> <li>• Secured liabilities, including Precinct's bank borrowing, USPP Notes and Secured Bonds.</li> <li>• Unsubordinated liabilities not referred to above (e.g. trade and general creditors).</li> </ul>	\$426.8 million
▼	Liabilities that rank equally with the Notes (including the Notes)	<b>Notes</b> Other subordinated liabilities that rank equally with the Notes	<b>\$150.0 million<sup>2</sup></b> NIL
Lower	Equity	Shares, reserves and retained earnings.	\$1,505.6 million

<sup>1</sup> Amounts shown above are indicative. They are based on the financial position of Precinct as at 30 June 2017, and are adjusted to reflect the changes in the value of assets and liabilities that Precinct reasonably expects to result from the issue of the Notes. Amounts are subject to rounding adjustments.

<sup>2</sup> For the purposes of these calculations an issue size of \$150 million of Notes has been assumed. If the issue size is less than \$150 million, less bank debt would be repaid from the issuance of the Notes. This would mean that the liabilities that rank in priority to the Notes would accordingly be higher than what is shown above.

#### Further Borrowing and Security

After the issue of the Notes, the Precinct Group may (without the consent of Noteholders) borrow money or otherwise incur liabilities from time to time that:

- rank equally with the Notes on a liquidation of Precinct. This may include, for example, further subordinated notes issued by Precinct; or
- rank in priority to the Notes on a liquidation of Precinct. This may include, for example, unsecured and unsubordinated liabilities of the Precinct Group, bank borrowing, USPP Notes, Secured Bonds and other secured liabilities, and liabilities preferred by law.

#### Restrictions on Borrowing

The terms of the Notes do not limit the ability of the Precinct Group to borrow further money.

However, certain terms contained in the Precinct Group's other funding documents do limit its ability to borrow (although you do not have the benefit of these, and they may be amended or waived by the relevant lenders):

- Precinct's Bank Facility Agreement and the USPP Notes each contains:
  - An "interest coverage" ratio. Under each of these provisions (as relevant), Precinct agrees to ensure that at the end of each financial year and half year the ratio of EBIT to interest expense of the Precinct Group for the 12 months then ending shall not be less than 1.75 times (increasing to 2.0 times for periods ending after 31 December 2019).

## 5. KEY FEATURES OF THE NOTES (CONTINUED)

For this purpose, "EBIT" is profit before income tax and interest expense (but adjusted to exclude certain gains or losses, including those resulting from fair value adjustments on assets and those derived from sales of assets or investments).

- A "gearing" ratio. Under each of these provisions, Precinct agrees to ensure that the ratio of total liabilities to total tangible assets (in each case with certain adjustments) of the Precinct Group must not be more than 50%.

Interest on the Notes is included as an interest expense for the purpose of the above interest coverage ratios, but the Notes are excluded from total liabilities in the above gearing ratios.

- In addition, the Bank Facility Agreement, the USPP Notes and the Secured Bonds are all secured via the Security Trust Deed and each contains a "loan to value" ratio. Under each of these provisions, Precinct agrees to ensure that the ratio of the total principal amount of all outstanding borrowed money secured by certain mortgages in favour of the security trustee to the total value of the properties subject to those mortgages is not more than 50%. As unsecured obligations, the Notes do not affect this loan to value ratio.

### CONDITION TO PAYMENTS ON THE NOTES

Payments of interest on the Notes, and Precinct's ability to make a Cash Election on Conversion, are subject to the Payment Condition, as described further below.

In respect of any payment, Precinct will meet the **Payment Condition** if:

- Precinct is not, and would not be immediately after such payment, insolvent; and
- no event of default (howsoever described) is continuing, or will occur as a result of such payment, in respect of any borrowed money of Precinct.

For this purpose, Precinct is "insolvent" if it does not satisfy the solvency test in section 4 of the Companies Act 1993. This solvency test requires that:

- Precinct is able to pay its debts as they become due in the normal course of business; and
- the value of Precinct's assets is greater than the value of its liabilities, including contingent liabilities.

The Payment Condition does not restrict Precinct from issuing Shares on Conversion of the Notes.

### CONVERSION

#### Conversion into Shares

On the Conversion Date, all outstanding Notes will be Converted into Shares, subject to a Cash Election.

Shares issued on Conversion will rank equally with, and be of the same class as, Precinct's existing Shares, which are quoted on the NZX Main Board (NZX: PCT).

The number of Shares into which each holding of Notes Converts on the Conversion Date will be determined by the following formula:

$$\text{Number of shares} = \frac{\text{Principal Amount of the Notes} + \text{Unpaid Interest (and any interest thereon)}}{\text{Conversion Price}}$$

The Conversion Price is the lesser of:

1. the Conversion Price Cap of \$1.40 and
2. a 2% discount to the Market Price (referred to below as the discounted approach).

The Market Price is based on the arithmetic average of the daily volume weighted average price of Shares traded through the NZX Main Board on each Business Day during the period of 20 Business Days prior to (but not including) the Conversion Announcement Date. Further details on the calculation of Market Price on any Business Day are set out in the Trust Documents.

If the total number of Shares to be issued to you includes a fraction of a Share, that fraction will be rounded down to the nearest whole number.

The Conversion Price Cap results in Noteholders benefitting from any increase in the Share price above \$1.40 prior to the Conversion Date (subject to any adjustment of the Conversion Price Cap as described below). If the discounted approach is used, Noteholders will get approximately \$1.02 for every \$1.00 invested. The Conversion Price is based on the arithmetic average of the volume weighted average price calculated over a 20 Business Day period so may not be the same as the price of the Shares on the Conversion Date.

Precinct will announce the final Conversion Price via NZX on the Conversion Announcement Date.

Precinct may issue further Shares from time to time before the Conversion Date, which may negatively affect the Share price. This may reduce the value Noteholders receive on Conversion (but subject to the minimum provided by the discounted approach). As described below, the Conversion Price Cap can be adjusted from time to time.

The following table illustrates the number of Shares to be issued on Conversion and the value provided at a range of possible Share prices. The examples are for illustrative purposes only. The figures in the examples are not forward looking statements and do not indicate, guarantee or forecast future Share prices.

### ILLUSTRATION OF THE VALUE OF SHARES / CASH RECEIVED

Example Market Price <sup>1</sup>	Conversion Price <sup>2</sup>	Principal Amount of Notes to be Converted <sup>3</sup>	Conversion Number <sup>4</sup>	Value of Shares received <sup>5</sup>	Cash amount to be paid if Cash Election selected <sup>6</sup>
\$1.25	\$1.225	\$10,000	8,163	\$10,203.75	\$10,203.75
\$1.30	\$1.274	\$10,000	7,849	\$10,203.70	\$10,203.70
\$1.35	\$1.323	\$10,000	7,558	\$10,203.30	\$10,203.30
\$1.40	\$1.372	\$10,000	7,288	\$10,203.20	\$10,203.20
\$1.45	\$1.400	\$10,000	7,142	\$10,355.90	\$10,355.90
\$1.50	\$1.400	\$10,000	7,142	\$10,713.00	\$10,713.00

1 The actual Market Price on the Conversion Announcement Date could be above or below the illustrative range provided.

2 The Conversion Price will be the lower of \$1.40 and a 2% discount to the Market Price as described above. These examples assume that there has been no adjustment to the Conversion Price Cap.

3 These examples assume that there is no Unpaid Interest.

4 Fractions of Shares arising on the Conversion of the Notes are disregarded.

5 The value of Shares received assumes no change between the Market Price used in the calculation of the Conversion Price and the Share price following Conversion, and ignores transaction costs and any impact on the Share price caused by the potential dilution that may occur given the additional Shares created by Conversion. Amounts are rounded to the nearest cent.

6 The cash amount is calculated by multiplying the Market Price by the Conversion Number.



■ Excess value of Shares/cash received over and above Principal Amount    ..... Principal Amount of Notes    — Value of Shares/Cash received

### Adjustments to Conversion Price

The Conversion Price Cap will be adjusted to ensure Noteholders are not adversely impacted by any dilution if, prior to the Conversion Date:

- **Bonus issues:** Precinct issues any Shares or other instruments to its Shareholders as a class by way of capitalisation of profits, reserves or otherwise; or
- **Rights issues:** Precinct issues or grants any rights to subscribe for, purchase or otherwise acquire Shares or other instruments to its Shareholders as a class; or
- **Divisions etc:** there is a division, consolidation or reclassification of Shares.

