



Tuesday, 23 August 2022

Tēnā koutou Shareholders,

Please see the below message on behalf of the RAL Trustees.

Notes of meeting of shareholders/contingent beneficiaries of RAL, Wellington August 17th 2022

These notes are an approximate summary of the meeting, attended by approximately 24 shareholders and 3 trustees.

The 'speaking notes' are those used by the meeting chair, John Parker while the balance of the notes are a summary.

Speaking notes for meeting August 17th with RAL shareholders

Good evening and thank you for coming. I am John Parker, a trustee and will chair this meeting.

A trio of learned lawyers have pointed out that this is not a meeting of shareholders but a meeting of contingent beneficiaries and should be conducted as such. We are well aware that it's the shareholders on the day of dissolution or winding up that are the beneficiaries but it's a fine distinction and you may call yourselves what you wish.

Firstly, let me introduce the trustees, noting that Phil Royal is overseas and sends apologies.

Tomas Huppert. Investor, businessman, property investor, Olympic skier and Chef de mission of NZ Olympic Ski team. Ex RAL Chair

Jo Bouchier. Lawyer, recently retired Judge, ex RAL ski host, current RAL ski instructor and commercial property owner

Duncan Fraser. Engineer. MD of major NZ engineering co and ex RAL director

John Parker. Ex Chair/ director of a number of companies. Ex Chair of RAL

And absent - Phil Royal. Accountant, Ex PWC MD, professional director, ex RAL director

Why did we organise this meeting?

While we have met with a few shareholders at their or our request, no one asked for this meeting. We volunteered to hold one as there seemed to be some confusion about the role of the Trust and the Trustees responsibilities. There is no business to transact or particular information to impart – we would like to outline our view of our role, briefly, and then open the meeting for discussion.

We have a time limit of finishing by 7.30pm so think it best if you confine yourself to a one or at the most, two questions or comments until others who want the floor have had the same opportunity



and we can then come back for a second round. I will do my best to give everyone a fair go, so give me a signal that you'd like to speak, and I will signal when it's your turn

A Few comments on the role of the trust first and then we will open it up for questions and comments from the floor

You will all be familiar with the Trust deed which governs the role of the Trustees. [available on RAL website and in the Company Documents folder in Orchestra]

The background, very briefly, to the Trust's formation is that in the early 80's there was purportedly a signalled move by a single shareholder to take over the company. Back then there was some \$150k of paid up capital in a company with net assets of more than \$10m. Shareholders could receive no dividend or privilege for their shares so, at least theoretically, a takeover offer at even 10 times the share value might succeed.

The RAL board issued new shares to a trust controlled by 'friends' of the company, who incidentally paid for the shares out of their own pockets. The 10,000 shares gave the trust essentially a controlling interest with some 45% of the shares on issue, with the trust deed setting out 3 obligations on the trustees

- Promote skiing on Ruapehu
- Preserve the tax free status
- Promote the wellbeing of the company

The Trust has a 55% shareholding

As most of you know, the trust has recently increased from 45% shareholding to 55%.

Frankly this came as a big surprise to the Trust. The board purged the shareholding register of shareholders that couldn't be traced and did so in accordance with the law. The outcome was that the number of issued shares dropped sufficiently to increase the trusts shareholding from 45% to 55%. Note that the trust got no more shares, but by cancelling shares the trusts percentage holding lifted. While in terms of effective voting power it means nothing, the Trust immediately advised the board that they would wish to drop their shareholding back to 45%. The Trust cannot do it – the trust deed specifically forbids selling shares and we await a concrete proposal from the Board on how best to achieve the goal.

How does the Trust operate?

The Trustees meet as necessary. In some years there have been only one or two meetings, but given that the company has currently a number of issues; meetings in person, by phone or Zoom have been much more often.



The Trustees talk to and meet with the Chair and very occasionally the board, and stay abreast of the issues. We comment when asked or when we see it as appropriate.

