

NZX & ASX RELEASE

30 MAY 2017

SUMMERSET LODGES PRODUCT DISCLOSURE STATEMENT FOR RETAIL BOND OFFER

Summerset Group Holdings Limited (Summerset) has announced an offer of up to \$75 million, with the ability to accept up to \$25 million in oversubscriptions, of six year, fixed rate bonds maturing on 11 July 2023 to New Zealand institutional and retail investors. The bonds will be unsubordinated obligations of Summerset, and will have the benefit of a guarantee and security package provided by the Summerset group.

The offer is expected to open on 15 June 2017 and close on 6 July 2017.

Summerset has appointed ANZ Bank New Zealand Limited (ANZ) as Arranger, and ANZ, Deutsche Craigs Limited, First NZ Capital Securities Limited and Forsyth Barr Limited as Joint Lead Managers in relation to the offer.

Full details of the offer, including details of the guarantee and security package, are contained in the Product Disclosure Statement (PDS) which was lodged today. The PDS is available through www.summerset.co.nz/bondoffer or by contacting a Joint Lead Manager, or an NZX participant and must be obtained by investors before they decide to acquire any bonds.

There is no public pool for the offer, with all of the bonds being reserved for clients of the Joint Lead Managers, NZX participants and other approved financial intermediaries.

Investors can register their interest by contacting a Joint Lead Manager or their usual financial advisor.

This offer is being made in accordance with the Financial Markets Conduct Act 2013 and the bonds are expected to be quoted on the NZX Debt Market.

Joint Lead Managers



0800 269 476



0800 005 678

DeutscheCRAIGS

0800 226 263



0800 367 227

ENDS

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ABOUT SUMMERSET

- Summerset is one of the leading operators and developers of retirement villages in New Zealand, with 21 villages across the country. In addition, Summerset has six sites for development in Richmond, Rototuna, Casebrook, Lower Hutt, St Johns and Parnell, bringing the total number of sites to 27.
- It provides a range of living options and care services to more than 4,200 residents.
- Four-time winner of Retirement Village of the Year and Silver Award winner in the Reader's Digest Quality Service Awards 2016.
- The Summerset Group has villages in Aotea, Dunedin, Ellerslie, Hamilton, Hastings, Havelock North, Hobsonville, Karaka, Katikati, Levin, Manukau, Napier, Nelson, New Plymouth, Palmerston North, Paraparaumu, Taupo, Trentham, Wanganui, Warkworth and Wigram.

Summerset Group Holdings Limited
Product Disclosure Statement for the offer of

FIXED RATE 6 YEAR BONDS

30 MAY 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. Summerset Group Holdings 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
MANAGERS:**



DeutscheCRAIGS



SECTION

01 | KEY INFORMATION SUMMARY

What is this?

This is an offer of guaranteed, secured, unsubordinated fixed rate bonds (**Bonds**). The Bonds are debt securities issued by Summerset Group Holdings Limited (**Summerset**). You give Summerset money, and in return Summerset promises to pay you interest and repay the money at the end of the term. If Summerset runs into financial trouble, you might lose some or all of the money you invested.

About Summerset Group

The Summerset Group builds, owns and operates retirement villages that provide quality retirement village living and aged care services to older New Zealanders.

The Summerset Group is the third largest retirement village operator and the second largest developer of retirement villages in New Zealand, with 21 Registered Retirement Villages across New Zealand, as well as future sites for development.

More than 4,200 New Zealanders call a Summerset retirement village home, and the Summerset Group employs more than 1,000 staff.

Purpose of this offer

The proceeds of this Offer are expected to be used to repay a portion of the Summerset Group's existing drawn bank debt, providing the Summerset Group with diversification of funding sources and tenor. You should also read section 4 (*Purpose of the offer*).

Key terms of the offer

Issuer	Summerset Group Holdings Limited
Description of the debt securities	The Bonds are guaranteed, secured, unsubordinated, fixed rate bonds.
Term	6 years, maturing on 11 July 2023
Interest rate	The Bonds will pay a fixed rate of interest until the Maturity Date. The Interest Rate will be no lower than a minimum Interest Rate. This minimum Interest Rate will be determined by Summerset in conjunction with the Joint Lead Managers, and announced via NZX on or about 6 June 2017. The Rate Set Date is 14 June 2017, with the Offer opening on 15 June 2017. The Interest Rate will be determined on the Rate Set Date by Summerset in conjunction with the Arranger and will be the greater of: • the minimum Interest Rate; and • the sum of the Swap Rate on the Rate Set Date and the margin. The margin will be determined by Summerset in conjunction with the Joint Lead Managers following a bookbuild on the Rate Set Date. A bookbuild is a process whereby a margin is determined by reference to bids from market participants for an allocation of Bonds at different margins. The Interest Rate will be announced via NZX on the Rate Set Date.
Interest payments	Interest will be paid quarterly in arrear in equal amounts on 11 January, 11 April, 11 July and 11 October of each year (or if that day is not a Business Day, the next Business Day) until and including the Maturity Date. The first Interest Payment Date will be 11 October 2017. Early bird interest will also be paid on application money received in respect of accepted applications. It will be paid as soon as practicable, and, in any event, within 5 Business Days of the Issue Date. More information on how early bird interest is calculated can be found in section 3 (<i>Terms of the offer</i>).
Opening Date	15 June 2017
Closing Date	5.00pm, 6 July 2017

Minimum application amount	\$5,000 and multiples of \$1,000 thereafter.
Further payments, fees or charges	Taxes may be deducted from interest payments on the Bonds. See section 7 (<i>Tax</i>) for further details. Summerset will pay brokerage to market participants in respect of the Offer. You are not required to pay any additional brokerage or any other fees or charges to Summerset to purchase the Bonds. However, you may have to pay brokerage to the firm from whom you receive an allocation of Bonds.
Selling Restrictions	The Offer is subject to certain selling restrictions and you will be required to indemnify certain people if you breach those. See section 5 (<i>Key features of the Bonds</i>) for further details.

Who is responsible for repaying you?

Summerset is responsible for paying interest on, and repayment of, the Bonds.

The Bonds are guaranteed by the Guaranteeing Group under the Guarantee. As at the date of this PDS, the only Subsidiary of Summerset that does not guarantee the Bonds is Summerset LTI Trustee Limited. More information on the Guarantee can be found in section 5 (*Key features of the Bonds*).

How you can get your money out early

You have no right to require Summerset to redeem your Bonds before the Maturity Date. However, Summerset may be required to repay the Bonds early if there is an Event of Default. You should also read section 5 (*Key features of the Bonds*).

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

How the Bonds rank for repayment

Summerset Group Holdings Limited

The Bonds rank equally with Summerset's other unsubordinated obligations, and have the benefit of the Security given by Summerset (as well as the Security given by the other members of the Guaranteeing Group). This means that if Summerset goes into liquidation and the Security it has given is enforced:

- You would be repaid after creditors preferred by law.
- You would be repaid at the same time and to the same extent as all other secured and unsubordinated creditors of Summerset, such as other Bondholders and Summerset's banks, from the proceeds of the Security given by Summerset.
- You would be repaid before unsecured, unsubordinated creditors of Summerset to the extent there are proceeds of the Security given by Summerset available.

- You would be repaid before Summerset's subordinated creditors (if any), and before the ordinary shareholders of Summerset.

Guaranteeing Group

Summerset is a holding company that relies on its Subsidiaries to generate revenue and hold assets, so it is important to understand how the Bonds rank for repayment from all members of the Guaranteeing Group, including Guarantors that are Village Registered Companies (which operate Registered Retirement Villages) and Non-Village Registered Companies.

If the Guaranteeing Group goes into liquidation, the Bonds would have the same ranking described above on the basis that references to Summerset were read as references to the Guaranteeing Group, except that claims you had against Village Registered Companies would be paid after amounts owing to Registered Retirement Village residents had been paid.

Summerset considers that this ranking information in relation to the Guaranteeing Group is more relevant for Bondholders.

More information on how the Bonds rank for repayment, Village Registered Companies, Non-Village Registered Companies, the Statutory Supervisor and the amounts owing to Registered Retirement Village residents can be found in section 5 (*Key features of the Bonds*).

What assets are these Bonds secured against?

The Bonds have the benefit of the following securities:

- a first ranking registered mortgage over all land and permanent buildings owned (or leased under a registered lease) by Guarantors that are Non-Village Registered Companies, which were valued at \$99 million as at 31 December 2016;
- a second ranking registered mortgage over the land and permanent buildings owned (or leased under a registered lease) by each Village Registered Company that is a Guarantor (behind a first ranking registered mortgage in favour of the Statutory Supervisor), which were valued at \$1,549 million as at 31 December 2016, and \$748 million after deducting amounts secured by the first ranking mortgages granted to the Statutory Supervisor for loans to residents; and

- the General Security Deed, which secures all assets of the Guaranteeing Group (which were valued at \$59 million as at 31 December 2016 in addition to those assets described above), but in respect of which the Statutory Supervisor has first rights to the proceeds of security enforcement against all assets of the Village Registered Companies to which the Security Trustee is entitled.

More information on the assets that the Bonds are secured against can be found in section 5 (*Key features of the Bonds*).

Key risks affecting this investment

Investments in debt securities have risks. A key risk is that Summerset does not meet its commitments to repay you or pay you interest (credit risk). Section 6 of the 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 Bonds 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.

Summerset considers that the most significant risk factors are:

Property Market Risk

The demand for property can change over time, and can be influenced by demand and supply factors in both the housing market (including changes to New Zealand population migration trends), and the level of supply of appropriate accommodation and facilities within the retirement village industry itself. These property market factors could adversely affect sales, occupancy levels or revenue streams, and have a flow on impact to the value of the Summerset Group's property assets, and the associated investment property valuation, which would in turn impact on Summerset's financial performance and may affect covenant compliance under the Summerset Group's bank or Bond documents.

Construction and Development Risk

The Summerset Group faces construction and property development risks when developing new villages, including:

- Project delays and holding cost risks.
- Default risk arising from participants in the development process.
- Insufficient project governance, poor quality village and building design or planning delays.
- Labour and material shortages.

The ability to meet growth targets is dependent on Summerset's ability to acquire attractive sites for the development of new villages.

The effect of these risks on the Summerset Group may be a reduction in the development margin (a non-GAAP

measure) associated with the sale of Occupation Rights and this could lead to a material reduction in earnings, affecting the ability of Summerset to make interest and principal payments on the Bonds.

Regulation Risk

The Operators of Summerset's Registered Retirement Villages must continue to meet the requirements of the Health and Disability Services (Safety) Act 2001 and be certified under it in order to provide health care services at its village.

In addition, there is a similar set of requirements in the Retirement Villages Act to maintain registration of each village with the Registrar of Retirement Villages.

Any breach of requirements by a village could lead to loss of certification/registration as either a retirement village or aged care operator, and could have significant impacts upon the Summerset Group's financial performance.

Reputation Risk

The Summerset Group operates in a sensitive market involving care of vulnerable members of society living in the Summerset Group's care centres and Units. The Summerset Group's performance and reputation could be adversely impacted should it suffer from any adverse publicity, particularly in respect of inappropriate care of residents or health and safety issues.

This could result in a lower than expected level of occupancy within either that specific village or across a broader range of Summerset villages leading to lower than expected financial performance.

This summary does not cover all of the risks of investing in the Bonds. You should also read section 6 of the PDS (*Risks of investing*).

No credit rating

Summerset's creditworthiness has not been assessed by an approved rating agency. This means that Summerset 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 Summerset

This is a short-form offer document that Summerset is permitted to use because these Bonds rank in priority to existing quoted financial products of Summerset. The existing quoted financial products are ordinary shares in Summerset Group Holdings Limited, which are traded on the NZX Main Board and ASX. Summerset is subject to a disclosure obligation that requires it to notify certain material information to the NZX and ASX for the purpose of that information being made available to participants in the market. Summerset's shares listed on the NZX Main Board can be found at <http://www.nzx.com/markets/nzxx/securities/SUM>.

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CHAIRMAN'S LETTER

Dear Investor

On behalf of Summerset's directors, it gives me great pleasure to offer you the opportunity to invest in guaranteed, secured, unsubordinated, fixed rate bonds to be issued by Summerset Group Holdings Limited.

The Summerset Group is one of New Zealand's largest retirement village and aged care developers and operators, and an NZX 50 and ASX listed company. The Summerset Group owns and operates 21 retirement villages throughout New Zealand with plans to continue building additional villages in New Zealand.

As a relatively young company in a fast growing sector, we naturally benchmark our progress from when we listed on the NZX in November 2011. Since then Summerset has grown very quickly. From the end of 2011 to the end of 2016, we have increased:

- Retirement Units by 1,342 to 2,828 Units
- Staff numbers by 600 to more than 1,000 staff
- Asset value from \$1,090 million to \$1,707 million
- Resident numbers by 2,400 to more than 4,200 residents

Our market, capital resources and people all enable continued growth. Some of this growth will be in new or expanded physical assets at our villages, while we may also develop a wider range of services, particularly in the care part of our business.

The Summerset Board believes the group's key feature is the quality of its retirement village offering, which has consistently high occupancy rates. Summerset's established care centres had an occupancy rate of 99% for 2016.

Summerset had total bank debt of \$280 million at 31 December 2016, which relates to development projects, primarily made up of undeveloped land and vacant new sale stock and homes under construction. This debt is utilised to fund the development of a village, and is typically repaid over the period of the development, and repaid in full by the time the development is completed and sold down. Debt is used across multiple developments at any point in time, and once debt is recycled from one project it is generally reinvested into subsequent new developments.



Summerset is seeking to raise \$75 million under the offer, with the ability to accept an additional \$25 million of oversubscriptions. The proceeds of the offer will be used to repay a portion of existing drawn bank debt. The Board believes this will strengthen Summerset's overall capital structure and provide diversification of funding sources and tenor.

There are risks associated with this offer that may affect your returns and repayment of your investment in the Bonds. An overview of these risks is set out in this PDS. You should read this before deciding whether to invest in the Bonds.

I encourage you to seek financial, investment or other advice from a qualified professional adviser as you take time to consider this offer.

On behalf of the Summerset Board, I welcome your involvement in this offer and your support of Summerset.

For more information on the bond offer, please visit our website www.summerset.co.nz/bondoffer

Yours sincerely,

Rob Campbell
Chairman

SECTION

02 | KEY DATES AND OFFER PROCESS

Minimum Interest Rate Announcement	On or about 6 June 2017
Bookbuild/Rate Set Date	14 June 2017
Opening Date	15 June 2017
Closing Date	5.00pm, 6 July 2017
Issue Date and Allotment Date	11 July 2017
Expected date of initial quotation and trading of the Bonds on the NZX Debt Market	12 July 2017
First Interest Payment Date	11 October 2017
Interest Payment Dates	11 January, 11 April, 11 July and 11 October in each year until the Maturity Date
Maturity Date	11 July 2023

The timetable is indicative only and subject to change.

Summerset may, in its absolute discretion and without notice, vary the timetable (including by opening or closing the Offer early, accepting late applications and extending the Closing Date). If the Closing Date is extended, the Rate Set Date, the Issue Date, the expected date of initial quotation and trading of the Bonds on the NZX Debt Market, the Interest Payment Dates and the Maturity Date may also be extended. Any such changes will not affect the validity of any applications received.