Precinct and the Supervisor shall agree on any such adjustment and if they are unable to agree, Precinct will appoint an independent financial adviser, approved by the Supervisor, to make the determination.

## 5. KEY FEATURES OF THE NOTES *(CONTINUED)*

However, no adjustments will be made in respect of any actions pursuant to a dividend reinvestment plan, share purchase plan or for any placement undertaken in accordance with the Listing Rules (including any further issuances of convertible notes), or other transactions which may affect the price of the Shares (including, for example, any return of capital, buy back or cash dividend paid by Precinct).

### **Cash Election**

Rather than Converting the Notes into Shares, Precinct may elect to instead pay a cash amount in respect of all (but not some only) of the Notes determined by the following formula for each Noteholder:

$$\text{Cash amount} = \text{Conversion Number} \times \text{Market Price}$$

where the Conversion Number is the number of Shares that would be (in the absence of a Cash Election) issued on Conversion of that Noteholder's holding of Notes.

In effect, Noteholders would receive an equivalent value to those Shares (as determined under the terms of the Notes) and as such will similarly benefit from any appreciation of the Share price above the Conversion Price Cap prior to the Conversion Date.

Precinct is only permitted to make a Cash Election if it meets the Payment Condition as described above.

Precinct will inform Noteholders whether it intends to make a Cash Election (subject to meeting the Payment Condition on the Conversion Date) by announcement to NZX on or before the Conversion Announcement Date.

If Precinct announces an intention to make a Cash Election but does not, on the Conversion Date, meet the Payment Condition then Precinct will Convert the Notes into Shares as set out above.

### **Conversion Price for early Conversion**

If the Notes become Convertible prior to the Conversion Date due to an Event of Default, a Compulsory Acquisition Event or a Tax Event (as described below), then Conversion will occur in substantially the same manner as described above in respect of Conversion on the Conversion Date. However, in accordance with the Supplemental Trust Deed:

- In the case of an Event of Default or Tax Event, the Market Price shall instead be calculated over the period of 20 Business Days ending (but not including) 5 Business Days prior to the date of such early Conversion.
- In the case of a Compulsory Acquisition Event, the Market Price shall be deemed to be the price offered for each Share in the relevant Compulsory Acquisition Event.

The Cash Election does not apply to any Conversion before the Conversion Date.

### **Shares may be issued to a nominee instead of you**

If any of your Notes are Converted into Shares, those Shares may be issued to a nominee instead of you if you are not, or Precinct believes you may not be, a New Zealand resident at the time of Conversion and Precinct determines in its absolute discretion, that the laws of your country of residence are unduly onerous to permit the issue of Shares to you on Conversion (or you otherwise request Precinct to do so, by notice in writing at least 5 Business Days before the date of Conversion, or do not provide such information as may be required to issue the Shares to you). If this occurs, the nominee will sell those Shares and pay you the proceeds less the sale charges.

## **SUSPENSION OF INTEREST PAYMENTS**

Payments of interest on the Notes will be suspended if Precinct does not satisfy the Payment Condition on the relevant Interest Payment Date.

Any such Unpaid Interest will remain outstanding and will accumulate. Interest will accrue on Unpaid Interest at the Interest Rate (compounding on each Interest Payment Date) until paid.

No dividend or other return will be made to Shareholders while any interest on the Notes is due but unpaid.

Unpaid Interest (and any interest thereon) is required to be paid no later than 5 Business Days after Precinct satisfies the Payment Condition (which does not need to be an Interest Payment Date). No Event of Default arises if Precinct fails to pay Unpaid Interest before such date.

If there is any Unpaid Interest at the time of Conversion of a Note, that Unpaid Interest (and any interest thereon) will be taken into account when determining the number of Shares to be issued. See further under the heading "Conversion" above.

## **EVENTS OF DEFAULT**

The Events of Default include:

- a failure by Precinct to pay the cash amount due for the Notes on the Conversion Date if a Cash Election is made;
- a failure by Precinct to make any other payment on the Notes that continues for 10 Business Days after the due date (other than Unpaid Interest);



- a breach by Precinct of a material undertaking in the Trust Documents that (if capable of remedy) is not remedied within 30 days after Precinct becomes aware of such default and that has or is likely to have (in the reasonable opinion of the Supervisor) a material adverse effect (as defined in the Trust Documents); or
- Precinct becoming insolvent.

This summary does not cover all Events of Default. For full details of the Events of Default, see clause 9 of the Supplemental Trust Deed. The events of default set out in clause 11.1 of the Master Trust Deed do not apply to the Notes as subordinated obligations.

If an Event of Default occurs, the Supervisor may in its discretion, and must upon being directed to do so by an Extraordinary Resolution of Noteholders, declare the Notes to be immediately Convertible into Shares.

### COMPULSORY ACQUISITION EVENT

Noteholders may choose to Convert their Notes before the Conversion Date if any person (or persons acting jointly or in concert) become bound, or become entitled and elect, to compulsorily acquire Shares held by minority Shareholders, whether following a takeover offer, a scheme of arrangement or otherwise (a **Compulsory Acquisition Event**).

If a Compulsory Acquisition Event occurs, Precinct will announce this via the NZX (an **Early Conversion Notice**) and each Noteholder may elect to Convert all (but not some only) of its Notes by notice to Precinct or the Registrar on its behalf.

In the Early Conversion Notice, Precinct will set:

- the last date on which Noteholders may make an election to Convert their Notes, which must be at least 14 days after the date of the Early Conversion Notice; and
- the date of Conversion of such Notes, which must be no more than 21 days after the date of the Early Conversion Notice.

A scheme of arrangement interposing a company between Precinct and its existing Shareholders (such as a non-operating holding company) will not be a Compulsory Acquisition Event provided that the Notes become convertible into Shares in that company and various other requirements are met as set out in clause 10 of the Supplemental Trust Deed.

### TAX EVENT

Precinct may choose to Convert all (but not some only) of the Notes before the Conversion Date if a Tax Event has occurred and is continuing.

Broadly, a Tax Event will occur if there has been, or there will be, a change in New Zealand law applying after the Issue Date, as a result of which:

- any interest payable on the Notes is not, or will not be, allowed as a deduction for the purposes of New Zealand income tax; or
- Precinct would be, or is likely to be, exposed to any other adverse tax consequence in relation to any Notes,

provided such event is not minor and Precinct did not expect such event on the Issue Date.

If Precinct chooses to Convert the Notes in these circumstances, it will announce this via NZX together with the date set for Conversion (which must be at least 30 days and not more than 60 days after such announcement).

If the Notes Convert into Shares prior to the Conversion Date, interest will be calculated to the date of Conversion based on the number of days since the last Interest Payment Date and a 365-day year.

### OTHER RELEVANT INFORMATION ABOUT THE TRUST DOCUMENTS

The Trust Documents also contains a number of standard terms, including relating to:

- The role of the Supervisor, and the powers and duties of the Supervisor.
  - The right of the Supervisor to be indemnified.
  - The payment of fees, expenses and other amounts owing to the Supervisor (including that amounts owing to the Supervisor are, on a default, paid from the proceeds of enforcement before payments to Noteholders).
  - Holding meetings of Noteholders.
  - The process for amending the Trust Documents, including amendments that may be made without the consent of Noteholders. Any amendment to the Trust Documents will be binding on all Noteholders. You should read clause 20 of the Master Trust Deed for further information.
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## 6. RISKS OF INVESTING

### INTRODUCTION

This section 6 describes the following potential key risk factors:

- general risks associated with an investment in the Notes and the Shares; and
- specific risks relating to Precinct's creditworthiness.

Key risks outlined in this section are based on an assessment of the probability of a risk occurring and its potential impact (individually or in combination with other key risks) at the date of this PDS. There is no guarantee or assurance that key risks will not change, alter in their significance or that other risks will not emerge.

Investors should carefully consider these risk factors (together with the other information in this PDS) before deciding to invest in the Notes.

Before making any investment decision it is important that investors consider the suitability of an investment in the Notes in light of their own individual risk profile for investments, investment objectives and personal circumstances (including financial and taxation issues). The risks described in this section do not take account of the personal circumstances, financial position or investment requirements of any particular person other than Precinct.