We take particular interest in proposed new directors and their CV's and often meet with them in advance of them being formally proposed.

While we question and occasionally argue strategy and direction, differences are sorted before being actioned.

What the Trust doesn't do is to try and manage the company. That is the role of the board and if trustees wished to do that, they should stand for the board.

Because the company clearly has issues derived from Covid, climate change and the need for capital investment, both the trust and some shareholders have taken greater interest than usual in the company's affairs.

The recent AGM contained shareholder proposals, some of which the Trustees didn't support, and that gave rise to a claim that the trustees were in the board's pocket and that the trustees must vote as per the wishes of the majority of other shareholders. The Trust has no obligation to vote as other shareholders might wish although we listen to and talk to fellow shareholders.

You might note that on the somewhat contentious issues voted on at the AGM, the Trusts vote wasn't required to carry the issues as per the boards wishes. So we voted the same way as the majority of meeting attendees. The one exception was a proposal to allow the board to restructure the assets of the company. As a special resolution requiring a 75% majority, the resolution would have been lost without the Trustees vote.

The future

The current issues mean that the Trust will keep in close contact with the Board of RAL and scrutinise its activities in terms of the requirements of the Trust deed.

The claims by a small number of shareholders that the Trust intends to use its 55% shareholding to gain control and sell off the company and that the trustees are breaking trustee law are spurious and Trustees will continue to uphold the trusts rules.

Incidentally, it's not possible for a majority shareholder to sell off a company without agreement from other shareholders and in any case our trust deed clearly forbids it.

Open up



The meeting is now open for questions or comment -direct them through me and I will ensure everyone who wishes can ask a couple of questions or make a couple of comments.

Also note that we will put out some meeting notes and will have a Zoom meeting later for those that couldn't attend this meeting.

What follows is a summary of questions and comments made at the meeting

It isn't possible to identify those speaking in most cases but comments from the Chair or trustees are identified as [C]. Questions and comments from the attendees are identified as [C] Where comments are answered from the floor they are noted [A]

Q. how do the trustees see their role?

C. to observe the 3 covenants – preserve skiing on the mountain, maintain the tax free status and promote the wellbeing of the company

Q. but what is the purpose of the trust?

C. Just that. To carry out the three roles.

Q. What is the future of the trust?

C. It automatically winds up in 2058 but can be wound up anytime by the trustees. Trustees would wind it up if they believed it served no purpose and it's well possible that could occur before 2058

Q. The Trust isn't observing its covenants in supporting Newco.

C. the company is in some financial strife with less snow, Covid etc. The company's bankers insisted on the formation of Newco as a condition of this seasons seasonal lending [about \$6m] and would not confirm that lending without the trusts specific support. The Trust did so on the basis that Newco is a wholly owned subsidiary with the same constitution as the company and any action it intended must be agreed by shareholders. [Briefly, Newco is a vehicle to consider offers to invest or fund RAL in any way possible. It is assumed that possible proposals might include asset sales or investment requiring profits and there by challenge the tax free status and the limit on 100 shares max per shareholder. It could also challenge the DOC license terms] The trustees are well aware that their covenants could be a barrier and will fight to ensure they're observed, but know that dissolving the trust or seeking a court approved change in the trust deed could possibly be better for the company and skiers [and life pass holders] than some alternatives, including, in the extreme, having no ski field.

Q. the trustees include 4 ex directors of RAL and it looks as though they just exist to protect the board from answering to shareholders



C. trustees having a very good knowledge of the company, its issues, its licence etc. makes good sense and the trustees certainly don't see themselves as being an instrument of the company. Quite the reverse. We are a watchdog and questioner.

Q. The trustees have no financial expertise. They may once have had some once but it's not current. Such expertise is necessary on the trust

A. The Trust isn't running the company but is ensuring it does have strong governance. It is there to protect shareholder interests. Financial expertise is not a criterion.