Summerset reserves the right to cancel the Offer and the issue of the Bonds, in which case all application monies received will be refunded (without interest) as soon as practicable, and in any event within 5 Business Days of the cancellation.



SECTION

03 | TERMS OF THE OFFER

Description of Bonds	The Bonds are guaranteed, secured, unsubordinated, fixed rate bonds of Summerset.
Term	6 years, maturing on 11 July 2023.
Offer Amount	Up to \$75 million (with the ability to accept over subscriptions of up to \$25 million at Summerset's discretion).
Issue Price	\$1.00 per Bond, being the principal amount of each Bond.
Interest Rate	The Bonds will pay a fixed rate of interest until the Maturity Date. The Interest Rate will be no lower than a minimum Interest Rate. This minimum Interest Rate will be determined by Summerset in conjunction with the Joint Lead Managers, and announced via NZX on or about 6 June 2017. The Rate Set Date is 14 June 2017, with the Offer opening on 15 June 2017. The Interest Rate will be determined on the Rate Set Date by Summerset in conjunction with the Arranger and will be the greater of: • the minimum Interest Rate; and • the sum of the Swap Rate on the Rate Set Date and the margin. The margin will be determined by Summerset in conjunction with the Joint Lead Managers following a bookbuild on the Rate Set Date. A bookbuild is a process whereby a margin is determined by reference to bids from market participants for an allocation of Bonds at different margins. The Interest Rate will be announced via NZX on the Rate Set Date.
Interest payment dates	Interest will be paid quarterly in arrear in equal amounts on 11 January, 11 April, 11 July, 11 October of each year (or if that day is not a Business Day, the next Business Day) until and including the Maturity Date. The first Interest Payment Date will be 11 October 2017.
Interest payments and entitlements	Payments of interest on Interest Payment Dates will be of equal quarterly amounts. On Interest Payment Dates, interest will be paid to the person registered as the Bondholder as at the record date immediately preceding the relevant Interest Payment Date. The record date for the Interest Payment Dates is 5.00pm 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.
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, within 5 Business Days after the Issue Date. Early bird interest will not be paid if the subscription money is returned for any reason.
Opening Date	15 June 2017
Closing Date	5.00pm, 6 July 2017
Minimum application amount	\$5,000 and multiples of \$1,000 thereafter.
Scaling	Summerset may scale applications at its discretion, but will not scale any application to below \$5,000 or to an amount that is not a multiple of \$1,000.
Refunds	If Summerset 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, within 5 Business Days of the Issue Date. No interest will be paid on amounts refunded.

Quotation	Application has been made to NZX for permission to quote the Bonds on the NZX Debt Market and all the requirements of NZX relating to that quotation that can be complied with on or before the date of distribution of this PDS have been duly complied with. However, the Bonds 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 Debt Market is a licensed market, under the FMCA. NZX ticker code SUM010 has been reserved for the Bonds.
Brokerage	Summerset will pay brokerage to market participants in respect of the Offer. You are not required to pay any additional brokerage or any other fees or charges to Summerset to purchase the Bonds. However, you may have to pay brokerage to the firm from whom you receive an allocation of Bonds.
Transfer restrictions	Summerset may decline to accept or register a transfer of the Bonds if the transfer would result in the transferor or the transferee holding or continuing to hold Bonds with a Principal Amount of less than \$5,000 (if not zero) or if the transfer is not in multiples of \$1,000.
NZX Approvals	NZX has provided Summerset with approval under Listing Rule 11.1.5 to enable Summerset to decline to accept or register a transfer of the Bonds if the transfer would result in the transferor or the transferee holding or continuing to hold Bonds with a Principal Amount of less than \$5,000 (if not zero) or if the transfer is not in multiples of \$1,000.
Ranking of Bonds	The Bonds rank behind obligations to Summerset's creditors who are preferred by law. The Bonds rank equally with Summerset's other unsubordinated obligations, including the Summerset Group's existing bank debt. The Bonds rank ahead of obligations to any subordinated creditors of Summerset and Summerset's shareholders. Summerset is a holding company that relies on its Subsidiaries to generate revenue and hold assets. Therefore it is important for you to understand how the Bonds rank for repayment from all members of the Guaranteeing Group, including Guarantors that are Village Registered Companies (which operate Registered Retirement Villages) and Non-Village Registered Companies. More information on the ranking of the Bonds can be found in section 5 (<i>Key features of the Bonds</i>).
Guarantee and Security	Bondholders will share the benefit of the same Guarantee and Security as the Summerset Group's bank lenders on a pro rata basis. Bondholders (and Summerset's banks) have the benefit of: • a first ranking registered mortgage over all land and permanent buildings owned (or leased under a registered lease) by Guarantors that are Non-Village Registered Companies; • a second ranking registered mortgage over the land and permanent buildings owned (or leased under a registered lease) by each Village Registered Company that is a Guarantor (behind a first ranking registered mortgage in favour of the Statutory Supervisor); • the General Security Deed which secures all assets of the Guaranteeing Group, but in respect of which the Statutory Supervisor has first rights to the proceeds of security enforcement against all assets of the Village Registered Companies to which the Security Trustee is entitled; and • a Guarantee from each member of the Guaranteeing Group. In effect, this means amounts and obligations owing to residents of a Registered Retirement Village rank ahead of amounts each Village Registered Company owes in relation to the Bonds and bank debt. More information on the Guarantee and Security can be found in section 5 (<i>Key features of the Bonds</i>).
Early redemption	Neither you nor Summerset is able to redeem the Bonds before the Maturity Date. However, Summerset may be required to repay the Bonds early if there is an Event of Default (as described below).

Events of Default	If an Event of Default occurs and is continuing, the Bond Supervisor may, in its discretion, and must immediately upon being directed to do so by an Extraordinary Resolution of Bondholders, declare the Bonds immediately due and payable. The Events of Default are set out in clause 11.1 of the Trust Deed (a copy of which is included on the Disclose Register) and are summarised in section 5 (<i>Key features of the Bonds</i>).
Financial Covenant	Summerset must ensure that its Loan to Value Ratio is less than or equal to 50% on each Test Date. A breach of the Loan to Value Ratio on a Test Date (as reported in a directors' report to the Bond Supervisor) will not automatically trigger an Event of Default, but will instead trigger an Event of Review, which if left unremedied would give rise to an Event of Default. More information on the Loan to Value Ratio can be found in section 5 (<i>Key features of the Bonds</i>).
Further payments, fees or charges	Taxes may be deducted from interest payments on the Bonds. See section 7 (<i>Tax</i>) for further details.
Selling restrictions	The Offer is subject to certain selling restrictions and you will be required to indemnify certain people if you breach those. See section 5 (<i>Key features of the Bonds</i>) for further details.
No reliance	None of the Bond Supervisor or any Joint Lead Manager, nor their respective directors, employees, agents or advisers have independently verified the information contained in this PDS or the Disclose Register.
Governing law	New Zealand

Trust Deed and Guarantee

The terms and conditions of the Bonds are set out in the Trust Deed, as supplemented by the Supplemental Trust Deed. The terms of the Guarantee are set out in the General Security Deed and other matters relating to the security are set out in the Security Trust Deed. Bondholders are bound by, and are deemed to have notice of, the Trust Deed, the Supplemental Trust Deed, the General Security Deed and the Security Trust Deed.

If you require further information in relation to any terms and conditions in the Trust Deed, the Supplemental Trust Deed, the General Security Deed (including the Guarantee) or the Security Trust Deed, you can obtain a copy of these documents from the Disclose Register at www.companiesoffice.govt.nz/disclose.

SECTION

04 | PURPOSE OF THE OFFER

Summerset expects to lend 100% of the proceeds of the offer to Summerset Holdings Limited. It is intended that those proceeds will then be used to repay a portion of the Summerset Group's existing drawn bank debt. Accordingly, it is expected that Summerset Holdings Limited will become a "recipient of money from a conduit issuer" (as defined in section 453 of the FMCA) in respect of the Bonds.

The Offer will provide the Summerset Group with some diversification of funding sources and tenor. The use of the money raised under the Offer will not change depending on the total amount that is raised.

The Offer is not underwritten.

More broadly, the Summerset Group's principal use of debt is to facilitate the acquisition of land for development, the development and construction of Registered Retirement Villages, and to manage the timing of Occupation Right sales to residents for developing and existing Registered Retirement Villages. The debt for a particular development is typically repaid over the period the development is built and sold down, and repaid in full by the time the development is completed and sold down. Debt is used across multiple developments at any point in time, and once debt is recycled from one project it is generally reinvested into subsequent new developments.

SECTION

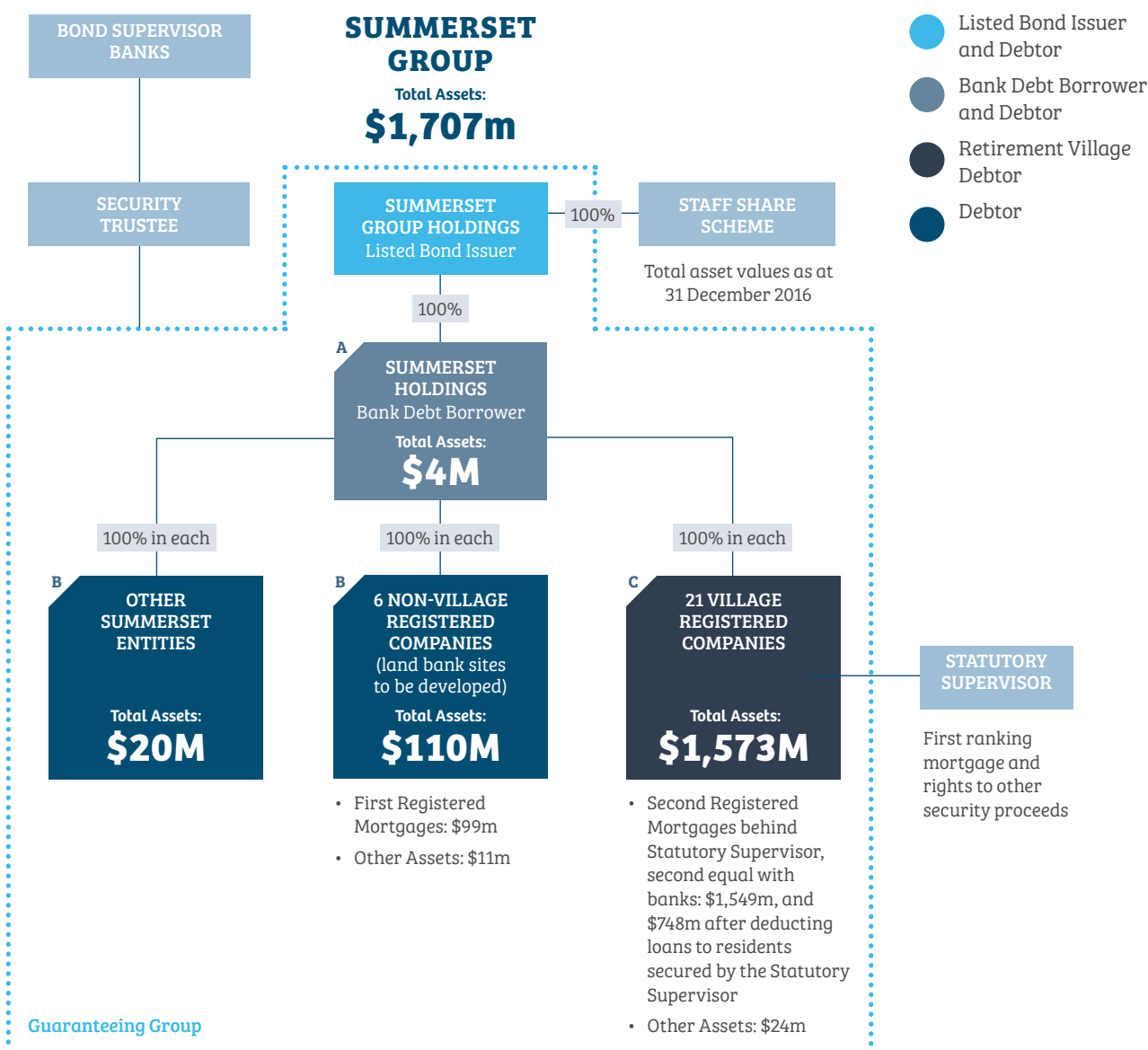
05 | KEY FEATURES OF THE BONDS

A number of key features of the Bonds are described in section 3 (*Terms of the offer*). The other key features of the Bonds are described below.

The Summerset Group and the Guaranteeing Group

A simplified diagram of the Summerset Group structure as at 31 March 2017 is set out below. As at the date of this PDS, the companies within the blue dotted box below form the “Guaranteeing Group”. The figures in the diagram below are as at 31 December 2016.

Summerset Group Syndicated Lending Structure Simplified – As at 31 March 2017



The Guaranteeing Group includes two categories of Guarantors:

- Guarantors that operate a retirement village which is registered under the Retirement Villages Act (**Village Registered Companies**) – these are the Guarantors represented by the C box; and
- Guarantors that are not Village Registered Companies (**Non-Village Registered Companies**) – these are the Issuer and the Guarantors represented by the A and B boxes.

If a Non-Village Registered Company builds a retirement village and registers that village under the Retirement Villages Act, it becomes a Village Registered Company.

Further information on the Guaranteeing Group can be found under the heading “Guarantees” below.

Ranking and security

The ranking of the Bonds on a liquidation of the Summerset Group is summarised in the diagram below, noting that Bondholders do not have recourse to Summerset LTI Trustee Limited. The diagram is a summary of indicative amounts only and in the event of a liquidation of the Summerset Group, the actual priority amounts may differ.

Diagram showing ranking of Bonds

	Ranking on the liquidation of the Summerset Group	Liabilities	Indicative amount of existing liabilities and equity of the Summerset Group as at 31 December 2016 adjusted for expected issue proceeds
	Liabilities that rank in priority to the Bonds ¹	Liabilities preferred by law, including employee entitlements and Inland Revenue for certain unpaid taxes	\$5 million
		Amounts owing to residents of the Registered Retirement Villages ²	\$801 million
	Liabilities that rank equally with the Bonds ³	Bonds	\$75 million
		Other unsubordinated liabilities that have the benefit of the Security, including Summerset's bank debt	\$205 million
		Unsubordinated and unsecured liabilities ⁴	\$32 million
	Liabilities that rank below the Bonds	Subordinated liabilities	Nil
	Equity ⁵	Shares, reserves and retained earnings	\$546 million

1 Liabilities that rank in priority to the Bonds on a liquidation of the Summerset Group include employee entitlements for unpaid salaries and wages, holiday pay and bonuses, and PAYE, and amounts owing to the Inland Revenue for unpaid taxes and goods and services tax.

There are typically other preferred claims which arise when a company is liquidated which are not possible to foresee and cannot therefore be quantified.

2 The Non-Village Registered Companies are not liable for amounts owing to residents of any Registered Retirement Village.