### GENERAL RISKS

An investment in the Notes is subject to the following general risks.

#### **Credit risk on Precinct**

The principal risk of Noteholders not being able to recover their full principal investment is that Precinct encounters severe financial difficulty or becomes insolvent. In that case Precinct may be unable to meet its obligations under the Notes or satisfy the Payment Condition. If Precinct suspends interest payments in accordance with the terms of the Notes you will not be able to take any action against Precinct, unless an Event of Default subsequently occurs. See section 5 of this PDS (*Key features of the Notes*).

#### **Secondary market risk**

Precinct intends to quote the Notes on the NZX Main Board, which means Noteholders may be able to sell them on the NZX Main Board before the Conversion Date. However there may be no active trading market and an investment in Notes may not be very liquid. You may be unable to find a buyer, or the price at which you are able to sell the Notes may be less than the amount you paid for them.

The price (if any) at which you may be able to sell Notes may also be affected by factors related to the creditworthiness of Precinct, movements in the market price of the Shares, and market-related factors such as movements in market interest rates. For example, if market interest rates go up, the market value of the Notes would typically be expected to go down and vice versa.

The subordination of the Notes, Conversion and possibility of interest payment suspension may also increase the volatility of the market price of the Notes, and they may be more sensitive

generally to adverse changes in Precinct's financial condition, than other debt securities.

#### **Risk relating to Conversion of Notes**

The risks in respect of your investment will change significantly on any Conversion of the Notes into Shares. For instance:

- as a Shareholder, you may receive a return only if dividends are paid on the Shares, or if the Shares increase in value and you are able to sell them at a higher price than you paid for your Notes. Dividends on Shares are payable at the absolute discretion of Precinct and the amount of each dividend is discretionary. Precinct's current dividend policy is available at [www.precinct.co.nz/frequentlyaskedquestions](http://www.precinct.co.nz/frequentlyaskedquestions);
- the price of the Shares may go up or down at any time, and may be more volatile than the market price of the Notes or other debt securities. There is no certainty as to the future value of the Shares;
- you may lose some or all of your investment in the Shares. For example, this could occur if one or more of the specific risks relating to Precinct's creditworthiness occur; and
- in a winding up of Precinct, claims of Shareholders rank behind claims of holders of all other securities (including any preference shares) and debts of Precinct. You will only be paid after all creditors and, if applicable, holders of preference shares have been paid.

Unless and until Noteholders receive Shares upon Conversion of the Notes, they will have no rights with respect to the Shares, including any voting rights or rights to receive any regular dividends or other distributions with respect to the Shares. Upon Conversion, Noteholders will be entitled to exercise the rights of Shareholders only as to actions for which the applicable record date occurs after the date of Conversion.

### SPECIFIC RISKS RELATING TO THE PRECINCT GROUP

Precinct considers that the circumstances which could significantly affect, either individually or in combination, the Precinct Group's future financial position and financial performance, and therefore significantly increase the risk that Precinct may default on its obligations under the Notes or impact the value of Shares issued on Conversion are as follows.

#### **Property development risks**

The Precinct Group is involved in several very large scale, high profile development projects, including Commercial Bay in the Auckland CBD and Bowen Campus in the Wellington CBD, as well as ongoing maintenance and upgrades to several of its existing properties, and is likely to be involved in further such projects in the future. As at 30 June 2017, development properties comprise approximately 24.9% of the Precinct Group's property portfolio by valuation. Precinct has also provided an update on the Precinct Group's property development activities as part of its FY2017 annual results. These are available at [www.precinct.co.nz/annual-report-2017](http://www.precinct.co.nz/annual-report-2017).

Property development faces a number of risks which may be difficult to effectively manage, including delays due to labour and supply shortages, construction difficulty and inclement

weather, the existence of liabilities (such as asbestos and other hazardous materials) and health and safety issues. The nature of property development means that some cost overruns are a material possibility, and the large scale of the Precinct Group's developments (discussed above) increases the risks that cost overruns could be significant. For example, Commercial Bay has an expected total project cost as at 30 June 2017 of approximately \$685 million (up from \$681 million on commencement). A relatively small percentage increase in such expected cost may have a material impact on the Precinct Group's cash flows and returns. The Precinct Group also relies on third party contractors to undertake construction on its behalf, and is reliant on them completing their contractual obligations. Delays in construction and tenancing, as well as other related issues, may have financial and reputational impacts which in turn can adversely affect returns on properties. The Precinct Group seeks to mitigate such risks where practical through contractual provisions and by maintaining its own team of development managers, project managers and quantity surveyors to monitor key projects and identify and address any issues arising.

#### **Funding covenant compliance risk**

As a real estate specialist, the Precinct Group has a high degree of dependency on external funding sources. Such funding often requires compliance with financial covenants, breach of which may have a significant impact on the Precinct Group's ability to obtain sufficient funding. If any of the risks described above occur and are sustained and significant, the Precinct Group could be put at risk of breaching such covenants. The Precinct Group may in turn be forced to sell properties to reduce its debt, and its financial condition may be significantly negatively affected.

The Precinct Group manages this risk by forecasting covenant impacts of transactions before approval (with material transactions considered at Board level), and maintaining a moderate level of debt with headroom under such covenants in the ordinary course of business. The key covenants Precinct is subject to are set out on pages 15 and 16 of this PDS. As at the date of this PDS, Precinct's "loan to value" ratio was 25.1% and its "interest coverage" ratio was 3.9 times. Precinct's FY2017 annual results (available at [www.precinct.co.nz/annual-report-2017](http://www.precinct.co.nz/annual-report-2017)) provide further information about Precinct's external funding sources.

#### **Changes affecting the valuation and income of the Precinct Group's property portfolio**

The Precinct Group's returns are highly dependent on the rental income generated from its property investment assets, which is the Precinct Group's primary source of income, and the expenses incurred in the operation, management and maintenance of those properties.

- Returns may be affected by changes in property market conditions arising as a result of changes in economic and credit conditions, changes in business conditions leading to tenant defaults, obsolescence of existing buildings over time, and the cyclical nature of property markets generally. Reductions in the returns from a property resulting from any of

these factors could materially negatively impact the Precinct Group's financial performance, and would also be expected to adversely affect the value of that property, and therefore the Precinct Group's net worth. As a recent example of the effects of tenancy concerns, the issues with Deloitte House following the November 2016 Kaikoura earthquake (discussed below) have resulted in office occupiers choosing (as at the date of this PDS) not to re-occupy their premises. Revenue at Deloitte House for the financial year ending 30 June 2017 was approximately \$1.1 million, compared with approximately \$3.4 million in the previous financial year. Any changes in market conditions would be expected to impact the Precinct Group's wider portfolio rather than being isolated to a single property, and may have significantly stronger impacts. These risks are mitigated generally by the low concentration of the Precinct Group's client base as at the date of this PDS, and the Precinct Group's strategy of investing in premium and A-Grade buildings which is expected to favour high quality clients. The Precinct Group also seeks to maintain strong client relationships with regular communication to minimise any client disruption.

- Changes in regulation, as well as earthquakes and other natural disasters in the areas in which the Precinct Group operates (in central Auckland and central Wellington), may also decrease demand for properties that Precinct owns or increase costs to maintain, repair and upgrade them. This risk is increased by the Precinct Group's relative concentration of assets in those areas, which means that a natural disaster affecting Auckland or Wellington may affect a large percentage of the Precinct Group's portfolio. For example, the Precinct Group's portfolio is split between Auckland (approximately 72%) and Wellington (approximately 28%). Wellington in particular has been affected by recent earthquakes, and the Precinct Group has since spent considerable time and resources to review its buildings following those earthquakes. A review of Deloitte House in Wellington following the November 2016 Kaikoura earthquake revealed structural issues, which resulted in a value write down of \$26.1 million, to a carrying value of \$20.2 million. If another natural disaster occurred that was centred in the Wellington or Auckland CBD's, a significant portion of the Precinct Group's properties could be impacted. Any changes in building standard requirements following natural disasters could also require material expenditure to upgrade existing buildings in those areas and impact on Precinct more than other commercial landlords.