C. Not going to debate who is expert but agree with [A] that we monitor [there was an argument about monitoring vs filtering about here] the board and its performance

Q. we don't respect the trusts decision making ability.

C. that's your right but we stick to the covenants and judging by the AGM, most other shareholders agree. Further, the Trust does not interfere in governance.

Q. I challenge the Trusts expertise and it should be wound up and the chair had said so previously

C. I didn't say any such thing, but the trust has said that it has no problem in doing so if it sees its role is of no further use

Q. the trust isn't carrying out its duties as trustees. [this was repeated in several different ways by others]

C. When you can provide any evidence we will listen and answer as best we can, but if you don't agree you'll need pursue the matter.

Q. how does the board achieve its objectives

C. the main focus is on ensuring the board has good directors. We discuss with the board the skill set required on the board and we obtain the CV's of potential directors and generally interview the potential directors. The trustees inform themselves on major issues facing the company and discuss the general approach to those issues with the board. The trustees believe it is currently a very competent board. [Endorsed by various attendees]

Q. It is scare tactics to talk about the company, at worst, being unable to continue. The company brings in \$200m to the region. The bank. Govt. etc. wouldn't allow it

C. Agreed it's unlikely but possible

Q. there are major climate change issues confronting skiers with the strong possibility of insufficient future snow to enable skiing

C. Two speakers strongly disagreed and offered to provide evidence [The trust would happily receive the evidence]

Q. did the trust vote their personally owned shares at the AGM on the 3 resolutions [regarding the increase of shareholding from 45 to 55%] where the trust was forbidden from voting.

C. The trustees were equally forbidden to vote either personally owned or controlled shares and did not vote them.

Q will the trustees vote their owned/ controlled shares on Newco matters?

C [and other trustees], Yes

Q. You said that you would protect life pass holders. That's not in the trust deed.

C. correct but it doesn't stop us voting to do so and we believe it's important

Q. the trust may need look at abandoning protection of the tax free status.

C. Possible, but that's a major undertaking and requires potential beneficiary and court approval we believe. A point worth making is that an examination of historical accounts suggests that the tax free status has been of no financial benefit if one takes into account the ability to invest what might have otherwise been profit

Q. there is a University study of RAL showing its potentially or has been very profitable with remitted profit to Australia.

Q. think it's a study of Turoa pre RAL purchase when owned by Australians

C. Recall that the cash remitted to Australia wasn't from profit, it came out of capital and it's what drove Turoa broke and allowed purchase by RAL at less than capital value. The Australian owner [I think] was imprisoned but for something else. [Trying to find the study post the meeting]

Q. the trust should answer to or get guidance from the other shareholders and have an obligation to do so and they've no obligation to life pass holders

C. not answerable to other shareholders but obviously listen [one objective of this meeting] and while not obligated to consider life pass holders we will consider them as important to company's future.

Q. sounds as though trust would abandon current structure and hand control to an investor

C. Before the company reached a position where it couldn't continue and presumably after making every attempt to finance the current structure [crowd funding, share issues to current shareholders and life pass holders, govt assistance etc.] the trustees would seriously contemplate agreeing with board to take on a new investor subject protection of skiing, staff and life pass holders. Note that all shareholders will be involved



Q I stood at the AGM to be a director. The trust didn't even bother to talk to me before voting against me. You were arrogant and dismissive. Why didn't you support me?

C. we preferred another candidate. [Wasn't said at the meeting, but its usual for candidates seeking any office to lobby voters if they wish – not the other way around]

Q. You represent all shareholders.

C. we listen but don't represent them. We represent the trust and the trusts requirements.

Q. why didn't Trust support the 'Alternative Report' being sent out to all shareholders by the company.

C. it's up to the company if they wish to send it out. We didn't wish to

Q. A trustee mentioned voting 'our shares'. You don't own them – you are merely a guardian of them – They're not yours

C. A semantic argument. We control and vote those shares

Q. what is the company's debt requirement

C. a guestimate - \$6m of working capital [currently provided by bank] and more than \$6m for nearby investment needs with rather more long term

Q. many of the questions being asked were answered at a meeting open to all shareholders in June at Lorenz's. If you didn't go, read it on line.