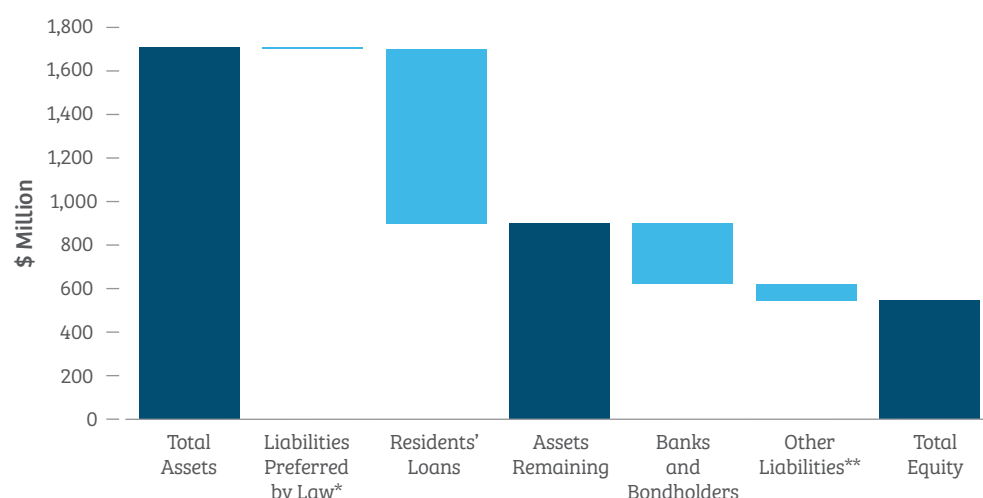
The amount owing in respect of the Bonds by each Village Registered Company is not legally subordinated to amounts it owes to the residents of each Registered Retirement Village. However, as residents of each Registered Retirement Village have the first rights to the proceeds of security enforcement against each Village Registered Company to which the Security Trustee is entitled to satisfy those amounts, they effectively have a prior ranking position.

3 Assuming \$75 million of Bonds are issued under the Offer. The final size of the Offer will not impact this number as the proceeds of the Offer are expected to be applied towards repaying a portion of bank debt which ranks equally with the Bonds.

4 Unsubordinated and unsecured liabilities are shown as ranking equally with the Bonds because, although they do not have the benefit of the Security, they are not legally subordinated to the Bonds (or other secured debt). However, in effect the Bonds (and bank debt) would have priority over unsubordinated and unsecured liabilities if the Security was enforced, to the extent of the Security proceeds the Security Trustee is entitled to.

5 The amount of equity stated above includes an amount in relation to Summerset's existing quoted equity securities (i.e. Summerset's ordinary shares). This amount is at book value.

Summerset Group – FY16 Balance Sheet



* Liabilities preferred by law include employee entitlements and Inland Revenue

** Other Liabilities include trade and other payables, revenue received in advance and deferred tax liabilities

After the issue of the Bonds, the Summerset Group may (without the consent of Bondholders) borrow money or otherwise incur liabilities from time to time that rank equally with the Bonds on a liquidation of the Summerset Group. This may include, for example, further bank loans to the Summerset Group. The facility limit under the Bank Facility Agreement is \$600 million.

In addition, the amounts owing to the residents of a Registered Retirement Village may increase over time as more Units and Registered Retirement Villages are developed. The amounts owing to the residents may also increase over time if an Occupation Right is sold to a new resident for a higher price than it had been sold to the previous resident for. These amounts effectively rank ahead of the liability of the relevant Village Registered Company in relation to the Bonds.

The Security Trustee

A Security Trustee (currently ANZ Bank New Zealand Limited) holds the Security for all creditors entitled to benefit from that Security. The creditors entitled to the benefit of the Security currently include (in addition to the Bond Supervisor and the Bondholders) Summerset's banks and their facility agent. It is likely that the amount secured by the Security will increase in the future (for example, as the Summerset Group acquires land and develops further retirement villages), and that additional creditors will become entitled to the benefit of the Security if the Summerset Group raises debt from a new source in the future.

The basis on which the Security Trustee holds the Security, and otherwise acts for the creditors entitled to the benefit of the Security, is set out in the Security Trust Deed. More information on the Security Trust Deed can be found below in the section headed "Security Trust Deed".

The Statutory Supervisor

A Statutory Supervisor is appointed in respect of each Registered Retirement Village. The role of the Statutory Supervisor is to protect the interests of residents of the relevant village. More detail in relation to the Statutory Supervisor and its rights and powers is set out below.

The Bond Supervisor

The Bond Supervisor is appointed to act as supervisor and trustee for the Bondholders on the terms contained in the Trust Deed.

You can only enforce your rights under the Bonds, or under the Guarantee and Security arrangements, through the Bond Supervisor (although you can enforce your rights under the Bonds against the Issuer directly if the Bond Supervisor is obliged to enforce, but has failed to do so).

Security

As discussed in section 3 (*Terms of the offer*), the Bonds rank equally with Summerset's other unsubordinated obligations, including the Summerset Group's existing bank debt. The Bonds (and Summerset's banks) have the benefit of the Guarantee and Security provided by the Guaranteeing Group described below. In the future, the Security is likely to extend to amounts owed under other financing documents.

The regulatory regime governing retirement villages provides a number of protections for residents from insolvency or other recovery actions by creditors of a Village Registered Company (being the operator of a Registered Retirement Village). As these protections include the Statutory Supervisor having security rights in the Registered Retirement Villages, the Guarantee and Security structure that Bondholders (and the Summerset Group's bank lenders) have the benefit of has been tailored to accommodate those protections. These are discussed in this section 5 (*Key features of the Bonds*).

As at 31 December 2016:

- the total value of the Summerset Group's assets was approximately \$1,707 million; and
- the total value of the Summerset Group's assets available as Security to Summerset Group's banks, after deducting amounts preferred by law and amounts secured by the first ranking mortgages granted to the Statutory Supervisor, was \$900 million.

All creditors secured by the Security listed below rank equally. Details of the Security (based on the financial position of the Summerset Group as at 31 December 2016, as adjusted for expected issue proceeds of \$75 million) are:

SECURITY INFORMATION	GUARANTORS		
	Village Registered Companies	Non-Village Registered Companies with land	Non-Village Registered Companies without land
Assets subject to Security	• Land and permanent buildings are subject to the mortgages • All assets are subject to the General Security Deed	• Land and permanent buildings are subject to the mortgages • All assets are subject to the General Security Deed	All assets are subject to the General Security Deed
Nature of Security	• Second ranking registered mortgages* over land and permanent buildings (owned or leased under a registered lease). The priority amount** of this mortgage is \$1 billion plus interest. • General Security Deed (the Statutory Supervisor has first rights to the proceeds of security enforcement to which the Security Trustee is entitled)	• First ranking registered mortgages over land and permanent buildings (owned or leased under a registered lease). The priority amount of this mortgage is \$1 billion plus interest. • General Security Deed	General Security Deed
Total value of assets available as Security	• \$1,573 million before deducting amounts owing to the Statutory Supervisor and loans to residents • \$772 million after deducting amounts owing to the Statutory Supervisor and loans to residents	\$110 million	\$24 million
Amount of liabilities secured by the Security	\$280 million***		

* The Statutory Supervisor has a first ranking registered mortgage. This is discussed under the heading "Statutory Supervisor's security and memorial" below.

** The priority amount is the maximum amount that the Security Trustee's mortgage will have priority for over any subsequent mortgage relating to the property.

*** This figure represents the Summerset Group's bank debt as at 31 December 2016 (as all proceeds of the Bonds are expected to be used to repay the Summerset Group's bank debt this figure will not change following the issue of the Bonds).

A Valuer conducts a Valuation on the Summerset Group's land and Units every six months, and on the Summerset Group's care facilities every three years.

A detailed list of the Security can be found in Schedule 6 to the Security Trust Deed. There is no limit on the amount secured under the Security.

Statutory Supervisor's security and memorial

New residents moving into a Registered Retirement Village must enter into an Occupation Right Agreement, which gives each resident the right to occupy his or her Unit in exchange for a lump sum payment to the Operator (**Purchase Price**). Legal ownership of the Unit remains with the Operator.

The Purchase Price received by the Operator is treated as a loan to the Operator under NZ GAAP. However, no interest is payable by the Operator on the Purchase Price, and the Operator is only obliged to repay the Purchase Price (less deductions described below) when the resident leaves his or her Unit and the Operator has received payment from a new resident taking over the Unit.

The Operator is entitled to make certain deductions when it is repaying a resident's Purchase Price. The main deduction is a deferred management fee that is calculated as a percentage of the Purchase Price (generally up to a maximum of 25%).

There are statutory protections, including the requirement to appoint a Statutory Supervisor for each Registered Retirement Village, to protect the interests of residents, their rights under their Occupation Right Agreement and the repayment of their residual Purchase Price. These protections are discussed below.

Every Operator of a Registered Retirement Village must appoint a licensed statutory supervisor in respect of the Registered Retirement Village in accordance with the Retirement Villages Act. The Statutory Supervisor appointed by the Operator of each Registered Retirement Village is Public Trust.

The Statutory Supervisor for each Registered Retirement Village is responsible for:

- providing a stakeholder facility for intending residents and residents who pay deposits or progress payments in respect of an Occupation Right Agreement or uncompleted residential units or facilities at the retirement village;
- monitoring the financial position of the retirement village;
- reporting annually to the Registrar of Retirement Villages and residents on the performance of its duties and the exercise of its powers; and
- performing any other duties imposed on it from time to time under the Retirement Villages Act.

The Statutory Supervisor of each Registered Retirement Village holds a first ranking mortgage over the land and permanent buildings owned (or leased under a registered lease) by each Village Registered Company that operates that Registered Retirement Village. This mortgage secures any amounts owing to the Statutory Supervisor by the relevant Village Registered Company or to any resident of the relevant Registered Retirement Village under the Deed of Supervision, any Occupation Right Agreement or the

Statutory Supervisor's security. This mortgage ranks ahead of the Security held by the Security Trustee over that land.

However, the Statutory Supervisor's mortgages are granted on a "village by village" basis. This means that the Statutory Supervisor's mortgage in respect of each Registered Retirement Village only secures amounts owing to the Statutory Supervisor and residents in relation to that particular Registered Retirement Village. It does not secure amounts owing in relation to other Registered Retirement Villages.

In addition to the Statutory Supervisor's mortgages, the Retirement Villages Act requires a memorial to be placed on the title of any property or premises that is owned or leased under a registered lease by a Village Registered Company. This means that, unless all residents of the Registered Retirement Village have received independent legal advice and at least 90 per cent of those residents have consented in writing, the holder of a security interest or any receiver or liquidator or statutory manager of property comprising the retirement village or of any operator of the Registered Retirement Village must not exercise any right to:

- dispose of the Registered Retirement Village other than as a going concern; or
- disclaim any Occupation Right Agreement relating to the Registered Retirement Village as onerous property; or
- evict any resident or exclude any resident from the use of any facilities or any part of the Registered Retirement Village to which that resident is ordinarily entitled.

Security sharing and ranking with Statutory Supervisor's security

The Statutory Supervisor and the Security Trustee "share" in all security held by each other in respect of the assets of each Village Registered Company pursuant to a Security Sharing and Priority Deed (of which there is one for each Registered Retirement Village).

Under the terms of each Security Sharing and Priority Deed, the Statutory Supervisor and the Security Trustee agree that:

- (a) the Statutory Supervisor's mortgage over the Village Registered Companies' land and permanent buildings has priority over the Security Trustee's security in that the land and permanent buildings; and
- (b) all amounts recovered from the assets of the relevant Village Registered Company following enforcement of security by either the Statutory Supervisor or the Security Trustee are to be applied as follows:

Before Bondholders, bank lenders and other Security beneficiaries

- (i) first, all amounts paid at any time by either the Statutory Supervisor or Security Trustee for the protection, insurance, maintenance, preservation or repair of the land, the payment of rates and certain other outgoings under section 185(1)(a) of the Property Law Act 2007;

- (ii) secondly, in payment to the Statutory Supervisor of all amounts owing to the Statutory Supervisor by the Village Registered Company under the Deed of Supervision, an Occupation Right Agreement or the Statutory Supervisor's security;
- (iii) thirdly, in payment of all amounts owing to any resident under an Occupation Right Agreement or pursuant to the Deed of Supervision;

Bondholders, bank lenders and other Security beneficiaries

- (iv) fourthly, in payment to the Security Trustee of all amounts owing under the Security Trustee's securities – this includes amounts owing under the Bonds and the bank facilities; and

After Bondholders, bank lenders and other Security beneficiaries

- (v) fifthly, in payment of any surplus to the Operator or to such other party that has a prior claim on such surplus.

The Security held by the Security Trustee is also subject to the rights of residents under each Occupation Right Agreement and to their rights and benefits under the Deed of Supervision. If the Security Trustee was to enforce the Security by appointing a receiver in respect of a Village Registered Company, it must notify the Statutory Supervisor in advance and consult with the Statutory Supervisor on such appointment. Similarly, the Security Trustee must give prior notice to the Statutory Supervisor if it intends to exercise its powers as mortgagee in possession in respect of a Village Registered Company.

If the Security Trustee decides to enforce the Security by the exercise of any power of sale in respect of assets of a Village Registered Company, it must give 21 days' notice to the Statutory Supervisor. The Security Trustee and any receiver appointed by the Security Trustee must also obtain the prior approval of the Statutory Supervisor for any proposed purchaser of a Registered Retirement Village and any agreement for sale and purchase in relation to a Registered Retirement Village.

Furthermore, any sale of the Registered Retirement Village by the Security Trustee:

- must be conditional upon such approval and upon complying with other conditions relating to notification to residents. However, the Statutory Supervisor's approval cannot be withheld where the Security Trustee can demonstrate to the Statutory Supervisor that the proposed purchaser is an operator of demonstrable business and financial competence and experience in the field of owning and marketing retirement complexes. In giving its approval, the Statutory Supervisor will require the purchaser to:
 - enter into a deed of supervision and comply with the Retirement Villages Act; and

- ensure that any security trustee of the purchaser enters into a similar deed to the Security Sharing and Priority Deed; and
- will be subject to the Statutory Supervisor's mortgages and will be subject to the rights of and benefits of residents arising under Occupation Right Agreements and under the Deed of Supervision.

The Security Trustee cannot take steps to remove or replace a Village Registered Company as the manager of the relevant Registered Retirement Village without the prior approval of the Statutory Supervisor.

Any amounts recovered from the assets of Village Registered Companies following enforcement of security that are paid to the Security Trustee can be distributed in accordance with the Security Trust Deed (discussed below under the heading "Security Trust Deed").

Further borrowing and security

As noted above, after the issue of the Bonds, the Summerset Group may (without the consent of Bondholders) borrow money or otherwise incur liabilities from time to time that rank equally with or in priority to the Bonds on a liquidation of the Summerset Group.

The financial covenants and other terms described below limit the ability of the Summerset Group to:

- borrow money that ranks equally with, or in priority to, the Bonds; or
- grant security which ranks equally with, or in priority to, the General Security Deed and the mortgages.

Restrictions on borrowing

Bond documents

Summerset has undertaken that it will ensure that the Loan to Value Ratio (being the ratio of Total Debt to the Property Value) shall be less than or equal to 50% on each Test Date.

A breach of the Loan to Value Ratio on a Test Date (as reported in a directors' report provided to the Bond Supervisor in respect of a Test Date) will not automatically trigger an Event of Default, but will instead trigger an Event of Review in respect of the Bonds. The consequences of this Event of Review are discussed in further detail under the heading "Event of Review" below.

Bank documents

In addition, certain terms in the Bank Facility Agreement limit the ability of the Summerset Group to borrow money (although Bondholders do not have the benefit of these, and they may be amended or waived by the banks). If these terms are breached, an event of default would occur under the Bank Facility Agreement (subject to certain grace periods). These terms include:

- A maximum loan to value ratio that applies at all times, but which is calculated in the same way and has the same

limit (50%) as the Loan to Value Ratio under the Trust Deed. As at 31 December 2016 this ratio was 34.0%.