In the context of a natural disaster, the Precinct Group maintains insurance cover for material damage to its properties and for business interruption, which would mitigate some of the impact of any such event. However, insurance may become more difficult or expensive to obtain, which may limit the Precinct Group's ability to adequately manage such risks. The time it takes to assess damage to properties after a natural disaster, and process insurance claims, can also lead to periods of significant uncertainty for the Precinct Group and its tenants. This may adversely affect the Precinct

## 6. RISKS OF INVESTING *(CONTINUED)*

Group's business, particularly in any event which may affect a number of the Precinct Group's properties.



## 7. TAX

Taxes may affect your returns. The information set out below does not constitute taxation advice to any Noteholder, is general in nature and limited to consideration of New Zealand taxation impacts only.

### RESIDENT WITHHOLDING TAX

If you are resident in New Zealand for tax purposes or you otherwise receive payments of interest on the Notes that are subject to the resident withholding tax (**RWT**) rules, Precinct will deduct RWT at the relevant rate from interest paid or credited to the Noteholder unless the Noteholder provides to Precinct or the Registrar a valid certificate of exemption from RWT on or before the record date for the relevant payment.

### APPROVED ISSUER LEVY

If you are not a resident of New Zealand for tax purposes and the interest you receive is subject to the non-resident withholding tax (**NRWT**) rules, Precinct will deduct approved issuer levy (**AIL**) in lieu of deducting NRWT, unless you elect for NRWT to be deducted or AIL is not applicable under the law.

Precinct will apply a zero rate of AIL, if possible. Otherwise, AIL will be deducted at the standard rate of 2% from the interest payment. If the AIL regime or rate changes in the future, Precinct reserves the right not to deduct AIL.

### INDEMNITY

If, in respect of any of your Notes, Precinct becomes liable to make any payment of, or on account of, tax payable by you, then you will be required to indemnify Precinct in respect of such liability. Any amounts paid by Precinct in relation to any such liability may be recovered from you by withholding the amount from further payments to you in respect of Notes. See the Trust Documents for further details.

### GENERAL

If the 2% discount or any gain that might arise on Conversion (or Cash Election) relates to the debt component of the Notes, it is required to be included as taxable income in the base price adjustment under New Zealand's "financial arrangements" rules. However, Precinct does not intend on taking a deduction for the discount or any loss and therefore expects that the discount and any gain to Noteholders should not need to be recognised as taxable income. Taxation advice should be sought by Noteholders as to the appropriate treatment.

There may be other tax consequences from acquiring or disposing of the Notes (or any Shares issued on Conversion), and otherwise from the maturity, Conversion or cash settlement of the Notes, including under New Zealand's "financial arrangements" rules.

If you have any queries relating to the tax consequences of the investment, you should obtain professional taxation advice on those consequences.

## 8. SELLING RESTRICTIONS

### General

You may only offer for sale or sell any Note in conformity with all applicable laws and regulations in any jurisdiction in which it is offered, sold or delivered.

Precinct has not taken and will not take any action which would permit a public offering of Notes, or possession or distribution of any offering material in respect of the Notes, in any country or jurisdiction where action for that purpose is required (other than New Zealand).

Any information memorandum, disclosure statement, circular, advertisement or other offering material in respect of the Notes may only be published, delivered or distributed in compliance with all applicable laws and regulations (including those of the country or jurisdiction in which the material is published, delivered or distributed).

Set out below are specific selling restrictions that apply to an offer of the Notes in Australia, Hong Kong, Singapore and Japan. These selling restrictions do not apply to an offer of the Notes in New Zealand.

By subscribing for or otherwise acquiring any Notes, you agree to indemnify, among others, Precinct and the Supervisor for any loss suffered as a result of any breach by you of the selling restrictions referred to in this section.

### Australia

This PDS and the Offer are only made available in Australia to persons to whom an offer of securities can be made without disclosure in accordance with any of the applicable exemptions in sections 708 of the Australian Corporations Act 2001 (referred to in this section as the **Corporations Act**), who are also "wholesale clients" for the purposes of section 761G of the Corporations Act. This PDS is not a prospectus, product disclosure statement or any other "disclosure document" for the purposes of the Corporations Act and is not required to, and does not, contain all the information which would be required in a "disclosure document" prepared in accordance with the requirements of the Corporations Act. This PDS has not been and will not be lodged or registered with the Australian Securities and Investments Commission or the Australian Securities Exchange, or any other regulatory body or agency in Australia.

Prospective investors should not construe anything in this PDS as legal, business or tax advice nor as financial product advice for the purposes of Chapter 7 of the Corporations Act.

Prospective investors should be aware that there may be restrictions on the sale of Notes in Australia within 12 months from the date of their issue under section 707(3) and section 1012C(6) of the Corporations Act.

### Hong Kong

**WARNING:** This PDS has not been, and will not be, registered as a prospectus under the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong, nor has it been authorised by the Securities and Futures Commission in Hong Kong pursuant to the Securities and Futures Ordinance (Cap. 571) of the Laws of Hong Kong (referred to in this section as the **SFO**). No action has been taken in Hong Kong to authorise

or register this PDS or to permit the distribution of this PDS or any documents issued in connection with it. Accordingly, the Notes have not been and will not be offered or sold in Hong Kong other than to "professional investors" (as defined in the SFO).

No advertisement, invitation or document relating to the Notes has been or will be issued, or has been or will be in the possession of any person for the purpose of issue, in Hong Kong or elsewhere that is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes that are or are intended to be disposed of only to persons outside Hong Kong or only to professional investors (as defined in the SFO and any rules made under that ordinance). No person allotted Notes may sell, or offer to sell, such securities in circumstances that amount to an offer to the public in Hong Kong within six months following the date of issue of such securities.

The contents of this PDS have not been reviewed by any Hong Kong regulatory authority. You are advised to exercise caution in relation to the offer. If you are in doubt about any contents of this PDS, you should obtain independent professional advice.

### Singapore

This PDS and any other materials relating to the Notes have not been, and will not be, lodged or registered as a prospectus in Singapore with the Monetary Authority of Singapore.

Accordingly, this PDS and any other document or materials in connection with the offer or sale, or invitation for subscription or purchase, of Notes, may not be issued, circulated or distributed, nor may the Notes be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore except pursuant to and in accordance with exemptions in Subdivision (4) Division 1, Part XIII of the Securities and Futures Act, Chapter 289 of Singapore (referred to in this section as the **SFA**), or as otherwise pursuant to, and in accordance with the conditions of any other applicable provisions of the SFA.

This PDS has been given to you on the basis that you are (i) an "institutional investor" (as defined in the SFA) or (ii) a "relevant person" (as defined in section 275(2) of the SFA). In the event that you are not an investor falling within any of the categories set out above, please return this PDS immediately. You may not forward or circulate this PDS to any other person in Singapore.

Any offer is not made to you with a view to the Notes being subsequently offered for sale to any other party. There are on-sale restrictions in Singapore that may be applicable to investors who acquire Notes. As such, investors are advised to acquaint themselves with the SFA provisions relating to resale restrictions in Singapore and comply accordingly.

### Japan

The Notes have not been and will not be registered under Article 4, paragraph 1 of the Financial Instruments and Exchange Law of Japan (Law No. 25 of 1948), as amended (referred to in this section as the **FIEL**) pursuant to an exemption from the registration requirements applicable to a private placement of securities to Qualified Institutional Investors (as defined in and in

accordance with Article 2, paragraph 3 of the FIEL and the regulations promulgated thereunder). Accordingly, the Notes may not be offered or sold, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan other than Qualified Institutional Investors. Any Qualified Institutional Investor who acquires Notes may not resell them to any person in Japan that is not a Qualified Institutional Investor, and acquisition by any such person of Notes is conditional upon the execution of an agreement to that effect.

## 9. WHO IS INVOLVED?

	Name	Role
Issuer	Precinct Properties New Zealand Limited	Issuer of the Notes.
Supervisor	The New Zealand Guardian Trust Company Limited	Holds certain covenants on trust for the benefit of the Noteholders, including the right to enforce Precinct's obligations under the Notes.
Joint Lead Arrangers	First NZ Capital Securities Limited and Forsyth Barr Limited	Provide assistance to Precinct in arranging the Offer, assist with the marketing and distribution of the Offer.
Joint Lead Managers	First NZ Capital Securities Limited, Forsyth Barr Limited, ANZ Bank New Zealand Limited and Deutsche Craigs Limited	Assist with the marketing and distribution of the Offer.
Registrar	Computershare Investor Services Limited	Maintains the register of Noteholders.
Solicitors to Issuer	Chapman Tripp	Provides legal advice to Precinct in respect of the Offer.
Solicitors to Supervisor	MinterEllisonRuddWatts	Provides legal advice to the Supervisor in respect of the Offer.