Q. the trust needs to communicate better with other shareholders

C. correct. It's not been an historic need. Few have shown any interest but agree that now there are issues we should try. This meeting is a first effort at an open meeting tho we have had lots of email and face to face discussions with single or small groups of shareholders. We are critical of the boards communications to shareholders - not critical of the company comms. about snow, facilities etc. but about current major issues. Board has agreed to lift its game

Q. I believe the board has improved its comms in recent times [others agreed]

Q. Why doesn't the trust drop its shareholding from 55% to 16% which would accommodate the sale of those shares to cover the \$12m funding gap?

C. apart from the problem that the trust cannot sell shares, we contemplate all possibilities but suspect bridging a \$12m gap with crowd funding, life pass sales, sales to current shareholders etc is a doubtful possibility without offering profit potential for the shares, but it's the boards job to examine every funding avenue and they are

Q We all need better trust between us.

C. couldn't agree more. Partly its better communication from board and trust but there is a small group on social media putting out inaccurate information without offering any opportunity to correct inaccuracies. For example, they send to the trust poll results showing over 90% support for getting rid of the trust etc. The poll is amongst their followers and includes a large number of non-shareholders. We've asked for the names and email of those on the site. The answer is that privacy issues prevents that

Q. The trustees have unconscious bias. They need more diversity of thought and be conscious of the company's carbon footprint

C. What is the end game of those who attack the trust and the board?

Q. want the trust wound up and shares distributed. There is protection from a takeover in that there is a 100 share limit for any shareholder

Q. [responding to above]. Easy to gather together and essentially control many of those owning up to 100 shares and thereby accumulate enough voting power to control the company.

Q. talk to life pass holders. They have ideas, an investment to protect and might be a source of capital

C. agree it's a good idea and will pursue it with the company board. Not our role to do so.

Q. The trust does [or should?] govern the company

C. not our role as already stated. C has some experience of situations with a majority shareholder. For example, chair was Chair of Port of Tauranga with a 55% approx. major shareholder [local authority]. That shareholder has never involved itself in governance and the company has been very successful. By contrast, Ports of Auckland with constant interference from its major shareholder [also local authority] who dictated policy and put their nominees on the board, has lost enormous value and has been an economic disaster. We won't interfere in governance.

Q. but you do interfere - in voting for directors

C. voting for directors is a very different thing from interfering in governance

Q. congratulations for holding the meeting. Has the trust had reports on how the first part of the season gone?

C. formally, no, but the bank has funded the indent order for the upgrades to the Park lane and Movenpick. The bank will fund upgrades depending on season and a poor season may impact that

Q. Has the trust had formal quarterly meetings with the board.

C. No, we haven't but have met very often by phone, email and Zoom with occasional meetings in person with board chair.



Q. what reports or records does trust prepare.

C. historically, very few. The trust has no income or expenses so has no accounts. Minutes historically have been sparse but minutes of all meetings are now kept and we are reporting to contingent beneficiaries at least annually. We will engage more often. This meeting is an example

Q. What is trusts succession plan

C. board appoints its own replacements. Usually we die.

Q. you're our spokesperson but you need a variety of views

C. we're not your spokesperson but do listen to you. You're your own spokesperson and we don't need a wide variety of views to carry out the 3 simple objectives of the trust.

Q. this meeting should have been available to shareholders by zoom and phone.

C. we will hold the same meeting by zoom. We've explained that holding a hybrid meeting was more difficult needing portable microphones, screens etc. but more importantly as this meeting has shown, an in person meeting is free flowing, interactive and vastly more effective.

Q. [several people made a vote of thanks for the meeting]

C. thank you from the trustees for attending and participating. Some of you will go home happy. Some will go home unhappy that their views were not accepted, but hopefully all will go home somewhat better informed.

These notes were compiled by the trustees with some help from a partial recording of the meeting.