- A minimum “Interest Cover Ratio”, which is a measure of (i) the Summerset Group’s interest expense, as compared to (ii) its earnings before tax and interest expense (both as adjusted in accordance with the Summerset Group’s agreement with its banks). As at 31 December 2016 the Summerset Group was well within the interest cover ratio limit in the Bank Facility Agreement.
- Restrictions on Financial Indebtedness. The Summerset Group can only incur financial indebtedness to the extent it is permitted under the Bank Facility Agreement. Financial Indebtedness is permitted if it is between Guarantors, the financial indebtedness is owing by a Village Registered Company to departing residents under any Occupation Right Agreements and in certain other limited situations.
- Summerset is only permitted to have bonds outstanding with a maximum principal amount of NZ\$100 million at any time.

While the above terms limit the Summerset Group’s ability to borrow money at the date of this PDS, the Summerset Group and its banks may agree different terms in the future.

Deed of Supervision

Pursuant to the Deed of Supervision, each Village Registered Company needs the prior written consent of the Statutory Supervisor to:

- borrow any money (except for re-borrowing within facility limits and pursuant to a facility agreement already agreed to by the Statutory Supervisor);
- vary the terms of any borrowing in any material way;
- grant any security over its assets, business or undertaking of it or a Registered Retirement Village; or
- grant any indemnity or guarantee of the obligations of any third person.

Restrictions on granting security

Summerset has agreed with the Bond Supervisor that, for so long as any bonds (including the Bonds) issued under the Trust Deed remain outstanding, it will not (without the Bond Supervisor’s consent) charge or secure its assets (and it will procure that each Guarantor will not charge or secure its assets) in favour of other creditors, except as expressly permitted in (a) the Security Sharing and Priority Deeds and (b) other defined circumstances. Those circumstances include:

- securities in favour of the Statutory Supervisor; and
- where the aggregate principal amount secured does not exceed 5% of the total tangible assets of the Summerset Group (in addition to the security permitted pursuant to the circumstances described below); and
- certain other limited circumstances set out in the Trust Deed.

This summary does not cover all circumstances in which further security is permitted. For full details see clause 10.5(a) of the Trust Deed and the definition of Permitted Security in clause 1.1 of the Trust Deed.

The Bank Facility Agreement also contains similar terms that limit the ability of the Summerset Group to grant security, although you do not have the benefit of these, and they may be amended or waived by the banks.

As noted above, a Village Registered Company needs the prior written consent of the Statutory Supervisor to grant any further security over its assets, business or undertaking of it or a Registered Retirement Village.

In addition, under each Security Sharing and Priority Deed:

- the relevant Village Registered Company may not permit any further charge to exist in respect of its assets (other than a mortgage over its land and permanent buildings in favour of the Statutory Supervisor) without the prior written consent of the Security Trustee and the Statutory Supervisor; and
- the Security Trustee and the Statutory Supervisor have agreed with each other that they will not consent to the relevant Village Registered Company’s assets being further charged unless the Security Trustee and the Statutory Supervisor have first mutually agreed to the granting of that consent.

Security Trust Deed

As noted above, a Security Trustee (currently ANZ Bank New Zealand Limited) holds the Security for all creditors entitled to their benefit. The creditors entitled to the benefit of the Security currently include (in addition to the Bond Supervisor and the Bondholders) Summerset’s banks and their facility agent. It is likely that further creditors will become entitled to the benefit of the Security in the future, and that the total amount of debt secured by the Security will increase. Under the current structure, the Statutory Supervisor is not, and does not become, a “beneficiary” under the Security Trust Deed.

Sharing of Security Proceeds

The Security Trust Deed contains the rules as to distribution of proceeds received by the Security Trustee on enforcement of the Security. To summarise, after paying costs (including those of the Security Trustee or any receiver), creditors that have a statutory preference and (in relation to proceeds from the assets of Village Registered Companies) the Statutory Supervisor, the creditors secured by the Security share the remaining proceeds on a pro rata basis.

Instructions to the Security Trustee

If there is a “Major Default” continuing (i.e. a default relating to late payment on the Bonds, an insolvency event or an unremedied breach of the Loan to Value Ratio), the Bond Supervisor can instruct the Security Trustee on the Security

enforcement steps it requires the Security Trustee to take, including in relation to making demand on the Guarantee.

If that event is also an event of default under other funding arrangements that have the benefit of the Security Trust Deed, and the beneficiaries in relation to those arrangements give conflicting instructions to those given by the Bond Supervisor in relation to how (but not whether) to enforce the Security, then the Security Trustee must act in accordance with the instructions given by the beneficiary or group of beneficiaries with the greater aggregate principal amount outstanding.

However, if the Bond Supervisor or any other instructing beneficiary requires the Security Trustee to enforce the Security it must do so.

If there is an Event of Default in relation to the Bonds that is not a “Major Default”, the “Majority Beneficiaries” must agree the appropriate action to instruct the Security Trustee to take to protect the mutual interests of the beneficiaries under the Security Trust Deed. In this situation, the “Majority Beneficiaries” is a group of beneficiaries whose outstanding principal amounts aggregate to more than 66.66% of the total outstanding principal amount of all beneficiaries.

In most other circumstances the Security Trustee must also act in accordance with the instructions of the “Majority Beneficiaries” who have the benefit of the Security. Where the instructions to be given to the Security Trustee relate to a waiver or consent request when no event of default exists under the Bank Facility Agreement, this is a group of beneficiaries whose total commitments (drawn and undrawn) aggregate to more than 66.66% of the total commitments of all beneficiaries.

As the Majority Beneficiaries are determined by the respective credit exposures described above, Summerset’s banks currently constitute the Majority Beneficiaries for the purposes of giving instructions to the Security Trustee, and it is expected that they will continue to do so after the Bonds are issued.

Limitations on ability to enforce Security

The Security Trustee’s ability to take enforcement action and exercise other powers under the Security Trust Deed is subject to each Security Sharing and Priority Deed and the Deed of Supervision. For example, the Deed of Supervision:

- provides that the Statutory Supervisor can direct the relevant Village Registered Company as to how to operate the relevant Registered Retirement Village if the Statutory Supervisor believes that the financial position of the Registered Retirement Village, the security of the interests of the residents, or the management of the Registered Retirement Village is inadequate;
- requires the Statutory Supervisor’s prior consent for a number of activities, including:

- if an Operator wants to dispose of the Registered Retirement Village or the land or any assets associated with or used in connection with that Registered Retirement Village (other than certain permitted disposals);
- a change of control in the Registered Retirement Village or the Operator;
- winding up an Operator or a Registered Retirement Village, or cancelling the registration of a Registered Retirement Village;
- provides that if the Statutory Supervisor requests, the Operator will grant mortgages or other securities to the Statutory Supervisor as security for the due performance by the Operator of all covenants entered into in the Deed of Supervision for the benefit of any residents (and any prospective residents) including, repayment of all moneys due to departing residents pursuant to Occupation Right Agreements; and
- places restrictions on each Operator’s ability to make distributions if it is (or would be) in breach of agreed restrictions or would be insolvent following the distribution.

Also, under the Retirement Villages Act, if the Statutory Supervisor believes the financial position of a Registered Retirement Village, the security of the interests of the residents, or the management of a Registered Retirement Village is inadequate, the Statutory Supervisor can apply for a court order. The potential scope of such a court order is very broad, and could include:

- restrictions on the Operator’s activities as necessary to protect residents;
- a prohibition on further offers of occupation in the Registered Retirement Village being made;
- restraints on any transfer of interests in any part of the Registered Retirement Village; and
- the appointment of a receiver of the property that constitutes the Registered Retirement Village.

Events of Default

The Events of Default are contained in clause 11.1 of the Trust Deed. They include:

- a failure by Summerset and/or any Guarantor to make a payment on the Bonds within any applicable grace period;
- if a breach of the Loan to Value Ratio covenant on a Test Date is not remedied within the required timeframe (as discussed under “Event of Review” below);
- indebtedness of more than \$10 million in respect of other borrowed money of a Guarantor is being accelerated;
- an unremedied material misrepresentation by Summerset and/or a Guarantor; and
- insolvency events that affect Summerset or a Guarantor.

For the avoidance of doubt, an event of default under another Summerset debt funding document does not automatically constitute an Event of Default under the Trust Deed.

This summary does not cover all of the Events of Default. For full details of the Events of Default see clause 11.1 of the Trust Deed.

If an Event of Default occurs and is continuing, the Bond Supervisor may, in its discretion, and must immediately upon being directed to do so by an Extraordinary Resolution of Bondholders, declare the Principal Amount and any accrued interest and any other amounts payable on the Bonds immediately due and payable. If this occurred, Summerset would be obliged to repay you the Principal Amount of your Bonds and any outstanding interest due on your Bonds immediately. The outstanding interest amount on your Bonds for any incomplete Interest Period would be calculated on an actual/actual day count convention basis, as follows:

$$\text{Amount of your interest payment} = \frac{A}{B} \times \frac{\text{Interest Rate}}{4} \times C$$

where:

A = the actual numbers of days elapsed since the last Interest Payment Date (or, if there has been no Interest Payment Date, the Issue Date)

B = the actual number of days in the period from the last Interest Payment Date (or, if there has been no Interest Payment Date, the Issue Date) to (and including) the next Interest Payment Date

C = the number of Bonds you hold

If an Event of Default occurs any enforcement of the Security must be by the Security Trustee, not the Bond Supervisor. Demand (and enforcement) under the Guarantee must also be made by the Security Trustee. Depending on the circumstances, the Bond Supervisor may be able to instruct the Security Trustee to make demand on the guarantee and enforce the Security (as described above under the heading "Instructions to the Security Trustee").

Event of Review

The Event of Review is contained in clause 11.2 of the Trust Deed. If there is a breach of the Loan to Value Ratio in respect of a Test Date by reference to any directors' report delivered to the Bond Supervisor, an Event of Review occurs on the date on which that directors' report was delivered or was required to be delivered (whichever is earlier).

Within 90 days of an Event of Review occurring, Summerset must give notice to the Bond Supervisor of the breach and its plan to remedy the breach (by selling assets, effecting a capital restructuring and/or other action). If the breach of the Loan to Value Ratio is not remedied within 180 days of the date of that notice (or the date on which it should have been delivered, if earlier), an Event of Default will occur.

Distribution stopper

Under clause 10.5(c) of the Trust Deed, the Guarantors are not permitted to make any Distributions to non-Guarantors if an Event of Default or Event of Review is continuing.

Other terms

The Security Trust Deed contains a number of other important terms, including the role, powers and duties of the Security Trustee, and the procedure by which the Guaranteeing Group may extend the benefit of the Security to new creditors. You can find a copy of the Security Trust Deed on the Disclose Register.

Guarantees

The Bonds are guaranteed by the Guarantors under the Guarantee. As at the date of this PDS the following members of the Summerset Group are Guarantors: Summerset Group Holdings Limited, Summerset Holdings Limited, Summerset Properties Limited, Summerset Management Group Limited, Welhom Developments Limited, Summerset Care Limited, Summerset Villages (Casebrook) Limited, Summerset Villages (Ellerslie) Limited, Summerset Villages (Nelson) Limited, Summerset Villages (Hobsonville) Limited, Summerset Villages (Richmond) Limited, Summerset Villages (Wigram) Limited, Summerset Villages (Rototuna) Limited, Summerset Villages (Lower Hutt) Limited, Summerset Villages (St Johns) Limited, Summerset Villages (Parnell) Limited, Summerset Villages (Katikati) Limited, Summerset Villages (Karaka) Limited, Summerset Villages (Dunedin) Limited, Summerset Villages (Hamilton) Limited, Summerset Villages (Aotea) Limited, Summerset Villages (Hastings) Limited, Summerset Villages (Havelock North) Limited, Summerset Villages (Levin) Limited, Summerset Villages (Napier) Limited, Summerset Villages (Palmerston North) Limited, Summerset Villages (Paraparaumu) Limited, Summerset Villages (Manukau) Limited, Summerset Villages (Taupo) Limited, Summerset Villages (Trentham) Limited, Summerset Villages (Wanganui) Limited, Summerset Villages (Warkworth) Limited and Summerset Villages (New Plymouth) Limited.

Not all members of the Summerset Group are required to be Guarantors. Under the Trust Deed, Summerset must ensure that:

- the Total Assets of the Guarantors comprise at least 90% of the Summerset Group's Total Assets; and
- the EBITDA of the Guarantors for each rolling 12 month period must not be less than 90% of EBITDA of the Summerset Group for that period.

As at the date of this PDS, the only member of the Summerset Group which is not a Guarantor is Summerset LTI Trustee Limited.

Under the General Security Deed, each Guarantor jointly and severally guarantees the payment of all amounts owed to Bondholders and any amount owed to the Bond Supervisor (which would include the Bond Supervisor's fees and costs).

The Guarantee is not subject to any limits or conditions.

The Guarantee is secured by the Security, being first and second ranking mortgages over land and permanent buildings, and a General Security Deed.

As at 31 December 2016:

- the total value of the Summerset Group's assets available as Security to Summerset Group's banks, after deducting amounts preferred by law and amounts secured by the first ranking mortgages granted to the Statutory Supervisor, was \$900 million; and
- the amount secured by the Security was \$280 million.

More information on the Security can be found in the table above in the section headed "Security".

Summerset believes that the assets that constitute the Security are sufficient and are reasonably likely to be sufficient to:

- repay the liability under the Guarantee; and
- pay other liabilities that the Security secures and that rank equally or in priority to the Guarantee.

The Summerset Group expects to form additional Subsidiaries when it acquires further development sites. These Subsidiaries may join the Guaranteeing Group, and would join the Guaranteeing Group if required to comply with the 90% of Total Assets and EBITDA tests described above.

Other relevant information about the Trust Deed

The Trust Deed also contains a number of standard provisions, including in relation to the powers and duties of the Bond Supervisor, and the process for amending the Trust Deed. You can find a copy of the Trust Deed on the Disclose Register. You should read the Trust Deed for further information.

Selling Restrictions

Summerset does not intend that the Bonds be offered for sale, and no action has been taken or will be taken to permit a public offering of Bonds, in any jurisdiction other than New Zealand. You may only offer for sale or sell any Bond in conformity with all applicable laws and regulations in any jurisdiction in which it is offered, sold or delivered. This PDS may not be published, delivered or distributed in or from any country other than New Zealand.

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



SECTION

06 | RISK OF INVESTING

Introduction

This section 6 describes the following potential key risk factors:

- general risks associated with an investment in the Bonds; and
- significant specific risks relating to Summerset's creditworthiness.

Key risks outlined in this section are based on Summerset's Management and Board's assessment of the probability of a risk occurring and the potential impact if it occurred.

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 Bonds. This summary does not cover all of the risks of investing in the Bonds. It is also important that investors consider the suitability of an investment in these Bonds 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 the Summerset Group.

General Risks

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

Credit Risk on Summerset

The risk that Summerset (or another Guarantor) becomes insolvent and is unable to meet its obligations under the Bonds. If the Security is insufficient to repay you in these circumstances, you might not recover the amount of your investment in the Bonds or receive the returns you expect.