### ROLE OF THE JOINT LEAD ARRANGERS AND JOINT LEAD MANAGERS

This PDS does not constitute a recommendation by any Joint Lead Arranger, any Joint Lead Manager, or any of their respective directors, officers, employees, agents or advisers to purchase any Notes.

The role of the Joint Lead Arrangers in relation to the Offer is solely to provide professional assistance to Precinct with arranging the Offer and assisting with quotation of the Notes. The Joint Lead Managers will assist with the marketing and distribution of the Notes. The Joint Lead Arrangers and Joint Lead Managers are otherwise not involved in the Offer.

The Joint Lead Arrangers have participated in the due diligence process for the Offer undertaken by Precinct, but neither they, nor the other Joint Lead Managers, nor their respective directors, employees, agents and advisers have independently verified the content of the PDS.

You must make your own independent investigation and assessment of the financial condition and affairs of Precinct before deciding whether or not to invest in the Notes.



## 10. HOW TO COMPLAIN

Complaints about the Notes can be directed to:

**Precinct**, in the first instance, at

Investor Relations Advisor  
Precinct Properties New Zealand Limited  
Level 12  
188 Quay Street  
Auckland 1010  
New Zealand  
Telephone: +64 9 222 0070  
Email: [hello@precinct.co.nz](mailto:hello@precinct.co.nz)

**The Supervisor** at

Manager, Corporate Trusts  
The New Zealand Guardian Trust Company Limited  
Level 6  
191 Queen Street  
Auckland  
Telephone: + 64 9 909 5100  
Facsimile: +64 9 969 3732  
Email: [ct-auckland@nzgt.co.nz](mailto:ct-auckland@nzgt.co.nz)

The Supervisor is a member of an external, independent dispute resolution scheme operated by Financial Services Complaints Limited (**FSCL**) and approved by the Ministry of Consumer Affairs. If the Supervisor has not been able to resolve your issue, you can refer the matter to FSCL by emailing [info@fscl.org.nz](mailto:info@fscl.org.nz), or calling FSCL on 0800 347 257, or by contacting the Complaint Investigation Officer, Financial Services Complaints Limited, Level 12, 45 Johnston Street, Wellington 6145.

The scheme will not charge a fee to any complainant to investigate or resolve a complaint.

Complaints may also be made to the Financial Markets Authority through their website [www.fma.govt.nz](http://www.fma.govt.nz).

## 11. WHERE YOU CAN FIND MORE INFORMATION

Further information relating to Precinct and the Notes is available on the online offer register maintained by the Companies Office known as 'Disclose'. The Disclose Register can be accessed at [www.companiesoffice.govt.nz/disclose](http://www.companiesoffice.govt.nz/disclose).

A copy of the information on the Disclose Register is also available on request to the Registrar of Financial Service Providers at [registrar@fspr.govt.nz](mailto:registrar@fspr.govt.nz). The information contained on the Disclose Register includes copies of the Trust Documents.

Precinct is subject to a disclosure obligation in relation to its Shares that requires it to notify certain material information to the NZX for the purpose of that information being made available to participants in the market. Precinct's page on the NZX website, which includes information made available under the disclosure obligations referred to above, can be found at [www.nzx.com/companies/PCT](http://www.nzx.com/companies/PCT).

## 12. HOW TO APPLY

### PRIORITY OFFER

If you are a New Zealand Retail Shareholder you may apply for Notes in the Priority Offer. Precinct may, in its absolute discretion, determine whether any application is eligible under the Priority Offer.

If you are a New Zealand Retail Shareholder and wish to apply for Notes in the Priority Offer, you must:

- apply online at [www.precinctnotesoffer.co.nz](http://www.precinctnotesoffer.co.nz); or
- return a completed Application Form – Priority Offer (with payment) to the office of the Registrar before 5pm (New Zealand time) on the Closing Date for the Priority Offer; or
- return a completed Application Form – Priority Offer (with payment) to the office of any Primary Market Participant or financial intermediary in time to enable it to be forwarded to the Registrar before 5pm on the Closing Date for the Priority Offer.

### GENERAL OFFER

The General Offer will be open to investors who are resident in New Zealand and certain overseas institutional investors.

There is no public pool for the Notes in the General Offer, and all of the Notes offered under the General Offer (including any oversubscriptions) have been reserved for subscription by institutional investors, clients of the Joint Lead Managers, Primary Market Participants and other approved financial intermediaries, invited to participate in a bookbuild conducted by the Joint Lead Managers. This means that, if you are not a New Zealand Retail Shareholder, you can only apply for Notes through a Primary Market Participant or approved financial intermediary who has obtained an allocation.

If you wish to invest in Notes under the General Offer you should contact your usual authorised financial adviser or a Primary Market Participant. You can find a Primary Market Participant by visiting [www.nzx.com/investing/find\\_a\\_participant](http://www.nzx.com/investing/find_a_participant).

To apply for Notes in the General Offer, you must return a completed Application Form – General Offer (with payment) to the office of the authorised financial adviser or Primary Market Participant in time to enable it to be forwarded to the Registrar before 5pm on the Closing Date for the General Offer.

### GENERAL

There are separate Application Forms for the Priority Offer and the General Offer. An application cannot be withdrawn or revoked by the applicant once it has been submitted.

Additional instructions on how to apply for Notes are set out with the relevant Application Form contained at the back of this PDS.

## 13. CONTACT INFORMATION

	Name	Contact details
Issuer	Precinct Properties New Zealand Limited	Level 12 188 Quay Street Auckland 1010  Telephone: +64 9 222 0070 Email: hello@precinct.co.nz
Registrar	Computershare Investor Services Limited	Level 2, 159 Hurstmere Road Takapuna Auckland 0622 Private Bag 92119 Auckland 1142 Telephone: +64 9 488 8777
Joint Lead Arrangers and Joint Lead Managers	First NZ Capital Securities Limited	Level 39, ANZ Centre 23-29 Albert Street Auckland 1010 Telephone: +64 9 302 5500 or 0800 005 678 Facsimile: +64 9 302 5580
	Forsyth Barr Limited	Level 23, Lumley Centre 88 Shortland Street Auckland 1010 Telephone: 0800 367 227
Joint Lead Managers	ANZ Bank New Zealand Limited	Level 10 171 Featherston Street Wellington 6011 Phone: 0800 269 476
	Deutsche Craigs Limited	Level 36, Vero Centre 48 Shortland Street Auckland 1010 Telephone: 0800 226 263



