

Final Terms Sheet

Summerset Group Holdings Limited
14 September 2018



Final Terms Sheet

This Final Terms Sheet sets out the key terms of the offer ("**Offer**") by Summerset Group Holdings Limited ("**Summerset**") of \$125,000,000 guaranteed, secured, unsubordinated fixed rate bonds maturing on 24 September 2025 ("**Bonds**") under its master trust deed dated 30 May 2017 (as amended from time to time) ("**Trust Deed**") as modified and supplemented by a supplemental trust deed dated 10 September 2018 (as amended on 14 September 2018) (together, "**Trust Documents**") entered into between Summerset and The New Zealand Guardian Trust Company Limited ("**Supervisor**"). Unless the context otherwise requires, capitalised terms used in this Final Terms Sheet have the same meaning given to them in the Trust Documents.

Investors should refer to the Trust Documents for the full terms of the Bonds.

Important Notice

The offer of debt securities by Summerset is made in reliance upon the exclusion in clause 19 of schedule 1 of the Financial Markets Conduct Act 2013 ("**FMCA**").

The offer contained in this Final Terms Sheet is an offer of bonds that have identical rights, privileges, limitations and conditions (except for the interest rate and maturity date) as Summerset's bonds maturing on 11 July 2023, which have a fixed interest rate of 4.78% per annum and are currently quoted on the NZX Debt Market under the ticker code SUM010 (the "**Existing Bonds**").

Accordingly, the Bonds are the same class as the Existing Bonds for the purposes of the FMCA and the Financial Markets Conduct Regulations 2014.

Summerset is subject to a disclosure obligation that requires it to notify certain material information to NZX Limited ("**NZX**") for the purpose of that information being made available to participants in the market. That information can be found by visiting www.nzx.com/companies/SUM.

The Existing Bonds are the only debt securities of Summerset that are currently quoted and in the same class as the Bonds.

Investors should look to the market price of the Existing Bonds referred to above to find out how the market assesses the returns and risk premium for those bonds.

Key Terms of the Bonds

Issuer	Summerset Group Holdings Limited (" Summerset ")
Instrument	Fixed rate, guaranteed, secured, unsubordinated bonds (" Bonds ")
Status	<p>The Bonds will be issued under the Trust Documents described above. 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.</p>
Guarantors	<p>Consistent with the Guarantors for Summerset's bank facilities.</p> <p>Holders will have the benefit of the following coverage ratios:</p> <ul style="list-style-type: none"> • Total Assets of the Guaranteeing Group must comprise at least 90% of the Total Assets of the Summerset Group; and • EBITDA of the Guaranteeing Group for each rolling 12 month period must not be less than 90% of EBITDA of the Summerset Group for that period.
Purpose	<p>The proceeds of the Offer will be used to repay a portion of existing drawn bank debt and for general corporate purposes of the Summerset Group. The Offer will provide diversification of funding sources and tenor for the Summerset Group.</p> <p>More broadly, the Summerset Group's principal use of debt is to facilitate the acquisition of land for development, the development and construction of retirement villages, and to manage the timing of Occupation Right sales to residents for developing and existing retirement villages.</p>
Security	<p>Holders will share the benefit of the same security package as Summerset's banks on a pro rata basis. The security is held by the Security Trustee.</p> <p>The key securities that Summerset's banks and Holders will have the benefit of are:</p> <ul style="list-style-type: none"> • 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.

Security (continued)	<p>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 Holders. Summerset's banks and the Holders (including Holders of the Existing Bonds) will share the remaining proceeds of security enforcement against Village Registered Company assets to which the Security Trustee is entitled on a pro rata basis.</p>
Financial Covenant	<p>LVR Covenant</p> <p>Summerset will ensure, on each Test Date, that the ratio of:</p> <ol style="list-style-type: none"> Total Debt (which is effectively principal amounts outstanding under Summerset's bank facilities, bonds and any other secured facilities); to Property Value of the Guaranteeing Group's land and permanent buildings that have been mortgaged to the Security Trustee, <p>is less than or equal to 50%.</p> <p>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 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.</p> <p>Distribution stopper</p> <p>Guarantors are not permitted to make any Distributions to non-Guarantors if an Event of Default or Event of Review is continuing.</p> <p>Refer to the Trust Deed for more detail on Covenants that will apply to the Bonds.</p>
Credit Rating	The Bonds will not be rated
Issue Amount	\$125,000,000
Opening Date	Monday, 10 September 2018
Closing Date	Bids due by 12pm, Friday, 14 September 2018
Rate Set Date	Friday, 14 September 2018
Issue Date and Allotment Date	Monday, 24 September 2018
Expected Date of Initial Quotation	Tuesday, 25 September 2018
Maturity Date	Wednesday, 24 September 2025
Interest Rate	4.20% per annum, being the sum of the Issue Margin and the Base Rate.
Issue Margin	1.65% per annum