Secondary Market Risk

The risk that, if you wish to sell your Bonds before maturity:

- you may be unable to find a buyer; or
- the price at which you are able to sell them is less than the amount you paid for them.

These outcomes may arise because of factors related to the Summerset Group's creditworthiness, or because of other factors. These other factors may include the following:

- The fact that a trading market for the Bonds never develops, or if it develops is not very liquid. Although permission is expected to be granted to quote the Bonds on the NZX Debt Market, this does not guarantee any trading market in the Bonds.

- The level, direction and volatility of market interest rates. For example, if market interest rates go up, the market value of the Bonds would typically be expected to go down and vice versa.
- The fact that Bondholders seeking to sell relatively small or relatively large amounts of Bonds may not be able to do so at prices comparable to those available to other Bondholders.

Specific risks relating to Summerset's creditworthiness

Summerset considers that the main risks that can impact on its ability to pay interest on, and repay the principal of, the Bonds can be broken down into five main categories, being Property Market Risk, Construction and Development Risk, Regulation Risk, Reputation Risk and Industry Competition Risk. There are a number of factors that can impact on each of these risks and these are discussed below.

Property Market Risk

As incoming retirement village residents typically move into a retirement village following the sale of their family home, there is a risk that a downturn in the property market may limit potential residents' ability to relocate into a village. Specifically, such a downturn may affect the ability of potential incoming residents to sell their own homes or sell them at prices which allow them to purchase Occupation Rights.

These property market factors could affect Occupation Right sales, occupancy levels or revenue streams, meaning they may remain static or fall below expectations.

Changing property market conditions could have a flow on impact to the value of the Summerset Group's property assets, and the associated investment property valuation, which would in turn impact on Summerset's financial performance and may affect covenant compliance under the Summerset Group's bank or Bond documents.

Total assets for the Summerset Group were \$1,707 million at 31 December 2016. Fair value gain on investment properties for the year ended 31 December 2016 was \$143 million. These fair value gains include assumptions associated with the impact of recent and future expected changes in property values.

It is difficult to predict what the impact of changes in the property market would be for the Summerset Group, and this would depend on the scale of the property market movement and other factors. To the extent any property market changes were localised, risk may be mitigated through the geographic disbursement of the villages in the Summerset Group. It is important to note that the Summerset Group is not required to repay an outgoing

resident the repayment sum under their Occupation Right Agreement until the Occupation Right for the Unit is resold to an incoming resident. This limits the impact of negative cash flows occurring during an economic downturn.

As at 31 December 2016 the Summerset Group had nine villages under development with 974 Units and 110 care beds remaining to be delivered as part of these developments. In the year ended 31 December 2016 the Summerset Group completed 409 Units and 121 care beds.

Construction and Development Risk

The Summerset Group faces construction and property development risks when developing new villages, including:

- Project delays and holding cost risks. While the use of fixed price construction contracts can mitigate the impact of delays, there will be some risks which cannot be passed onto the construction contractor and which could cause project delays leading to increased costs.
- Default risk arising from participants in the development process, including construction contractors defaulting in the performance of their respective obligations, contractor shortages resulting in delays in subcontractor performance of their obligations and industrial disputes with suppliers and contractors.
- Insufficient project governance, poor quality village and building design or planning delays in achieving required building and resource consents impact the timing and quality of the construction.
- Labour and material shortages, including the appropriate skills required to deliver the different forms of construction ranging from large apartment blocks, care and recreation facilities and Units.

The Summerset Group also has a land bank sufficient to maintain close to six years of development. The ability to meet growth targets is dependent on the Summerset Group's ability to acquire attractive sites for the development of new villages.

The effect of these risks on the Summerset Group may be a material reduction in the earnings associated with the sale of Occupation Rights for new Units, affecting the ability of the Summerset Group to make interest and principal payments on the Bonds.

Development margin (a non-GAAP measure) for the Summerset Group was \$39 million, and 22.2%, for the year ended 31 December 2016. This reflects the sale of 414 Occupation Rights for new Units. A reduction in the development margin percentage of 1%, to 21.2%, for the year ended 31 December 2016 would have resulted in a reduction in development margin of approximately \$2 million.

The Summerset Group typically ensures construction costs are fully tendered, or reasonably certain, prior to setting sales prices for Occupation Rights, with the purpose being to mitigate any financial pressures on development margin.

Variations and construction cost escalation may still occur throughout the lifecycle of the village being constructed.

Regulation Risk

The Operators of Summerset's Registered Retirement Villages must continue to meet the requirements of the Health and Disability Services (Safety) Act 2001 and be certified under it in order to provide health care services at their villages. Each village periodically receives an audit to ensure its ongoing obligations are being met and its certification to operate can continue. Summerset must also be party to an Age-Related Residential Care Services Agreement with the relevant District Health Board for each of its villages that provides care services. Certification requirements apply to each village separately.

In addition, there is a similar set of requirements in the Retirement Villages Act to maintain registration of each of its villages with the Registrar of Retirement Villages. In order to maintain registration, the relevant Operator must comply with certain disclosure standards and minimum requirements for retirement villages in New Zealand. There are currently 21 Registered Retirement Villages in the Summerset Group, and registration requirements apply to each village separately, providing diversification of regulation risk for the Summerset Group. No Registered Retirement Village in the Summerset Group has ever been deregistered.

Any breach of requirements by a village could lead to loss of certification/registration as either a retirement village or aged care operator at any of the Registered Retirement Villages and could have significant impacts upon the Summerset Group's financial performance. This could potentially result in a breach of covenants under the Summerset Group's bank or Bond documents.

In addition, any future regulatory changes for the industry may also have an adverse impact on the Summerset Group and the way it promotes, manages and operates its villages. Regulatory changes could result in increased costs or restrict the ability to earn revenue for the Summerset Group, and could potentially result in a breach of covenants under the Summerset Group's bank or Bond documents.

Reputation Risk

The Summerset Group operates in a sensitive market involving vulnerable members of society living in the Summerset Group's care centres and Units. The Summerset Group's performance and reputation could be adversely impacted should it suffer from any adverse publicity, particularly in respect of inappropriate care of residents or health and safety issues. Adverse publicity could range from a variety of situations including, but not limited to:

- Reports of inappropriate care of residents
- Inappropriate staff actions
- Health or safety issues affecting residents

Quantification of the potential impact of this risk is unknown and is very dependent upon the specific circumstances that may occur. The average age of residents in the Summerset Group's villages is approximately 82 years, across the Summerset Group's care centres and Units. With more than 4,200 residents as at 31 December 2016, over 700 were receiving rest-home or hospital level care.

Providing a high level of service to residents is important given the stage of life these residents are in. Residents and their families have high expectations of the level of service that will be provided by the Summerset Group.

Since Summerset listed on the NZX in November 2011, there have been no instances that have caused a high level of concern regarding reputation risk. However a single serious instance in the future may have a significant impact.

Any realisation of reputation risk would be likely to result in reduced care centre or Unit occupancy levels within either that specific village or across a broader range of Summerset villages. For the year ended 31 December 2016, revenue from care fees and village services was \$58 million (being 67% of total Summerset Group revenue) and deferred management fee revenue was \$28 million (being 33% of total Summerset Group revenue).

In turn, this reduction in occupancy levels could lead to reduced financial performance and a potential breach of covenants under the Summerset Group's bank or Bond documents.

The Summerset Group is focused upon providing a high quality of care to residents within Summerset villages and has a Clinical Quality Committee of the Board, who oversee continued focus in this area. Established care centres had an occupancy rate of 99% for 2016. There were only 29 Units available for the resale of Occupation Rights at 31 December 2016, across a portfolio of 2,828 Units.

Industry Competition Risk

The industry in which the Summerset Group operates is relatively fragmented and has become increasingly competitive over recent years, with higher quality villages with an increasing level of services offered.

Competition risks include, but are not limited to, competitors making significant changes to their revenue models, or increasing penetration rates through high levels of development of new units.

Competitors making significant changes to their revenue models or pricing strategy could have a significant impact on the revenue earned by the Summerset Group. For the year ended 31 December 2016, revenue from care fees and village services was \$58 million (being 67% of total Summerset Group revenue) and deferred management fee revenue was \$28 million (being 33% of total Summerset Group revenue).

Industry penetration rates for units increased from 5% of over 75 year olds in 1998 to approximately 13% currently. 658 Occupation Rights were sold across the Summerset Group for the year ended 31 December 2016, providing a total cash inflow from receipts of residents' loans for Occupation Rights of \$262 million.

In the event of over-supply of retirement villages, the Summerset Group may not be able to sell the number of Occupation Rights that it has available for sale, and/or may need to reduce the price it charges for Occupation Rights, or defer sales of Occupation Rights if it is not willing to accept market prices.

The Summerset Group's ability to maintain sales levels in the event of over-supply will be affected by the level of competitive advantage it can achieve through providing new and desirable village offerings.

\$39 million of development margin and \$15 million of realised resale gains (non-GAAP measures) was earned from new sales and resales of Occupation Rights for the year ended 31 December 2016. In the event of over-supply of retirement villages, reduced sales of Occupation Rights may lead to a reduction in development margin and realised resale gains achieved.

In addition to this reduction in development margin and realised resale gains, further increasing competition could result in, among other things, the Summerset Group experiencing lower occupancy rates than anticipated, price reductions, reduced operating margins and a loss of market share. Any of these occurrences could adversely affect the Summerset Group's financial performance and lead to a potential breach of covenants under the Summerset Group's bank or Bond documents.

Barriers to entry for new industry competitors, which provide some mitigation against industry competition risk, include capital cost requirements and the complexity of offering care services to residents. The risk of possible market over-supply should also be balanced against the knowledge that retirement villages in some regions of New Zealand are operating effectively with penetration rates in those regions in excess of 20%.

SECTION

07 | TAX

If you are tax resident in New Zealand or otherwise receive payments of interest on the Bonds that are subject to the resident withholding tax rules, resident withholding tax will be deducted from the interest payable to you under the Bonds, unless you provide Summerset or the Securities Registrar with a valid certificate of exemption on or before the record date for the relevant payment.

If you are not a tax resident in New Zealand and the interest you receive is subject to the non-resident withholding tax rules you will have non-resident withholding tax deducted from interest that is payable under the Bonds at the applicable rate. However, if Summerset is lawfully able to do so, it (or the Securities Registrar on its behalf) will, in lieu of deducting non-resident withholding tax, pay approved issuer levy in respect of interest that is payable under your Bonds. You may by notification to Summerset elect that non-resident withholding tax be deducted from your interest payments instead of applying the approved issuer levy regime.

If the approved issuer levy regime applies, Summerset will:

- if possible, apply the zero rate of approved issuer levy; and
- otherwise, pay approved issuer levy at the applicable rate.

The amount of any approved issuer levy paid will be deducted from payments to you.

If, in respect of any of your Bonds, Summerset becomes liable to make any payment of, or on account of, tax payable by you, then you will be required to indemnify Summerset in respect of such liability. Any amounts paid by Summerset in relation to any such liability may be recovered from you by withholding the amount from further payments to you in respect of the Bonds. See clause 8 of the Trust Deed for further details.

There may be other tax consequences from acquiring or disposing of the Bonds. If you have any queries relating to the tax consequences of the investment, you should obtain professional advice on those consequences.

The above generalised summary is based on the taxation laws in force in New Zealand as at the date of this PDS. Future changes to these or other laws may affect the tax consequences of an investment in the Bonds.



SECTION

08 WHO IS INVOLVED?

	Name	Role
Issuer	Summerset Group Holdings Limited	Issuer of the Bonds.
Bond Supervisor	The New Zealand Guardian Trust Company Limited	Holds certain covenants on trust for the benefit of the Bondholders.
Security Trustee	ANZ Bank New Zealand Limited	Holds the Security for the Bondholders and all other creditors entitled to its benefit.
Organising Participant	ANZ Bank New Zealand Limited	Responsible to the NZX in relation to the quotation of the Bonds.
Arranger	ANZ Bank New Zealand Limited	Provides advice and assistance to Summerset with arranging the Offer.
Joint Lead Managers	ANZ Bank New Zealand Limited Deutsche Craigs Limited First NZ Capital Securities Limited Forsyth Barr Limited	Assists with the marketing and distribution of the Bonds.
Securities Registrar	Link Market Services Limited	Maintains register of Bonds.
Solicitors to Issuer	Chapman Tripp	Provides legal advice to Summerset in respect of the Offer.
Solicitors to Bond Supervisor	Simpson Grierson	Provides legal advice to the Bond Supervisor in respect of the Offer.

SECTION

09 HOW TO COMPLAIN

Complaints about the Bonds can be made to any one or more of the following:

Summerset Group Holdings Limited at:

Deputy Chief Financial Officer and Company Secretary
Level 27, Majestic Centre
100 Willis Street
PO Box 5187
Wellington 6140
Telephone: + 64 4 894 7320

The New Zealand Guardian Trust Company Limited at

Manager, Corporate Trusts
Level 2, 99-105 Customhouse Quay
Wellington 6011
Telephone: + 64 4 901 5406
Email: ct-wellington@nzgt.co.nz

The Bond Supervisor is a member of an external, independent dispute resolution scheme operated by Financial Services Complaints Limited and approved by the Ministry of Consumer Affairs. If the Bond Supervisor has not been able to resolve your issue, you can refer the matter to Financial Services Complaints Limited by emailing info@fscl.org.nz, or calling 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 be made to the Financial Markets Authority through their website www.fma.govt.nz.

SECTION

10 | WHERE YOU CAN FIND MORE INFORMATION

Disclose Register

Further information relating to Summerset and the Bonds is available free of charge on the online offer register maintained by the Companies Office known as 'Disclose'. The offer register can be accessed at www.companiesoffice.govt.nz/disclose. A copy of the information on that register is also available on request to the Registrar of Financial Service Providers at registrar@fspr.govt.nz.

The information contained on the Disclose Register includes a copy of the Trust Deed and the Supplemental Trust Deed, the General Security Deed, the Security Trust Deed and the Deed of Supervision.

Additional information about Summerset is available free of charge from <http://www.nzx.com/markets/nzsx/securities/SUM>

SECTION

11 | HOW TO APPLY

The Offer will be open to institutional investors and members of the public who are resident in New Zealand.

There is no public pool for the Bonds. This means you can only apply for Bonds through a Primary Market Participant or approved financial intermediary who has obtained an allocation. You can find a Primary Market Participant by visiting www.nzx.com/investing/find_a_participant.

You must return a completed Application Form (with payment) to the office of the Primary Market Participant or financial intermediary in time to enable it to be forwarded to the Securities Registrar before 5.00pm on the Closing Date.

An application cannot be withdrawn or revoked by the applicant once it has been submitted.