## GLOSSARY

Term	Description
\$	New Zealand dollars.
<b>Application Form – General Offer</b>	The application form contained in this PDS relating to the General Offer.
<b>Application Form – Priority Offer</b>	The application form contained in this PDS relating to the Priority Offer.
<b>Bank Facility Agreement</b>	The syndicated facilities agreement dated 10 December 2015 (as amended from time to time) made between (among others) Precinct (as borrower), the guarantors named therein and ANZ Bank New Zealand Limited as facility agent.
<b>Business Day</b>	A working day (as defined in the Interpretation Act 1999), except that in the context of the Listing Rules or the determination of Market Price it means a day on which the NZX Main Board is open for trading.
<b>Cash Election</b>	An election by Precinct (at its option) to pay a cash amount rather than Converting Notes into Shares on the Conversion Date, where the cash amount is equivalent to the value of those Shares as determined under the terms of the Notes. Precinct may only make such an election if the Payment Condition is satisfied.
<b>CBD</b>	Central business district.
<b>Closing Date</b>	For the Priority Offer, 19 September 2017 at 5pm (New Zealand time). For the General Offer, 22 September 2017 at 5pm (New Zealand time).
<b>Compulsory Acquisition Event</b>	A Compulsory Acquisition Event will occur if any person (or persons acting jointly or in concert) become bound, or become entitled and elect, to compulsorily acquire Shares held by minority Shareholders, whether following a takeover offer, a scheme of arrangement or otherwise (except as described in section 5 of this PDS ( <i>Key features of the Notes</i> )).
<b>Conversion</b>	The conversion of Notes via the issue of fully paid Shares. Convert, Converted, Converting and Convertible have corresponding meanings.
<b>Conversion Announcement Date</b>	The date 5 Business Days before the Conversion Date (expected to be 20 September 2021).
<b>Conversion Date</b>	27 September 2021.
<b>Conversion Number</b>	In relation to a Cash Election, the number of Shares that would be (in the absence of the Cash Election) issued on Conversion of a holding of Notes.
<b>Conversion Price Cap</b>	\$1.40, as adjusted from time to time in accordance with the Trust Documents.
<b>Disclose Register</b>	The online offer register maintained by the Companies Office known as 'Disclose'.
<b>Early Conversion Notice</b>	A notice provided to Noteholders via NZX in connection with a Compulsory Acquisition Event, notifying them of their rights to Convert their Notes before the Conversion Date.
<b>Event of Default</b>	Each event set out in clause 9 of the Supplemental Trust Deed, which are summarised in section 5 of this PDS ( <i>Key features of the Notes</i> ).
<b>Extraordinary Resolution</b>	Means a resolution passed with the support of Noteholders holding not less than 75% of the aggregate Principal Amount of Notes held by those persons voting.
<b>FMCA</b>	Financial Markets Conduct Act 2013.
<b>General Offer</b>	The offer of Notes made by Precinct under this PDS to investors resident in New Zealand and certain overseas institutional investors.
<b>Inland Revenue</b>	The New Zealand Inland Revenue Department.

## GLOSSARY (CONTINUED)

Term	Description
<b>Interest Payment Dates</b>	27 March, 27 June, 27 September and 27 December in each year (or if that day is not a Business Day, the next Business Day) until and including the Conversion Date, with the first Interest Payment Date being 27 December 2017.
<b>Interest Rate</b>	The rate of interest per annum payable on the Principal Amount of the Notes as announced by Precinct via NZX on or about the Rate Set Date.
<b>Issue Date</b>	27 September 2017.
<b>Joint Lead Arrangers</b>	First NZ Capital Securities Limited and Forsyth Barr Limited.
<b>Joint Lead Managers</b>	First NZ Capital Securities Limited, Forsyth Barr Limited, ANZ Bank New Zealand Limited and Deutsche Craigs Limited.
<b>Listing Rules</b>	The listing rules applying to the NZX Main Board, as amended from time to time.
<b>Market Price</b>	The arithmetic average of the daily volume weighted average price of Shares traded through the NZX Main Board on each Business Day during the period of 20 Business Days prior to (but not including) the Conversion Announcement Date (or, in the case of Conversion before the Conversion Date, the date falling 5 Business Days before the date of such early Conversion).
<b>Master Trust Deed</b>	The Master Trust Deed dated 27 November 2014 (as most recently amended and restated on 25 August 2017) between Precinct and the Supervisor pursuant to which certain debt securities may be issued (as amended or supplemented from time to time).
<b>New Zealand Retail Shareholders</b>	Members of the public resident in New Zealand who are Shareholders (at the time of applying for Notes and on the Closing Date for the Priority Offer), excluding institutional Shareholders as determined by Precinct.
<b>Noteholder</b>	A person whose name is entered as a holder of a Note in the register in respect of the Notes maintained by the Registrar.
<b>Notes</b>	The notes constituted and issued pursuant to the Trust Documents and offered pursuant to this PDS.
<b>NZX</b>	NZX Limited.
<b>NZX Main Board</b>	The main registered market for trading equity securities operated by NZX.
<b>Offer</b>	The offer of Notes made by Precinct under this PDS, consisting of the Priority Offer and the General Offer.
<b>Opening Date</b>	5 September 2017.
<b>Payment Condition</b>	In respect of any payment, Precinct will meet the Payment Condition if: <ul style="list-style-type: none"> <li>• Precinct is not, and would not be immediately after such payment, insolvent (where Precinct shall be "insolvent" if it does not satisfy the solvency test in section 4 of the Companies Act 1993); and</li> <li>• no event of default (howsoever described) is continuing, or will occur as a result of such payment, in respect of any borrowed money of Precinct.</li> </ul>
<b>PDS</b>	This product disclosure statement for the Offer dated 25 August 2017.
<b>Precinct</b>	Precinct Properties New Zealand Limited.
<b>Precinct Group</b>	Precinct and the companies it owns.
<b>Primary Market Participant</b>	Has the meaning given to that term in the NZX Participant Rules as amended from time to time.
<b>Principal Amount</b>	\$1.00 per Note.

Term	Description
<b>Priority Offer</b>	The offer of Notes made by Precinct under this PDS which is open only to New Zealand Retail Shareholders.
<b>Rate Set Date</b>	4 September 2017.
<b>Registrar</b>	Computershare Investor Services Limited.
<b>Secured Bonds</b>	The \$75 million in principal amount of senior secured fixed rate bonds issued by Precinct on 17 December 2014.
<b>Security Trust Deed</b>	The security trust deed dated 20 June 2013 (as amended by an amending deed dated 11 August 2014) made between (among others) Precinct (as borrower), Precinct Properties Holdings Limited (as a Guarantor), and the initial security trustee. The Security Trust Deed does not apply to the Notes.
<b>Shareholder</b>	A holder of a Share.
<b>Shares</b>	Ordinary shares issued by Precinct.
<b>Supervisor</b>	The New Zealand Guardian Trust Company Limited or such other person as may hold office as trustee and supervisor under the Trust Documents from time to time.
<b>Supplemental Trust Deed</b>	The Supplemental Trust Deed dated 25 August 2017 between Precinct and the Supervisor setting the terms and conditions of the Notes (as amended or supplemented from time to time).
<b>Tax Event</b>	<p>Broadly, a Tax Event will occur if there has been, or there will be, a change in New Zealand law applying after the Issue Date, as a result of which:</p> <ul style="list-style-type: none"> <li>any interest payable on the Notes is not, or will not be, allowed as a deduction for the purposes of New Zealand income tax; or</li> <li>Precinct would be, or is likely to be, exposed to any other adverse tax consequence in relation to any Notes, provided such event is not minor and Precinct did not expect such event on the Issue Date.</li> </ul>
<b>Trust Documents</b>	The Master Trust Deed as supplemented by the Supplemental Trust Deed.
<b>Unpaid Interest</b>	Interest that has accrued on the Notes but payment of which has been suspended in accordance with clause 6.3 of the Supplemental Trust Deed.
<b>USPP Notes</b>	The US\$75 million in principal amount of senior secured notes issued (in two series) by Precinct to investors in the United States on 27 January 2015.

## **GLOSSARY** *(CONTINUED)*

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## APPLICATION FORM

### PRIORITY OFFER

#### Precinct Properties New Zealand Limited Convertible Note Offer

#### FOR USE BY ELIGIBLE PRECINCT RETAIL SHAREHOLDERS ONLY

Broker Stamp
Adviser Code

This application form is issued with the product disclosure statement dated 25 August 2017 (**PDS**) for an offer of subordinated convertible 4 year notes (**Notes**) by Precinct Properties New Zealand Limited (**Precinct**). This application form should be used only by a New Zealand Retail Shareholder of Precinct who is applying under the **Priority Offer**. You should read the PDS carefully before completing this application form. A copy of the PDS and other useful information about this offer may also be obtained from [www.companiesoffice.com/disclose](http://www.companiesoffice.com/disclose).

Terms defined in the PDS have the same meaning in this application form.

Your application form must be received by Computershare Investor Services Limited (**Registrar**) before 5pm on 19 September 2017.

Please complete this application form using BLOCK LETTERS.

#### **A** Applicant details

Applications must be made in the name(s) of natural persons, companies or other legal entities, up to a maximum of three names per application.

First Name(s):		Last Name:	
First Name(s):		Last Name:	
First Name(s):		Last Name:	
Company or Designated Account Name (if applicable):			
Postal Address and Postal Code:			
Phone Number:	Mobile	Home	

#### **B** Common Shareholder Number (CSN)

Please note that the application must be in the same name as the CSN below, otherwise the application will be deemed to be made without a CSN and a new CSN will be allocated.