Base Rate	A mid-market rate for an NZD interest rate swap (adjusted to a quarterly basis as necessary), for a term matching the period from the Issue Date to the Maturity Date as calculated by the Arranger in consultation with Summerset, according to market convention, with reference to ICAP New Zealand Limited (Bloomberg: ICNI > NZD Interest Rate Swaps) (or its successor page) on the Rate Set Date (rounded to 2 decimal places, if necessary, with 0.005 being rounded up).
Interest Payments & Interest Payment Dates	<p>Interest will be payable quarterly in arrear in equal amounts on 24 March, 24 June, 24 September and 24 December of each year up to and including the Maturity Date. The first Interest Payment Date will be 24 December 2018.</p> <p>If an Interest Payment Date is not a business day, the due date for the payment to be made on that date will be the next following business day and no adjustment will be made to the amount payable as a result of the delay in payment.</p>
Early Redemption	Neither Holders nor Summerset are 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.
Brokerage	Summerset will pay brokerage of 0.5% of the aggregate principal amount of the amount issued plus 0.5% on firm allocations. Such amounts will be paid to the Arranger who will distribute as appropriate to Primary Market Participants and approved financial intermediaries.
Record Date	5.00pm on the tenth calendar day before the due date for that payment or, if that day is not a business day, the preceding business day.
Issue Price	\$1.00 per Bond
Minimum Application	The minimum application is \$5,000, with multiples of \$1,000 thereafter.
Minimum Holding	Bonds with an aggregate principal amount of \$5,000
ISIN	NZSUMD0020L7
Transfers	<p>Holders are entitled to sell or transfer their Bonds at any time subject to the terms of the Trust Documents, the Selling Restrictions set out below and applicable securities laws and regulations. Summerset may decline to register a transfer of Bonds for the reasons set out in the Trust Documents.</p> <p>NZX has provided Summerset with approval under Listing Rule 11.1.5 to enable Summerset to decline to accept or register a transfer of 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.</p>

NZX Quotation	Summerset will take any necessary steps to ensure that the Bonds are, immediately after issue, quoted on the NZX Debt Market. 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 Final Terms Sheet have been duly complied with. However, NZX accepts no responsibility for any statement in this Final Terms Sheet. NZX is a licensed market operator and the NZX Debt Market is a licensed market under the FMCA.
NZX Debt Market Ticker Code	SUM020
Selling Restrictions	<p>The Bonds may only be offered for sale or sold in New Zealand in conformity with all applicable laws and regulations in New Zealand. No Bonds may be offered for sale or sold in any other country or jurisdiction except with the prior consent of Summerset and in conformity with all applicable laws and regulations of that country or jurisdiction and the selling restrictions contained in this Final Terms Sheet.</p> <p>This Final Terms Sheet may not be published, delivered or distributed in or from any country or jurisdiction except under circumstances which will result in compliance with all applicable laws and regulations in that country or jurisdiction and the selling restrictions contained in this Final Terms Sheet.</p> <p>By purchasing the Bonds, each Holder agrees to indemnify Summerset, 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 expense sustained or incurred as a result of the breach by the Holder of the selling restrictions set out above.</p>
Governing Law	New Zealand
NZX Waivers	NZX has granted Summerset a waiver from NZX Debt Market Listing Rule 7.11.1 to allow allotment of the Bonds to occur within six business days after the Closing Date.

The dates set out in this Final Terms Sheet are indicative only and are subject to change. Summerset has the right in its absolute discretion and without notice to close the Offer early, to accept late applications, to extend the Closing Date or to choose not to proceed with the Offer. If the Closing Date is extended, subsequent dates may be extended accordingly.

Other Information

Copies of the Trust Documents are available at Summerset's website at www.summerset.co.nz/bondoffer

Any internet site addresses provided in this Final Terms Sheet are for reference only and, except as expressly stated otherwise, the content of any such internet site is not incorporated by reference into, and does not form part of, this Final Terms Sheet.

Investors should seek qualified independent financial and taxation advice before deciding to invest. In particular, you should consult your tax adviser in relation to your specific circumstances. Investors will also be personally responsible for ensuring compliance with relevant laws and regulations applicable to them (including any required registrations).

For further information regarding Summerset, visit www.nzx.com/companies/SUM.

Contact Information

Issuer

Summerset Group Holdings Limited
Level 27, Majestic Centre
100 Willis Street
PO Box 5187
Wellington 6140

Registrar

Link Market Services Limited
Level 11, Deloitte Centre
80 Queen Street
Auckland 1010

Legal Advisers to Summerset

Chapman Tripp
Level 14, 10 Customhouse Quay
Wellington 6011

Statutory Supervisor

Public Trust
Level 9, 34 Shortland Street
Auckland 1010

Bond Supervisor

The New Zealand Guardian Trust Company Limited
Level 2, 99-105 Customhouse Quay
Wellington 6011

Arranger, Organising Participant and Joint Lead Manager

ANZ Bank New Zealand Limited
Level 10, ANZ Centre
171 Featherston Street
Wellington 6011

Joint Lead Manager

First NZ Capital Securities Limited
ANZ Centre, Level 14
171 Featherston Street
Wellington 6011

Joint Lead Manager

Forsyth Barr Limited
Level 9, Forsyth Barr House
The Octagon
Dunedin 9016

Joint Lead Manager

Hobson Wealth Partners Limited
Level 17, Lumley Centre
88 Shortland Street
Auckland 1010