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

SECTION

12 | CONTACT INFORMATION

Issuer

Summerset Group Holdings Limited

Address:

Deputy Chief Financial Officer and Company Secretary
Level 27, Majestic Centre
100 Willis Street
PO Box 5187
Wellington 6140

Telephone number:

+ 64 4 894 7320

Securities Registrar

Link Market Services Limited

Address:

Level 11, Deloitte Centre
80 Queen Street
Auckland 1010

Telephone number:

+64 9 375 5998

GLOSSARY

\$	New Zealand dollars
Application Form	The application form contained in this PDS relating to the Offer.
Arranger & Organising Participant	ANZ Bank New Zealand Limited
ASX	ASX Limited (ABN 98 008 624 691) or the securities market operated by it, as the context requires.
Bank Facility Agreement	The \$600m Syndicated Facility Agreement dated 27 January 2011 (as amended and restated from time to time) between, amongst others, Summerset Holdings Limited as borrower, the Issuer as guarantor, ANZ Bank New Zealand Limited as agent, security trustee and arranger and the lenders (as defined therein).
Bond Supervisor	The New Zealand Guardian Trust Company Limited or such other supervisor as may hold office as supervisor under the Trust Deed from time to time.
Bondholder or you	A person whose name is entered in the Register as a holder of a Bond.
Bonds	The bonds constituted and issued pursuant to the Trust Deed and the Supplemental Trust Deed and offered pursuant to this PDS.
Business Day	A day (other than a Saturday or Sunday) on which registered banks are generally open for business in Auckland and Wellington, except that in the context of the Listing Rules it means a day on which the NZX Debt Market is open for trading.
Closing Date	5.00pm, 6 July 2017
Deed of Supervision	The deed of supervision between each of the Village Registered Companies and the Statutory Supervisor containing the information and provisions required by Subparts 1 and 2 of Part 5 of the Retirement Villages (General) Regulations 2006.
Development	The construction of care facilities and Units at a Summerset Location to be owned or leased by any Guarantor.
Disclose Register	The online offer register maintained by the Companies Office known as 'Disclose'.
Distribution	Has the meaning given to that term in the Companies Act 1993, and includes any reduction of capital, any acquisition by a company of any share in itself or in its holding company, and any financial assistance provided by a company to enable another person to acquire any such share.
EBITDA	Has the meaning given to that term in the Trust Deed.
Event of Default	In relation to the Bonds, means each event set out in clause 11.1 of the Trust Deed, which are summarised in section 5 (<i>Key features of the Bonds</i>).
Event of Review	In relation to the Bonds, means the event set out in clause 11.2 of the Trust Deed, which is summarised in section 5 (<i>Key features of the Bonds</i>).
Extraordinary Resolution	A resolution approved by bondholders holding bonds with a Principal Amount of no less than 75% of the aggregate Principal Amount of bonds outstanding under the Trust Deed held by persons who are entitled to vote and do vote on the resolution.

First Interest Payment Date	11 October 2017
FMCA	Financial Markets Conduct Act 2013
FMC Regulations	Financial Markets Conduct Regulations 2014
General Security Deed	The Composite General Security Deed and Cross-Guarantee dated 27 January 2011 (as amended and restated from time to time), that is provided by the Guarantors in favour of the Security Trustee.
Guarantee	The cross-guarantee contained in the General Security Deed, as described in section 5 (<i>Key features of the Bonds</i>).
Guaranteeing Group	Summerset and each of the other Guarantors.
Guarantors	Each person who is or becomes party to the General Security Deed from time to time (other than the Security Trustee). As at the date of this PDS the following entities are Guarantors: Summerset Group Holdings Limited, Summerset Holdings Limited, Summerset Properties Limited, Summerset Management Group Limited, Welhom Developments Limited, Summerset Care Limited, Summerset Villages (Casebrook) Limited, Summerset Villages (Ellerslie) Limited, Summerset Villages (Nelson) Limited, Summerset Villages (Hobsonville) Limited, Summerset Villages (Richmond) Limited, Summerset Villages (Wigram) Limited, Summerset Villages (Rototuna) Limited, Summerset Villages (Lower Hutt) Limited, Summerset Villages (St Johns) Limited, Summerset Villages (Parnell) Limited, Summerset Villages (Katikati) Limited, Summerset Villages (Karaka) Limited, Summerset Villages (Dunedin) Limited, Summerset Villages (Hamilton) Limited, Summerset Villages (Aotea) Limited, Summerset Villages (Hastings) Limited, Summerset Villages (Havelock North) Limited, Summerset Villages (Levin) Limited, Summerset Villages (Napier) Limited, Summerset Villages (Palmerston North) Limited, Summerset Villages (Paraparaumu) Limited, Summerset Villages (Manukau) Limited, Summerset Villages (Taupo) Limited, Summerset Villages (Trentham) Limited, Summerset Villages (Wanganui) Limited, Summerset Villages (Warkworth) Limited and Summerset Villages (New Plymouth) Limited.
Inland Revenue	The New Zealand Inland Revenue Department
Interest Payment Dates	11 January, 11 April, 11 July and 11 October in each year (or if that day is not a Business Day, the next Business Day) until and including the Maturity Date, with the first Interest Payment Date being 11 October 2017.
Interest Period	Has the meaning given to that term in the Trust Deed.
Interest Rate	The rate of interest per annum payable on the Principal Amount of the Bonds as announced by Summerset through NZX on 14 June 2017.
Issue Date	11 July 2017
Joint Lead Managers	ANZ Bank New Zealand Limited, Deutsche Craigs Limited, First NZ Capital Securities Limited and Forsyth Barr Limited.
Listing Rules	The listing rules applying to the NZX Debt Market, as amended from time to time.
Loan to Value Ratio	The ratio of Total Debt to the Property Value.
Major Default	Has the meaning given to that term in the Security Trust Deed.
Majority Beneficiaries	Has the meaning given to that term in the Security Trust Deed.
Maturity Date	11 July 2023

Non-Village Registered Companies	Any Guarantor that is not a Village Registered Company, and includes any other Subsidiary of Summerset (other than a Village Registered Company) which accedes as a debtor to the Security Trust Deed and/or the General Security Deed. As at the date of this PDS, the following Guarantors are Non-Village Registered Companies: Summerset Group Holdings Limited, Summerset Holdings Limited, Summerset Properties Limited, Summerset Care Limited, Summerset Management Group Limited, Welhom Developments Limited, Summerset Villages (Casebrook) Limited, Summerset Villages (Lower Hutt) Limited, Summerset Villages (St Johns) Limited, Summerset Villages (Parnell) Limited, Summerset Villages (Richmond) Limited and Summerset Villages (Rototuna) Limited.
NZ GAAP	Generally accepted accounting practice in New Zealand as defined in section 8 of the Financial Reporting Act 2013.
NZX	NZX Limited
NZX Debt Market	The debt security market operated by NZX.
Occupation Right	The right of a resident conferred under an Occupation Right Agreement to occupy a Unit within a Registered Retirement Village.
Occupation Right Agreement	Any written agreement or other document or combination of documents that: (a) confers on any person the right to occupy a Unit within a Registered Retirement Village; and (b) specifies any terms or conditions to which that right is subject.
Offer	The offer of Bonds made by Summerset Group Holdings Limited under this PDS.
Opening Date	15 June 2017
Operator	The owner and operator of a Registered Retirement Village, each being a Village Registered Company.
Portfolio	All of the Units, aged care facilities and all other Property held by any Guarantor subject to the Security.
PDS	This product disclosure statement for the Offer dated 30 May 2017.
Principal Amount	\$1.00 per Bond.
Property	Has the meaning given to that term in the Trust Deed.
Property Value	At any time, the value of the Portfolio (without double counting) determined as: (a) the value for mortgage lending purposes of all Properties for which a Valuation has been received by the Security Trustee, determined by reference to the most up-to-date Valuation for each Property received by the Security Trustee; (b) the land acquisition cost of all Property acquired by any Guarantor and subject to a mortgage in favour of the Security Trustee but in respect of which no Valuation has been received by the Security Trustee; (c) the costs incurred (other than land acquisition cost) in respect of any completed Development for which no Valuation has been received by the Security Trustee; and (d) an amount equal to 50% of the costs incurred to date (other than land acquisition cost) in relation to any Development that has not been completed, net of all residents' loans.

Purchase Price	The lump sum amount payable to the Operator of a Registered Retirement Village by a resident under an Occupation Right Agreement, in exchange for the right to occupy his or her Unit.
Rate Set Date	14 June 2017
Register	The register in respect of the Bonds maintained by the Securities Registrar.
Registered Retirement Village	Any retirement village that is registered as a retirement village on the Register of Retirement Villages and operated by a Village Registered Company, and any other retirement village operated by a Guarantor which registers as a retirement village under the Retirement Villages Act. As at the date of this PDS, each of the following is a Registered Retirement Village: Summerset At Aotea, Summerset At Bishopscourt, Summerset At Heritage Park, Summerset At Karaka, Summerset At Monterey Park, Summerset At The Course, Summerset At Wigram, Summerset By The Lake, Summerset By The Park, Summerset By The Ranges, Summerset By The Sea, Summerset Down The Lane, Summerset Falls, Summerset In The Bay, Summerset In The Orchard, Summerset In The Sun, Summerset In The Vines, Summerset Mountain View, Summerset In The River City, Summerset On Summerhill and Summerset On The Coast.
Retirement Villages Act	Retirement Villages Act 2003
Securities Registrar	Link Market Services Limited
Security	Each security held by the Security Trustee for the benefit of Bondholders and other beneficiaries under the Security Trust Deed. As at the date of this PDS, the Security is: (a) a first ranking registered mortgage over all land and permanent buildings owned (or leased under a registered lease) by Guarantors that are Non-Village Registered Companies; (b) a second ranking registered mortgage over the land and permanent buildings owned by each Village Registered Company that is a Guarantor (behind a first ranking registered mortgage in favour of the Statutory Supervisor); and (c) the General Security Deed which secures all assets of the Guaranteeing Group, but in respect of which the Statutory Supervisor has first rights to the proceeds of security enforcement against all assets of the Village Registered Companies to which the Security Trustee is entitled.
Security Sharing and Priority Deed	Each deed between a Village Registered Company, the Security Trustee and the Statutory Supervisor, under which the Statutory Supervisor's securities take priority over those of the Security Trustee.
Security Trust Deed	The Security Trust Deed dated 27 January 2011 between the Guarantors and the Security Trustee (as amended and restated from time to time).
Security Trustee	ANZ Bank New Zealand Limited
Statutory Supervisor	Public Trust or such other statutory supervisor as may be appointed from time to time as statutory supervisor in respect of a Registered Retirement Village pursuant to the Retirement Villages Act in respect of each Registered Retirement Village.
Subsidiaries	Has the meaning given to that term in the FMC Regulations.
Summerset or Issuer	Summerset Group Holdings Limited
Summerset Group	Summerset and all of its Subsidiaries.

Summerset Location	Each parcel of land which is owned or leased by any Guarantor and from which any one or more Guarantors operate, or intend to operate, any combination of aged care facilities and Units.
Supplemental Trust Deed	The Supplemental Trust Deed dated 30 May 2017 between Summerset and the Bond Supervisor constituting and setting out the conditions of the Bonds (as amended or supplemented from time to time).
Swap Rate	The mid-market swap rate for an interest rate swap from the Issue Date to the Maturity Date, as calculated by Summerset in conjunction with the Arranger on the Rate Set Date.
Test Date	Each 30 June and 31 December for so long as any bonds issued under the Trust Deed are outstanding.
Total Assets	At any time, the aggregate value on a consolidated basis of all property of the Summerset Group or the Guaranteeing Group (as applicable) on that date, calculated on a consolidated basis in accordance with NZ GAAP.
Total Debt	At any time, the aggregate of: (a) the principal amount outstanding under the Bank Facility Agreement; (b) the principal amount outstanding in respect of these Bonds (and any other outstanding bonds that Summerset may issue in the future); and (c) the principal amount outstanding under any other loan facility that has the benefit of the Security Trust Deed, at that time.
Trust Deed	The Master Trust Deed dated 30 May 2017 between Summerset and the Bond Supervisor pursuant to which bonds may be issued (as amended or supplemented from time to time), and where the context requires includes the Supplemental Trust Deed.
Unit	Any villa, apartment or unit in a Registered Retirement Village.
Valuation	A valuation of the Portfolio (or any part thereof) prepared by a Valuer and addressed to the Security Trustee detailing the value of each of the Properties or other properties referred to therein.
Valuer	Any valuer approved by the agent in accordance with the Bank Facility Agreement (or, if there is no such agent, the Security Trustee).
Village Registered Companies	Any Guarantor which has entered into, or acceded to, the Deed of Supervision with the Statutory Supervisor in respect of a Registered Retirement Village owned and operated by that Guarantor as Operator, which is registered as a retirement village on the Register of Retirement Villages. As at the date of this PDS, the following Guarantors are Village Registered Companies: Summerset Villages (Manukau) Limited, Summerset Villages (Havelock North) Limited, Summerset Villages (Levin) Limited, Summerset Villages (Taupo) Limited, Summerset Villages (Paraparaumu) Limited, Summerset Villages (Trentham) Limited, Summerset Villages (Wanganui) Limited, Summerset Villages (Palmerston North) Limited, Summerset Villages (Napier) Limited, Summerset Villages (Aotea) Limited, Summerset Villages (Warkworth) Limited, Summerset Villages (Hastings) Limited, Summerset Villages (Hamilton) Limited, Summerset Villages (Nelson) Limited, Summerset Villages (Dunedin) Limited, Summerset Villages (Katikati) Limited, Summerset Villages (Karaka) Limited, Summerset Villages (Hobsonville) Limited, Summerset Villages (New Plymouth) Limited, Summerset Villages (Ellerslie) Limited and Summerset Villages (Wigram) Limited.

APPLICATION FORM INSTRUCTIONS

General

Applications for Summerset Bonds may be lodged from the opening date of the Offer. The Offer will remain open until 5pm (NZT) on 6 July 2017 or such other date as Summerset may determine in its sole discretion.

An Application must be completed in full and may be rejected if any details are not entered or it is otherwise incorrectly completed. Summerset reserves the right to treat any Application as valid or to decline any Application, in whole or in part, in its sole discretion and without giving any reasons. Summerset's decision as to whether to reject the Application, or to treat it as valid (and then how to construe, amend or complete the Application Form) will be final.

An Application will constitute an irrevocable offer by the Applicant to subscribe for the Bonds specified on the Application Form (or such lesser amount which Summerset may determine) on the terms set out in the product disclosure statement ("PDS"), the Trust Deed, the Supplemental Trust Deed and the Application Form.

By submitting an Application Form, Applicants agree to be bound by the terms and conditions of the PDS, this Application Form, the Trust Deed and Supplemental Trust Deed. No person accepts any liability or responsibility should any person attempt to sell or otherwise deal with the Bonds before the statements confirming allotments are received by the Applicants for the Bonds.

A = Investor Details

Please complete all relevant sections in the Application Form in CAPITAL LETTERS.

Type of Investor:	Correct way to write Name:	Incorrect way to write Name:
Individual person	JOHN SMITH	J SMITH
More than one person	JOHN SMITH MICHELLE SMITH	J & M SMITH
Company	ABC LIMITED	ABC
Trusts	JOHN SMITH, BRIAN SMITH, LEE WONG (JOHN SMITH FAMILY A/C)	SMITH FAMILY TRUST
Partnerships	JOHN SMITH MICHAEL SMITH (JOHN SMITH AND SONS A/C)	JOHN SMITH & SONS
Clubs and unincorporated associations	JANE SMITH (SMITH INVESTMENT CLUB A/C)	SMITH INVESTMENT CLUB
Superannuation funds	JOHN SMITH LIMITED (SUPERANNUATION FUND A/C)	JOHN SMITH SUPERANNUATION FUND

Full name details: Insert your full name. Applications must be in the name(s) of natural persons, companies or other legal entities, up to a maximum of three names per Application.