If you currently have a CSN, please enter it here:									
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#### **C** Application amount and payment

Applications must be accompanied by payment in full, in New Zealand currency based on \$1.00 per Note. Applications must be for a minimum of \$1,000. Precinct may accept or reject all or part of this application without giving reason.

Principal Amount of Notes applied for:	\$
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You may choose only ONE of the options below for payment of your application moneys. Please tick the box (✓) next to your selected option.

<input type="checkbox"/>	<b>OPTION 1: Direct Credit</b> Please follow the instructions set out below carefully if you wish to pay by direct credit:
	1. Payment for the amount of Notes applied for above should be to: <b>ACCOUNT NAME:</b> Computershare Investor Services Limited <b>BANK NAME:</b> Bank of New Zealand <b>BRANCH:</b> Newmarket <b>ACCOUNT NUMBER:</b> 02-0192-0388782-26
	2. You MUST enter the following with your payment: <b>PARTICULARS:</b> Your CSN/Holder number (specified at section B above) <b>REFERENCE:</b> Your Last Name and Initial
	3. Applicants paying by direct credit MUST ensure that payment is received by the Registrar no later than 5pm on 19 September 2017.
	4. Enclose this completed application form and proof of payment to the Registrar before 5pm on 19 September 2017.
	Note: If you are making your payment from an international bank account not within New Zealand, please ensure all fees are covered for the electronic funds transfer.

<input type="checkbox"/>	<b>OPTION 2: Cheque</b> Please find attached my/our cheque payable to "Precinct Note Offer" and crossed "Not Transferable". I/we have supplied my/our bank account details under section D below for the purpose of direct crediting any future interest paid by Precinct.
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<input type="checkbox"/>	<b>OPTION 3: NZClear System</b> Payment by DVP (Delivery versus Payment) may be made by NZClear members as arranged with the Registrar ( <b>authorised institutional investors only</b> ). I/we have supplied my/our account details under section D below for the purpose of direct crediting any future interest paid by Precinct.
	NZClear Mnemonic: <input type="text"/>

## D Interest and other payments on Notes

### NEW ZEALAND DOLLAR BANK ACCOUNT DETAILS FOR FUTURE PAYMENTS:

Name of Bank	<input type="text"/>	Name of Account	<input type="text"/>
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Bank/Branch	<input type="text"/>	Account No	Suffix

OR for the purpose of interest payments only, direct credit to my cash management account:

Name of NZX Participant where cash management account held	<input type="text"/>
Cash management account client account number	<input type="text"/>

If you wish to have your future interest payments direct credited to a different bank account you need to advise the Registrar in writing.

## E Electronic correspondence and reporting

To enable Precinct to provide you with your investor correspondence in relation to your holding of Notes electronically (where possible), please complete your email address below. If you do not provide an email address, investor correspondence will be mailed to you at the postal address provided on this application form.

Email Address:	<input type="text"/>
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## F IRD number, withholding taxes and tax residency

Provide your IRD number (only one IRD number is required in respect of a joint application):	<input type="text"/>	-	<input type="text"/>	-	<input type="text"/>
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Please select a resident withholding tax (**RWT**) rate by ticking the box (✓) next to your selected option (or confirm that you are non-resident and indicate your country of tax residence below).

Please note that a New Zealand company (other than a company which is acting as a trustee or a company which is a Maori authority) does not need to tick any box unless it holds an RWT exemption certificate. Tax will automatically be deducted at 28%.

<input type="checkbox"/>	10.5%	<input type="checkbox"/>	17.5%	<input type="checkbox"/>	30%	<input type="checkbox"/>	33%	<input type="checkbox"/>	Exempt (If you are exempt from RWT, attach a copy of your RWT exemption certificate for noting).
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Please tick the relevant box (✓) if any of the below apply to you or your application.

<input type="checkbox"/>	I am a non-resident for New Zealand tax purposes.
<input type="checkbox"/>	I am a non-resident for New Zealand tax purposes <b>and</b> I am engaged in business in New Zealand through a fixed establishment in New Zealand and either (1) will hold the Notes for the purpose of that business or (2) am a registered bank in New Zealand. (Please note that you should provide your IRD number and rate of RWT above.)
	My country of tax residence is: <input type="text"/>

## G Agreement of terms

I/We hereby confirm that I/we have received and read the PDS for the Notes, and apply for the Principal Amount of Notes set out above and agree to accept such Notes (or such lesser number as may be allotted to me/us) on, and subject to, the terms and conditions set out in the PDS.

Please read the terms and conditions below before signing as it sets out specific terms and conditions which are accepted by an applicant upon signature of this application form.

All applicants on the application form must sign.

<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Date:	<input type="text"/>	<input type="text"/>	<input type="text"/>

Applications lodged by individuals must be signed personally or by their attorney or agent. If this application form is signed by an attorney, the attorney must complete the certificate of non-revocation of power of attorney set out in the application form. If this application form is signed by an agent, the agent must complete the certificate of agency set out in the application form.

## H Your application form must be received by the Registrar before 5pm on 19 September 2017 for the Priority Offer

<b>Deliver to:</b>	Precinct Note Offer Computershare Investor Services Limited Private Bag 92119 Auckland 1142	<b>Physical Address:</b>	Level 2, 159 Hurstmere Road Takapuna Auckland 0622
<b>Investor phone number:</b>	(09) 488 8777		

## I Terms and conditions

By signing this application form, I/we:

- apply for the Principal Amount of Notes on, and subject to, the terms and conditions set out in the PDS, the Trust Documents, the information in connection with the Offer lodged on the Disclose Register and this application form and I/we agree to be bound by the provisions thereof;
- declare that all details and statements made by me/us in this application form are complete and accurate;
- certify that, where information is provided by me/us in this application form about another person, I/we are authorised by such person to disclose the information to you and to give authorisation;
- acknowledge that this application form was distributed with the PDS;
- acknowledge that an application cannot be withdrawn or revoked by the applicant once it has been submitted;
- acknowledge that Precinct reserves the right to decline any application, in whole or in part, without giving any reason and may decide not to accept any applications whatsoever; and
- acknowledge that the offer is only made in New Zealand and to investors in other jurisdictions where the Notes may be lawfully offered, and by applying for the Notes, I/we agree to indemnify, among others, Precinct and the Supervisor for any loss suffered as a result of any breach by you of the selling restrictions applicable to the Offer.

The information in the application form is provided to enable Precinct and the Registrar to consider and process your application, and to administer your investment, and to help and enable Precinct or the Registrar to comply with (or determine what it needs to do to comply with) any applicable laws, rules or regulations in New Zealand or any other country or the requirements of any governmental, judicial or regulatory entity or authority in any jurisdiction. By signing this application form you authorise Precinct and the Registrar to disclose information in situations where Precinct or the Registrar consider it is required or permitted to do so by any applicable laws, rules or regulations or by any governmental, judicial or regulatory entity or authority in New Zealand or any other jurisdiction. If you are an individual under the Privacy Act 1993, you have the right to access and correct any of our personal information.

## J Certificate of non-revocation of power of attorney/agency

*(Complete this section if you are acting on behalf of the applicant on this application form for whom you have power of attorney or are acting as agent)*

I, [ ] (full name)  
of [ ] (place and country of residence),  
[ ] (occupation), CERTIFY:

- THAT by deed/agreement dated [ ] (date of instrument creating the power of attorney/agency),  
[ ] (name of person/body corporate which granted the power of attorney/agency)  
of [ ]  
(place and country of residence of person/body corporate which granted the power of attorney/agency\*)  
appointed me his/her/its attorney/agent;
- THAT I have executed the application for the Notes printed on this application form under that appointment and pursuant to the powers thereby conferred on me; and
- THAT I have not received notice of any event revoking the power of attorney/agency.

Signed at [ ] this [ ] day of [ ] (month/year)  
Signature of attorney/agent [ ]

\* If donor is a body corporate, state place of registered office or principal place of business of donor and, if that is not in New Zealand, state the country in which the principal place of business is situated.



## APPLICATION FORM GENERAL OFFER

### Precinct Properties New Zealand Limited Convertible Note Offer

Broker Stamp

Adviser Code

This application form is issued with the product disclosure statement dated 25 August 2017 (**PDS**) for an offer of subordinated convertible 4 year notes (**Notes**) by Precinct Properties New Zealand Limited (**Precinct**). This application form should be used if you are applying under the **General Offer**. You should read the PDS carefully before completing this application form. A copy of the PDS and other useful information about this offer may also be obtained from [www.companiesoffice.com/disclose](http://www.companiesoffice.com/disclose).

