

17 November 2011

Partner Reference
Peter Eady - Wellington

Tasman District Council
Private Bag 4
RICHMOND 7050

Writer's Details
Direct Dial: +64-4-924 3403
Fax: +64-4-472 6986
Email: peter.eady@simpsongrierson.com

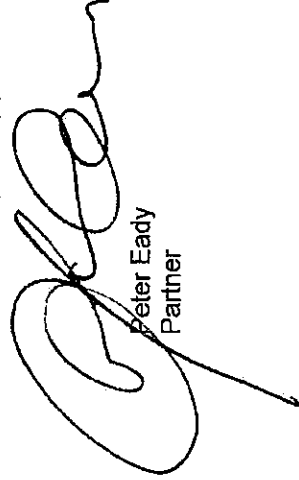
New Zealand Local Government Funding Agency Limited (LGFA)

1. We refer to the documentation (Documents) in the form circulated with our email of 17 November 2011 which is required to be entered into by Tasman District Council (Tasman) in order for it to participate as a shareholder in, and issuer to, LGFA.
2. As you are aware we have acted for the initial group of nine local authorities, including Tasman, in reviewing, commenting on and negotiating the terms of those Documents.
3. We consider that the Documents reflect the instructions as provided to us by the "tight nine", as relayed to us by Matthew Walker of Hamilton City Council as spokesperson for the tight nine, and, as such, are in an appropriate form for execution by Tasman.
4. The Documents have been the subject of several papers prepared by us to highlight those matters we considered to be of most significance to the participating councils. These include:
 - (a) Tasman will incur liability to LGFA's creditors under a joint and several guarantee with other guaranteeing councils. As such Tasman is potentially liable for the full amount of the guaranteed debt, although this will only arise in practice if all other guaranteeing councils fail to meet their payment obligations.
 - (b) Tasman will also be liable to contribute more equity to LGFA – either as a result of a call on the unpaid shares held by Tasman in LGFA, or due to LGFA being in "imminent default" to its creditors and requiring more capital. Tasman (and the other guaranteeing councils) are obliged to contribute additional equity in these circumstances under the terms of the Equity Commitment Deed.
 - (c) Tasman's various obligations will each be secured by stock issued under its Debenture Trust Deed.
 - (d) As a shareholder, Tasman will be required to borrow 80% of its indebtedness incurred over the next three years through the LGFA. While the LGFA is projected, over time, to be able to provide funding at competitive rates, the obligation to use LGFA is not subject to such rates being better than other funding options which may be available.

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- (e) There are financial covenants provided for in the Documents which Tasman is required to meet. Failure to do so can result in LGFA requiring Tasman to repay its borrowings and, potentially, Tasman's shares in LGFA may be required to be sold at fair value.
 - (f) As a guarantor, Tasman will also be required to provide verification of statements made in relation to it in any LGFA offering document, and to monitor that information and advise LGFA if it changes materially.
5. This letter is, by its nature, a very high level description of some of the issues involved with LGFA. Ultimately a full understanding of the arrangements is only achieved by a detailed review of the documentation. We have, however, sought to note those issues we consider to be of most significance.

Yours faithfully
SIMPSON GRIERSON



Peter Eady
Partner