Postal address details: Insert your postal address for correspondence. All communications to you from Summerset will be mailed to the person(s) at the address shown (unless you provide an email address in section C of the Application Form). For joint Applicants, only one address is to be provided.

Telephone numbers: Insert your telephone number(s) in case the Registrar or Summerset needs to contact you in relation to your Application.

By supplying **your mobile number** you will enable the Registrar to advise you by TXT Alerts of any changes on your holding balance, or if your bank account details or your address on the register change, or if a new / replacement FIN has been requested. This feature provides additional security to you as an investor. You may unsubscribe at any time for this Txt Alert service.

B = Holder Number Details

If you have other investments registered under a Common Shareholder Number (“CSN”) please supply your CSN in the space provided. The name and address details on your Application Form must correspond with the registration details under that CSN.

C = Electronic Investor Correspondence

By supplying your email address Summerset will be able to deliver your investor correspondence to you electronically where possible. This is a much more environmentally friendly, cost effective and timely option than paper based investor mail outs.

D = Application Payment Details

Please enter the NZ\$ amount for the Bonds you wish to apply for. The principal amount of each Bond is \$1.00. An Application to subscribe for Bonds must be for a minimum amount of \$5,000 and thereafter in multiples of \$1,000.

Payment must be made by direct debit, cheque (or, if the Application is for an aggregate subscription amount of \$500,000 or more, by a bank cheque) or (by prior arrangement with the Registrar) through the NZClear System.

If you choose the **direct debit option**, you must tick the **box authorising the Registrar** to direct debit once only the bank account nominated on the Application Form on the day the Application Form is received by the Registrar for the amount applied for on the Application Form.

You cannot specify any other direct debit date and you must ensure that:

- the bank account details supplied are correct;
- you have sufficient funds in the bank account for direct debit available on the day the Registrar receives the Application Form;
- you have the authority to operate the account solely/jointly; and
- the bank account you nominate is a transactional account eligible for direct debit transactions.

If you are uncertain, you should contact your bank or financial institution. Should your direct debit fail, your Application may be rejected. **The Registrar will not be able to process your direct debit if you do not sign and date the Application Form.** If requested, the Registrar will provide you with a direct debit authority form.

Cheques must be in New Zealand dollars and drawn on a New Zealand branch of a registered bank. Cheques must be made payable to “Summerset Bond Offer”, crossed “Transferable” and must not be post-dated.

Your cheque will be banked upon receipt into a designated bank trust account pending allotment of the Bonds. Staple your cheque to the completed Application Form.

The banking or direct debit of application moneys does not constitute confirmation of allotment of any Bonds or acceptance of an Application for the offer to subscribe for Bonds.

If your cheque or direct debit is dishonoured, Summerset may cancel your allotment of Bonds and pursue any other remedies available to it at law.

Investors who are members of **NZClear** may, by prior arrangement with the Registrar, settle their Applications for the Bonds on the relevant Issue Date of the Bonds through the NZClear System.

E = Interest and Maturity Payments

If you currently receive dividend payments on other Summerset investments from the Registrar by direct credit into a New Zealand bank account, and wish your payments in respect of the Bonds to be direct credited to the same account, then you do not need to complete section E of the Application Form.

If you wish to be paid by direct credit and the Registrar does not already hold your New Zealand bank account details or you wish to have payments credited to another New Zealand bank account, please tick the box for option 1 and enter the details of the bank account.

If payment to your cash management account with a Primary Market Participant is selected, tick the box for option 2, insert the name of the Primary Market Participant where your cash management account is held and provide your cash management client account number.

If you do not elect option 1 or option 2, payment will be made by cheque sent to the postal address you provide in section A, or such other address notified to the Registrar in writing from time to time.

F = IRD number, RWT and other tax details

Please enter your IRD number and tick the resident withholding tax (“RWT”) rate that applies to you (or, if you are exempt from RWT, tick the exempt box and attach a photocopy of your RWT exemption certificate). If you are not a NZ resident for tax purposes please complete the relevant section.

G = Signing and Dating

Read the PDS, the other Offer documents and the Application Form carefully and sign and date the Application Form.

The Application Form must be signed by each of the Applicant(s) personally, (in the case of a company) by two directors of the company (or one director if there is only one director, whose signature must be witnessed), or in either case by a duly authorised attorney or agent.

If the Application Form is signed by an attorney, the power of attorney document is not required to be lodged, but the attorney must complete the certificate of non-revocation of power of attorney at the end of the Application Form.

If the Application Form is signed by an agent, the agent must complete the certificate of non-revocation of agent at the end of the Application Form.

H = Offer Closing Date and Delivery

The Offer will close at 5.00pm on 6 July 2017. You should remember that the Closing Date may be changed at the sole discretion of Summerset. Changes will be advised by NZX announcement. Summerset reserves the right to refuse to accept any Applications, including those received by the Registrar after the Closing Date of the Offer.

Your completed Application Form must be returned to a Joint Lead Manager or your financial advisor in time for them to send your Application to the Registrar by 5.00 pm. on the Closing Date. Applications delivered directly to the Registrar without a stamp from one of these parties may be accepted or rejected at Summerset's sole discretion.



APPLICATION FORM

This application form (**Application Form**) is issued with the product disclosure statement dated 30 May 2017 (**PDS**) for an offer of secured, unsubordinated, fixed rate bonds (**Bonds**) by Summerset Group Holdings Limited (**Summerset**) to members of the public and institutional investors who are resident in New Zealand (**Offer**).

You should read the PDS in full before completing this Application Form. A copy of the PDS and other useful information about the Offer may also be obtained from www.companiesoffice.govt.nz/disclose. Capitalised terms used in this Application Form have the meanings given to them in the PDS.

The Closing Date for the Offer is expected to be 6 July 2017. Summerset may, in its absolute discretion, and without notice, vary the timetable (including by opening or closing the Offer early). Summerset may also cancel the Offer at any time before the Bonds are issued.

Please complete this Application Form and arrange with your financial adviser for your Application Form and payment to be received by the Registrar, Link Market Services Limited, by 5.00pm on 6 July 2017.

Broker Stamp

Broker Code

Advisor Code

PLEASE PRINT IN BLOCK LETTERS

A. APPLICANT DETAILS

First Name(s):		Last Name:	
First Name(s):		Last Name:	
First Name(s):		Last Name:	
Corporate Name, Trust or <On Account> (if applicable):			
Postal Address:			
Phone Number:	Mobile:	Daytime:	

B. COMMON SHAREHOLDER NUMBER (CSN)

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

Your details on this Application Form must match the details on your CSN. Otherwise, if you do not have a CSN, leave the boxes blank and you will be allocated a new CSN and Authorisation code (FIN) if your application is accepted.

C. ELECTRONIC CORRESPONDENCE

To enable Summerset to provide you with your investor correspondence in relation to your holding of Bonds electronically, 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.

D. APPLICATION PAYMENT – IMPORTANT

Applications must be for a minimum of **\$5,000** and, thereafter, in multiples of **\$1,000**. Summerset may accept or reject all or part of this application without giving reason.

Principal amount of Bonds applied for (at an issue price of \$1.00 per Bond):

NZ\$

Select **ONE** of the options below by ticking the appropriate box (✓):

☐

OPTION 1: Direct Debit The Registrar is authorised to direct debit my bank account for the amount of Bonds applied for (or any lesser amount as determined by Summerset). The Registrar will direct debit from the bank account provided below on the date this Application Form is received.

Name of Bank: Name of Account:

- -
Bank Branch Account No Suffix

☐

OPTION 2: Cheque Please find attached my/our cheque made payable to "Summerset Bond Offer" and crossed "Not Transferable".

☐

OPTION 3: NZClear System Payment will be made through NZClear as arranged with the Registrar (authorised institutional investors only).

NZClear Mnemonic:

E INTEREST AND MATURITY PAYMENTS

Select ONE of the options below by ticking the appropriate box (✓):

☐

OPTION 1: Direct credit to the New Zealand bank account nominated below.

If the account you wish to have your interest and repayment paid into is the same account you provided above for direct debit purposes you do not need to complete the bank details again.

☐

Please pay my interest and repayments to the account provided above for direct debit purposes OR

☐

Please pay my interest and repayments into the account nominated below.

Name of Bank:

Name of Account:

Bank

Branch

Account No

Suffix

☐

OPTION 2: Direct credit to my cash management account.

Name of Primary Market Participant where cash management account held:

Cash management account client account number:

F IRD NUMBER, WITHHOLDING TAX INFORMATION & TAX RESIDENCY

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 if you are non-resident select the options below).

☐

10.5%*

☐

17.5%

☐

28%**

☐

30%

☐

33% or

☐

Exempt***

* Only available for an individual that reasonably expects their income for the income year to be \$14,000 or less and trustees of certain testamentary trusts.

** Available for companies only.

*** If you are exempt from resident withholding tax, you must attach a copy of your RWT exemption certificate for noting.

If you are a non-resident for New Zealand tax purposes, please select the options below by ticking the appropriate box (✓)

Are the Bonds held for the purposes of a business carried on in New Zealand through a fixed establishment in New Zealand or are you a registered bank engaged in business in New Zealand through a fixed establishment in New Zealand (if so please provide your IRD number and rate of RWT above):

☐

Yes

☐

No

Are the Bonds held jointly with a person that is resident in New Zealand for New Zealand tax purposes (if so please provide the New Zealand resident's IRD number and rate of RWT above):

☐

Yes

☐

No

Please provide your country of tax residency:

G SIGNATURE(S) OF APPLICANT(S)

I/We hereby acknowledge that I/we have received and read the PDS, and apply for the New Zealand dollar amount of Bonds set out above and agree to accept such Bonds (or such lesser number as may be allotted to me/us) on, and subject to, the terms and conditions set out in the PDS, the Trust Deed, the Supplemental Trust Deed and this Application Form. All applicants on the Application Form must sign.

Date:

H SEND APPLICATION FORM AND CHEQUE (IF APPLICABLE) TO YOUR FINANCIAL ADVISER OR MARKET PARTICIPANT FROM WHOM YOU RECEIVED THIS DOCUMENT – to be forwarded to, and received by, Link Market Services no later than 5.00pm on 6 JULY 2017

TERMS AND CONDITIONS

By submitting this Application Form, I/we agree that I/we:

- (a) have received, read and understood the PDS.
- (b) agree to subscribe for Bonds upon and subject to the terms and conditions of the PDS, this Application Form, the Trust Deed and Supplemental Trust Deed, and I/we agree to be bound by the provisions thereof.
- (c) declare that all details and statements made by me/us in this Application Form are complete and accurate.
- (d) 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 Summerset and the Registrar.
- (e) acknowledge that an application cannot be withdrawn or revoked once it has been submitted.
- (f) warrant that I/we received this offer in New Zealand and I/we are eligible to participate in the offer. I/we agree to indemnify Summerset, the Bond Supervisor, the Joint Lead Managers and their respective directors, officers, employees and agents in respect of any loss, cost, liability or expense sustained or incurred by any of them as a result of me/us breaching that warranty or the selling restrictions described in the PDS.

This Application Form, the Offer and any contract arising out of its acceptance are each governed by New Zealand law. Under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009, you may be required to produce evidence of your identity. I/we agree that my/our financial adviser may provide Summerset and its agents any information it has received (in connection with this Offer or previously) to satisfy any such obligations.

The information in this Application Form is provided to enable Summerset and the Registrar to process your application, and to administer your investment. By signing this Application Form, you authorise Summerset and the Registrar to disclose information in situations where Summerset or the Registrar are required or permitted to do so by any applicable law or by a governmental, judicial or regulatory entity or authority in any jurisdiction. Personal information provided by you will be held by Summerset and the Registrar at their respective addresses shown in section 12 (Contact Information) of the PDS or at such other place as is notified upon request. This information will be used for the purpose of managing your investment. If you are an individual under the Privacy Act 1993, you have the right to access and correct any of your personal information. You can also access your information on the Link website (www.linkmarketservices.co.nz). You will be required to enter your CSN and Authorisation code (FIN).

I CERTIFICATE OF NON-REVOCATION OF POWER OF ATTORNEY:

(Complete this section if you are acting on behalf of the Applicant on this Application Form for whom you have power of attorney)

I, _____ (full name)
Of _____ (place and country of residence),
_____ (occupation),

CERTIFY:

- THAT by deed dated _____ (date of instrument creating the power of attorney),
_____ (full name of person/body corporate which granted the power of attorney**) appointed me _____ (his/her/its) attorney;
- THAT I have executed the application for Bonds 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.

Signed at _____ this _____ day of _____ (month/year)

Signature of attorney

** 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.

J CERTIFICATE OF NON-REVOCATION OF AGENCY:

(Complete this section if you are acting as agent on behalf of the Applicant on this Application Form)

I, _____ (full name)
Of _____ (place and country of residence),
_____ (occupation),

CERTIFY:

- THAT by deed dated _____ (date of instrument creating the agency),
_____ (full name of person/body corporate which appointed you as agent**) appointed me _____ (his/her/its) agent;
- THAT I have executed the application for Bonds 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 my appointment as agent.

Signed at _____ this _____ day of _____ (month/year)

Signature of 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

This application form (**Application Form**) is issued with the product disclosure statement dated 30 May 2017 (**PDS**) for an offer of secured, unsubordinated, fixed rate bonds (**Bonds**) by Summerset Group Holdings Limited (**Summerset**) to members of the public and institutional investors who are resident in New Zealand (**Offer**).

You should read the PDS in full before completing this Application Form. A copy of the PDS and other useful information about the Offer may also be obtained from www.companiesoffice.govt.nz/disclose. Capitalised terms used in this Application Form have the meanings given to them in the PDS.

The Closing Date for the Offer is expected to be 6 July 2017. Summerset may, in its absolute discretion, and without notice, vary the timetable (including by opening or closing the Offer early). Summerset may also cancel the Offer at any time before the Bonds are issued.

Please complete this Application Form and arrange with your financial adviser for your Application Form and payment to be received by the Registrar, Link Market Services Limited, by 5.00pm on 6 July 2017.

Broker Stamp

Broker Code

Advisor Code

PLEASE PRINT IN BLOCK LETTERS

A. APPLICANT DETAILS

First Name(s):		Last Name:	
First Name(s):		Last Name:	
First Name(s):		Last Name:	
Corporate Name, Trust or <On Account> (if applicable):			
Postal Address:			
Phone Number:	Mobile:	Daytime:	

B. COMMON SHAREHOLDER NUMBER (CSN)

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

Your details on this Application Form must match the details on your CSN. Otherwise, if you do not have a CSN, leave the boxes blank and you will be allocated a new CSN and Authorisation code (FIN) if your application is accepted.

C. ELECTRONIC CORRESPONDENCE

To enable Summerset to provide you with your investor correspondence in relation to your holding of Bonds electronically, 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.

D. APPLICATION PAYMENT – IMPORTANT

Applications must be for a minimum of **\$5,000** and, thereafter, in multiples of **\$1,000**. Summerset may accept or reject all or part of this application without giving reason.

Principal amount of Bonds applied for (at an issue price of \$1.00 per Bond):

NZ\$

Select ONE of the options below by ticking the appropriate box (✓):

☐ **OPTION 1: Direct Debit** The Registrar is authorised to direct debit my bank account for the amount of Bonds applied for (or any lesser amount as determined by Summerset). The Registrar will direct debit from the bank account provided below on the date this Application Form is received.