Terms defined in the PDS have the same meaning in this application form.

Your application form must be received by Computershare Investor Services Limited (**Registrar**) before 5pm on 22 September 2017.

Please complete this application form using BLOCK LETTERS.

#### A Applicant details

Applications must be made in the name(s) of natural persons, companies or other legal entities, up to a maximum of three names per application.

First Name(s):		Last Name:	
First Name(s):		Last Name:	
First Name(s):		Last Name:	
Company or Designated Account Name (if applicable):			
Postal Address and Postal Code:			
Phone Number:	Mobile	Home	

#### B Common Shareholder Number (CSN)

Please note that the application must be in the same name as the CSN below, otherwise the application will be deemed to be made without a CSN and a new CSN will be allocated.

If you currently have a CSN, please enter it here:

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#### C Application amount and payment

Applications must be accompanied by payment in full, in New Zealand currency based on \$1.00 per Note. Applications must be for a minimum of \$5,000. Precinct may accept or reject all or part of this application without giving reason.

Principal Amount of Notes applied for:

\$

**You may choose only ONE of the options below for payment of your application moneys. Please tick the box (✓) next to your selected option.**

☐

**OPTION 1: Direct Debit** Please direct debit my/our bank account stated below for the amount of Notes applied for above (or any lesser amount as determined by Precinct). By ticking this box and signing this application form, I/we agree that Precinct or the Registrar is authorised to direct debit my/our account for the full amount of Notes applied for (or any lesser amount as determined by Precinct). **Future interest payments will be direct credited to this account unless a different account is specified in section D below.**

#### New Zealand dollar bank account details for direct debit:

Name of Bank		Name of Account	
Bank/Branch		Account No	Suffix

<input type="checkbox"/>	<b>OPTION 2: Cheque</b> Please find attached my/our cheque payable to "Precinct Note Offer" and crossed "Not Transferable". I/we have supplied my/our bank account details under section D below for the purpose of direct crediting any future interest paid by Precinct.
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<input type="checkbox"/>	<b>OPTION 3: NZClear System</b> Payment by DVP (Delivery versus Payment) may be made by NZClear members as arranged with the Registrar ( <b>authorised institutional investors only</b> ). I/we have supplied my/our account details under section D below for the purpose of direct crediting any future interest paid by Precinct.
	NZClear Mnemonic: <input type="text"/>

## D Interest and other payments on Notes

### NEW ZEALAND DOLLAR BANK ACCOUNT DETAILS FOR FUTURE PAYMENTS:

Name of Bank				Name of Account											
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
Bank/Branch				Account No								Suffix			

OR for the purpose of interest payments only, direct credit to my cash management account:

Name of NZX Participant where cash management account held										<input type="text"/>									
Cash management account client account number										<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>		

If you wish to have your future interest payments direct credited to a different bank account you need to advise the Registrar in writing.

## E Electronic correspondence and reporting

To enable Precinct to provide you with your investor correspondence in relation to your holding of Notes electronically (where possible), please complete your email address below. If you do not provide an email address, investor correspondence will be mailed to you at the postal address provided on this application form.

Email Address:	<input type="text"/>
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## F IRD number, withholding taxes and tax residency

Provide your IRD number (only one IRD number is required in respect of a joint application):  -  -

Please select a resident withholding tax (**RWT**) rate by ticking the box (✓) next to your selected option (or confirm that you are non-resident and indicate your country of tax residence below).

Please note that a New Zealand company (other than a company which is acting as a trustee or a company which is a Maori authority) does not need to tick any box unless it holds an RWT exemption certificate. Tax will automatically be deducted at 28%.

<input type="checkbox"/> 10.5%	<input type="checkbox"/> 17.5%	<input type="checkbox"/> 30%	<input type="checkbox"/> 33%	<input type="checkbox"/> Exempt
(If you are exempt from RWT, attach a copy of your RWT exemption certificate for noting).				

Please tick the relevant box (✓) if any of the below apply to you or your application.

<input type="checkbox"/>	I am a non-resident for New Zealand tax purposes.
<input type="checkbox"/>	I am a non-resident for New Zealand tax purposes <b>and</b> I am engaged in business in New Zealand through a fixed establishment in New Zealand and either (1) will hold the Notes for the purpose of that business or (2) am a registered bank in New Zealand. (Please note that you should provide your IRD number and rate of RWT above.)
	My country of tax residence is: <input type="text"/>



## G Agreement of terms

I/We hereby confirm that I/we have received and read the PDS for the Notes, and apply for the Principal Amount of Notes set out above and agree to accept such Notes (or such lesser number as may be allotted to me/us) on, and subject to, the terms and conditions set out in the PDS.

Please read the terms and conditions below before signing as it sets out specific terms and conditions which are accepted by an applicant upon signature of this application form.

All applicants on the application form must sign.

Date:			

Applications lodged by individuals must be signed personally or by their attorney or agent. If this application form is signed by an attorney, the attorney must complete the certificate of non-revocation of power of attorney set out in the application form. If this application form is signed by an agent, the agent must complete the certificate of agency set out in the application form.

## H Your application form must be received by the Registrar before 5pm on 22 September 2017 for the General Offer

<b>Deliver to:</b>	Precinct Note Offer Computershare Investor Services Limited Private Bag 92119 Auckland 1142	<b>Physical Address:</b>	Level 2, 159 Hurstmere Road Takapuna Auckland 0622
<b>Investor phone number:</b> (09) 488 8777			

## I Terms and conditions

By signing this application form, I/we:

- (a) apply for the Principal Amount of Notes on, and subject to, the terms and conditions set out in the PDS, the Trust Documents, the information in connection with the Offer lodged on the Disclose Register and this application form and I/we agree to be bound by the provisions thereof;
- (b) declare that all details and statements made by me/us in this application form are complete and accurate;
- (c) certify that, where information is provided by me/us in this application form about another person, I/we are authorised by such person to disclose the information to you and to give authorisation;
- (d) acknowledge that this application form was distributed with the PDS;
- (e) acknowledge that an application cannot be withdrawn or revoked by the applicant once it has been submitted;
- (f) acknowledge that Precinct reserves the right to decline any application, in whole or in part, without giving any reason and may decide not to accept any applications whatsoever; and
- (g) acknowledge that the offer is only made in New Zealand and to investors in other jurisdictions where the Notes may be lawfully offered, and by applying for the Notes, I/we agree to indemnify, among others, Precinct and the Supervisor for any loss suffered as a result of any breach by you of the selling restrictions applicable to the Offer.

The information in the application form is provided to enable Precinct and the Registrar to consider and process your application, and to administer your investment, and to help and enable Precinct or the Registrar to comply with (or determine what it needs to do to comply with) any applicable laws, rules or regulations in New Zealand or any other country or the requirements of any governmental, judicial or regulatory entity or authority in any jurisdiction. By signing this application form you authorise Precinct and the Registrar to disclose information in situations where Precinct or the Registrar consider it is required or permitted to do so by any applicable laws, rules or regulations or by any governmental, judicial or regulatory entity or authority in New Zealand or any other jurisdiction. If you are an individual under the Privacy Act 1993, you have the right to access and correct any of our personal information.

**J Certificate of non-revocation of power of attorney/agency**

(Complete this section if you are acting on behalf of the applicant on this application form for whom you have power of attorney or are acting as agent)

I, [ ] (full name)  
of [ ] (place and country of residence),  
[ ] (occupation), CERTIFY:

- THAT by deed/agreement dated [ ] (date of instrument creating the power of attorney/agency),  
[ ] (name of person/body corporate which granted the power of attorney/agency)  
of [ ]  
(place and country of residence of person/body corporate which granted the power of attorney/agency\*)  
appointed me his/her/its attorney/agent;
- THAT I have executed the application for the Notes printed on this application form under that appointment and pursuant to the powers thereby conferred on me; and
- THAT I have not received notice of any event revoking the power of attorney/agency.

Signed at [ ] this [ ] day of [ ] (month/year)  
Signature of attorney/agent [ ]

\* If donor is a body corporate, state place of registered office or principal place of business of donor and, if that is not in New Zealand, state the country in which the principal place of business is situated.