Name of Bank:		Name of Account:	
Bank	Branch	Account No	Suffix

☐ **OPTION 2: Cheque** Please find attached my/our cheque made payable to "Summerset Bond Offer" and crossed "Not Transferable".

☐ **OPTION 3: NZClear System Payment** will be made through NZClear as arranged with the Registrar (authorised institutional investors only).

NZClear Mnemonic:

E INTEREST AND MATURITY PAYMENTS

Select ONE of the options below by ticking the appropriate box (✓):

☐

OPTION 1: Direct credit to the New Zealand bank account nominated below.

If the account you wish to have your interest and repayment paid into is the same account you provided above for direct debit purposes you do not need to complete the bank details again.

☐

Please pay my interest and repayments to the account provided above for direct debit purposes OR

☐

Please pay my interest and repayments into the account nominated below.

Name of Bank:

Name of Account:

Bank

Branch

Account No

Suffix

☐

OPTION 2: Direct credit to my cash management account.

Name of Primary Market Participant where cash management account held:

Cash management account client account number:

F IRD NUMBER, WITHHOLDING TAX INFORMATION & TAX RESIDENCY

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 if you are non-resident select the options below).

☐

10.5%*

☐

17.5%

☐

28%**

☐

30%

☐

33% or

☐

Exempt***

* Only available for an individual that reasonably expects their income for the income year to be \$14,000 or less and trustees of certain testamentary trusts.

** Available for companies only.

*** If you are exempt from resident withholding tax, you must attach a copy of your RWT exemption certificate for noting.

If you are a non-resident for New Zealand tax purposes, please select the options below by ticking the appropriate box (✓)

Are the Bonds held for the purposes of a business carried on in New Zealand through a fixed establishment in New Zealand or are you a registered bank engaged in business in New Zealand through a fixed establishment in New Zealand (if so please provide your IRD number and rate of RWT above):

☐

Yes

☐

No

Are the Bonds held jointly with a person that is resident in New Zealand for New Zealand tax purposes (if so please provide the New Zealand resident's IRD number and rate of RWT above):

☐

Yes

☐

No

Please provide your country of tax residency:

G SIGNATURE(S) OF APPLICANT(S)

I/We hereby acknowledge that I/we have received and read the PDS, and apply for the New Zealand dollar amount of Bonds set out above and agree to accept such Bonds (or such lesser number as may be allotted to me/us) on, and subject to, the terms and conditions set out in the PDS, the Trust Deed, the Supplemental Trust Deed and this Application Form. All applicants on the Application Form must sign.

Date:

H SEND APPLICATION FORM AND CHEQUE (IF APPLICABLE) TO YOUR FINANCIAL ADVISER OR MARKET PARTICIPANT FROM WHOM YOU RECEIVED THIS DOCUMENT – to be forwarded to, and received by, Link Market Services no later than 5.00pm on 6 JULY 2017

TERMS AND CONDITIONS

By submitting this Application Form, I/we agree that I/we:

- (a) have received, read and understood the PDS.
- (b) agree to subscribe for Bonds upon and subject to the terms and conditions of the PDS, this Application Form, the Trust Deed and Supplemental Trust Deed, and I/we agree to be bound by the provisions thereof.
- (c) declare that all details and statements made by me/us in this Application Form are complete and accurate.
- (d) 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 Summerset and the Registrar.
- (e) acknowledge that an application cannot be withdrawn or revoked once it has been submitted.
- (f) warrant that I/we received this offer in New Zealand and I/we are eligible to participate in the offer. I/we agree to indemnify Summerset, the Bond Supervisor, the Joint Lead Managers and their respective directors, officers, employees and agents in respect of any loss, cost, liability or expense sustained or incurred by any of them as a result of me/us breaching that warranty or the selling restrictions described in the PDS.

This Application Form, the Offer and any contract arising out of its acceptance are each governed by New Zealand law. Under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009, you may be required to produce evidence of your identity. I/we agree that my/our financial adviser may provide Summerset and its agents any information it has received (in connection with this Offer or previously) to satisfy any such obligations.

The information in this Application Form is provided to enable Summerset and the Registrar to process your application, and to administer your investment. By signing this Application Form, you authorise Summerset and the Registrar to disclose information in situations where Summerset or the Registrar are required or permitted to do so by any applicable law or by a governmental, judicial or regulatory entity or authority in any jurisdiction. Personal information provided by you will be held by Summerset and the Registrar at their respective addresses shown in section 12 (Contact Information) of the PDS or at such other place as is notified upon request. This information will be used for the purpose of managing your investment. If you are an individual under the Privacy Act 1993, you have the right to access and correct any of your personal information. You can also access your information on the Link website (www.linkmarketservices.co.nz). You will be required to enter your CSN and Authorisation code (FIN).

I CERTIFICATE OF NON-REVOCATION OF POWER OF ATTORNEY:

(Complete this section if you are acting on behalf of the Applicant on this Application Form for whom you have power of attorney)

I, _____ (full name)
Of _____ (place and country of residence),
_____ (occupation),

CERTIFY:

- THAT by deed dated _____ (date of instrument creating the power of attorney),
_____ (full name of person/body corporate which granted the power of attorney**) appointed me _____ (his/her/its) attorney;
- THAT I have executed the application for Bonds 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.

Signed at _____ this _____ day of _____ (month/year)

Signature of attorney

** 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.

J CERTIFICATE OF NON-REVOCATION OF AGENCY:

(Complete this section if you are acting as agent on behalf of the Applicant on this Application Form)

I, _____ (full name)
Of _____ (place and country of residence),
_____ (occupation),

CERTIFY:

- THAT by deed dated _____ (date of instrument creating the agency),
_____ (full name of person/body corporate which appointed you as agent**) appointed me _____ (his/her/its) agent;
- THAT I have executed the application for Bonds 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 my appointment as agent.

Signed at _____ this _____ day of _____ (month/year)

Signature of 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.

Summerset Group Holdings Limited

INDICATIVE TERMS SHEET

30 MAY 2017



JOINT LEAD
MANAGERS:



DeutscheCRAIGS

FNZC

 FORSYTH BARR

Indicative Terms Sheet for an issue of up to \$75,000,000 Fixed Rate Bonds (plus up to \$25,000,000 oversubscriptions) due 11 July 2023.

The product disclosure statement for the Bonds ("PDS"), which contains full details of the offer, is available at www.summerset.co.nz/bondoffer or can be obtained from the Joint Lead Managers, or your usual financial advisor. Investors must obtain a copy of the PDS before they apply for Bonds.

Issuer	Summerset Group Holdings Limited ("Summerset")
Instrument	Fixed rate, guaranteed, secured, unsubordinated bonds ("Bonds")
Status	The Bonds will be issued under the Master Trust Deed dated 30 May 2017. Principal and interest amounts in respect of the Bonds will be direct, secured, unsubordinated obligations of the Issuer and rank <i>pari passu</i> with all other unsubordinated obligations of the Issuer, except indebtedness preferred by law.
Guarantors	Consistent with the Guarantors for Summerset's bank facilities. The Bondholders have the benefit of the following coverage ratios: • Total Assets of the Guarantors must comprise at least 90% of the Summerset Group's Total Assets; and • EBITDA (as defined in the Master Trust Deed) of the Guarantors for each rolling 12 month period must not be less than 90% of EBITDA of the Summerset Group for that period.
Purpose	The proceeds of the offer will be used to repay a portion of existing drawn bank debt and provide diversification of funding sources and tenor for the Summerset Group. More broadly, the Summerset Group's principal use of debt is to facilitate the acquisition of land for development, the development and construction of Registered Retirement Villages, and to manage the timing of Occupation Right sales to residents for developing and existing Registered Retirement Villages.
Security	The Bondholders will share the benefit of the same security package as Summerset's banks on a pro rata basis. This security is held by the Security Trustee. The key securities that Summerset's banks and Bondholders will have the benefit of are: • a second ranking mortgage over the land and permanent buildings of each Village Registered Company, which are the entities that operate Summerset's registered retirement villages. This ranks behind a first ranking mortgage in favour of Public Trust (as the Statutory Supervisor of the relevant retirement village) securing amounts and obligations owing to village residents; and • a first ranking mortgage over land owned by other Summerset Group companies (described as Non-Village Registered Companies), being undeveloped land and land under development. The Statutory Supervisor is entitled to the proceeds of security enforcement against all assets of the Village Registered Companies, in priority to Summerset's banks and Bondholders. Summerset's banks and the Bondholders share the remaining proceeds of security enforcement against Village Registered Company assets to which the Security Trustee is entitled on a pro rata basis. Refer to the PDS for more detail on Security.

Financial Covenant

LVR Covenant

Summerset will ensure, on each Test Date, that the ratio of:

- (a) Total Debt of the Summerset Group; to
 - (b) Property Value of the Summerset Group's land and permanent buildings
- is less than or equal to 50%.

A reported breach of the LVR Covenant in respect of a Test Date will be an Event of Review. Summerset must then follow a process specified in the Master Trust Deed to attempt to remedy the breach. If the breach has not been remedied at the end of this process, an Event of Default occurs.

Distribution stopper

Guarantors are not permitted to make any Distributions to non-Guarantors if an Event of Default or Event of Review is continuing.

Refer to the PDS and Master Trust Deed for more detail on Covenants.

Credit Ratings

The Bonds will not be rated

Issue Amount

Up to \$75,000,000 plus oversubscriptions

Oversubscriptions

Up to \$25,000,000 at the discretion of the Issuer

No Public Pool

All Bonds, including oversubscriptions, will be reserved for subscription by clients of the Joint Lead Managers, Primary Market Participants and other persons invited to participate in the bookbuild.

Interest Rate

To be determined by the Issuer in conjunction with the Arranger following the bookbuild, and be announced by Summerset via NZX on the Rate Set Date

The Interest Rate will be equal to the sum of the Swap Rate and the Margin but in any case will be no less than the minimum Interest Rate announced through the NZX on or about 6 June 2017.

Indicative Margin

The Issuer expects to announce an Indicative Margin through NZX on or about 6 June 2017.

Swap Rate

The mid-market swap rate for an interest rate swap from the Issue Date to the Maturity Date as calculated by the Issuer in conjunction with the Arranger on the Rate Set Date.

Interest Payments and Interest Payment Dates

Interest will be paid quarterly in arrear in equal amounts on 11 January, 11 April, 11 July and 11 October (or if that day is not a Business Day, the next Business Day) of each year up to and including the Maturity Date.

The first Interest Payment Date will be 11 October 2017.

Early Bird Interest

The Issuer will pay interest on subscription money at the Interest Rate for the period from (and including) the date on which subscription money is banked, to (but excluding) the Issue Date, unless subscription money is returned for any reason. Early Bird Interest will be paid within 5 Business Days after the Issue Date.

Record Date

10 days before the due date for a payment or, if that day is not a Business Day, the immediately preceding Business Day

ISIN

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Listing	Application has been made to NZX for permission to quote the Bonds on the NZX Debt Market and all the requirements of NZX relating thereto that can be complied with on or before the distribution of this Terms Sheet will be duly complied with. However, the Bonds have not yet been approved for trading and NZX accepts no responsibility for any statement in this Terms Sheet. NZX is a licensed market operator, and the NZX Debt Market is a licensed market under the Financial Markets Conduct Act 2013. Ticker code SUM010 has been reserved for the Bonds.
Denominations	Minimum denomination of \$5,000 with multiples of \$1,000 thereafter
Arranger & Organising Participant	ANZ Bank New Zealand Limited ("ANZ")
Joint Lead Managers	ANZ, Deutsche Craigs Limited, First NZ Capital Securities Limited and Forsyth Barr Limited
Registry & Paying Agent	Link Market Services Limited
Brokerage	0.50% plus 0.50% on firm allocations paid by Summerset
Governing Law	New Zealand
Selling Restrictions	The Bonds are being offered only in New Zealand. The Issuer has not taken, and will not take, any action which would permit a public offering of the Bonds, or possession or distribution of any offering material, in any other jurisdiction. The Bonds may only be offered for sale or sold in accordance with all applicable laws and regulations in any jurisdiction in which they are offered, sold or delivered. By subscribing for Bonds, each investor agrees to indemnify the Issuer, the Bond Supervisor, the Arranger, the Joint Lead Managers and their respective directors, officers, employees and agents in respect of any loss, cost, liability or damages suffered as a result of an investor breaching these selling restrictions.

IMPORTANT DATES

Bookbuild Date	12.00pm, Wednesday 14 June 2017
Rate Set Date	Wednesday 14 June 2017
Opening Date	Thursday 15 June 2017
Closing Date	5.00pm, Thursday 6 July 2017
Issue Date	Tuesday 11 July 2017
Expected Quotation	Wednesday 12 July 2017
Maturity Date	Tuesday 11 July 2023

The dates set out in this Terms Sheet are indicative only and subject to change. Summerset may vary the timetable in its absolute discretion and without notice. Any such changes will not affect the validity of any applications received. Summerset reserves the right to cancel the Bond offer, in which case all application monies received will be refunded (without interest) as soon as practicable.

Capitalised terms used but not defined in this Terms Sheet have the meanings given to them in the PDS.

30 MAY 2017

SUMMERSET RETAIL BOND OFFER

Dear Summerset investor,

As a shareholder in Summerset Group Holdings Limited (Summerset), I am pleased to make you aware of an investment opportunity, with Summerset announcing a bond offer today.

The offer is for up to \$75 million, with the ability to accept up to \$25 million in oversubscriptions, of six year, fixed rate bonds maturing on 11 July 2023. The bonds will be unsubordinated obligations of Summerset, and will have the benefit of a guarantee and security package provided by the Summerset group. This offer is open to New Zealand institutional and retail investors.

The bond offer is a significant milestone for Summerset, being its first domestic regulated bond issue and the first for the New Zealand retirement village sector. It follows the recent refinance of a \$600 million syndicated loan facility and provides Summerset with further diversification of funding sources and tenor.

The offer is expected to open on 15 June 2017 and close on 6 July 2017.

The interest rate for the bonds will be determined by a bookbuild, and is expected to be announced via the NZX on 14 June 2017.

To participate in the offer you will need to contact a Joint Lead Manager or your usual financial advisor. Phone numbers for Joint Lead Managers are provided at the end of this letter. There is no public pool, which means that all of the bonds will be reserved for clients of the Joint Lead Managers, NZX participants and other approved financial intermediaries.

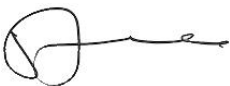
Full details of the offer are contained in the Product Disclosure Statement (PDS). The PDS is available by contacting a Joint Lead Manager, NZX participant, your usual financial advisor or through our website: www.summerset.co.nz/bondoffer. The PDS must be obtained, by investors before they acquire any bonds. Investors can apply for bonds by completing and submitting the application form contained in the PDS.

All applications must be received by your financial advisor in time to ensure that it is received by Link Market Services (our Registry) prior to 5pm on the closing date (6 July 2017).

Summerset is one of New Zealand's leading aged care and retirement village operators and the group's success since listing on the NZX in 2011 has been underpinned by the confidence and support shown by investors like you.

Thank you very much for your support of Summerset.

Yours sincerely



Rob Campbell
Chairman

Joint Lead Managers:



0800 269 476

FNZC

0800 005 678

DeutscheCRAIGS

0800 226 263



0800 367 227

For investor enquiries:

Link Market Services

09 375 5998

enquiries@linkmarketservices.com

Note please put 'Summerset Bonds' in the email subject line