

WAIPA NETWORKS

Trust



Ownership Review 1 April 2021

Contents

<u>Item</u>	<u>Page</u>
1. Executive Summary	1
2. Background	1
3. Trust Deed	1
4. Conclusions of the Trustees and Directors	2
5. Public Consultation	2
Appendices	
A Waipa Networks Ownership Review Summary Report	4
B Provisions of the Trust Deed	15
C Trustees	19
D Directors	20

1. Executive Summary

The following report has been prepared for the 2021 Ownership Review of Waipa Networks Trust.

The Trustees of Waipa Networks Trust and the Directors of Waipa Networks Limited have considered various ownership options for Waipa Networks, as required by the terms of the Waipa Networks Trust Deed.

In preparing this report, the Trustees and Directors engaged PwC to provide independent advice and provide a summary of supporting information for the 2021 Ownership Review of Waipa Networks Trust. The summary report is attached as Appendix A and includes:

- Review of Waipa Networks' performance over the last five years.
- Review of Waipa Networks' performance against comparable companies.
- Analysis of ownership options available to the Trust and its beneficiaries, including the current trust ownership structure.

After reviewing all relevant information, the Trustees and Directors have concluded that there are considerable benefits for Connected Consumers offered by its current ownership. The Trustees and Directors are therefore unanimous in proposing Waipa Networks Limited continue to be 100% Trust owned.

2. Background

Waipa Networks is a Company formed under the Energy Companies Act 1992. The corporatisation of the Te Awamutu and Cambridge Electric Power Boards into Waipa Networks was the result of Central Government policy that was designed to put commercial and competitive pressure onto the electricity industry.

The corporatisation process involved the preparation of an Establishment Plan that, amongst other things, was required to address the question of Waipa Networks' ownership. The Establishment Plan required the consent of the Minister of Energy.

Waipa Networks, like many other Power Boards, chose to create a consumer trust as its owner. Early in the corporatisation process the Minister of Energy signaled he did not consider consumer trusts to be ideal owners but would allow them initially on the proviso that an ownership review was conducted within a reasonable time after the Company was established and periodically thereafter.

As a result the Trust Deed contains the requirement for an Ownership Review by Waipa Networks and its shareholder (the Trust) at regular intervals.

3. Trust Deed

Section 4 of the Trust Deed provides for an ownership review initially within three years of Waipa Networks being formed and thereafter at intervals of no more than five years, or at any time when requested to do so by 10 percent or more of the Connected Consumers of Waipa Networks.

The last ownership review was in 2016, and now five years later the 2021 review is being undertaken.

The Trustees must prepare a report considering proposals and available options for the future ownership of the shares and other assets comprising the Trust Fund. Section 4 of the

Trust Deed details the contents of the report and is attached as Appendix B.

Other than the requirements of the Trust Deed, there are no legal or statutory obligations on Waipa Networks or the Trust to proceed with an ownership review.

The mandatory content of the report is summarised below:

- An analysis of Waipa Networks performance (Waipa Networks Trust Ownership Review Summary Report, page 4&5).
- Details of the advantages and disadvantages of Trust ownership (Waipa Networks Trust Ownership Review Summary Report, page 7&8).
- An analysis of various ownership options considered (Waipa Networks Trust Ownership Review Summary Report, page 7&8).
- A comparison of Waipa Networks performance with other energy companies (Waipa Networks Trust Ownership Review Summary Report, page 6).
- The conclusions made as to the most appropriate form of ownership (see Item 4).
- The conclusions of any trustee who differed from the Trust's consensus view (see Item 4).
- A statement of the view of the Directors of Waipa Networks regarding future ownership of the shares and other assets (see Item 4).
- The conclusions of any director who differed from the Board's consensus view (see Item 4).
- A summary of professional advice (if any) obtained (Waipa Networks Trust Ownership Review Summary Report – attached as Appendix A).
- Finally a statement as to whether or not any views of the public were taken into account (see Item 5).

4. Conclusions of the Trustees and Directors

This Review was undertaken as a joint exercise by the Trustees and the Directors of Waipa Networks, who are named in Appendixes C and D.

Having considered all the options, the Trustees and Directors believe that the current ownership structure of 100% Trust Ownership provides the best value for the community. The Trustees and Directors are therefore unanimous in proposing Waipa Networks Limited continue to be 100% Trust owned. There were no Trustees or Directors who differed from the consensus view.

5. Public Consultation

This document is issued for public information and all comments or feedback will be welcomed and considered by the Trust.

All submissions will be collated by the Trust and considered prior to finalising the 2021 Ownership Review.

Mail submissions should be addressed to:

Ownership Review submissions
Waipa Networks Trust
PO Box 34
TE AWAMUTU 3840

Email submissions should be addressed to: info@waipanetworkstrust.co.nz

Closing date for submissions: 5pm Wednesday 30th June 2021.

Appendix A

WAIPA NETWORKS TRUST OWNERSHIP REVIEW SUMMARY REPORT - prepared by PwC

Waipa Networks Ownership Review

Summary Report

March 2021



Public Version



Lynne Taylor

Executive Director

M: +64 21 779 088

lynne.taylor@nz.pwc.com

Craig Rice

Partner

M: +64 21 624 462

craig.rice@nz.pwc.com

PricewaterhouseCoopers

15 Customs Street West,

Private Bag 92162

Auckland 1142

New Zealand

T: +64 9 355 8000

www.pwc.com/nz

Craig Sanders
Chairman
Waipa Networks Trust
PO Box 34
Te Awamutu 3840

Jonathan Kay
Chairman
Waipa Networks Limited
PO Box 505
Te Awamutu 3840

11 March 2021

Waipa Networks Ownership Review – Summary Report

Dear Sirs,

We are pleased to present our summary report which has been prepared to assist the Waipa Networks Trust with the five yearly ownership review as required under the Trust Deed.

This report has been prepared in accordance with our letter of engagement dated 26 November 2020 and is to be read in conjunction with the terms and conditions set out within that document, and the restrictions set out in the appendix.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Lynne Taylor', written over a light blue horizontal line.

Lynne Taylor
Executive Director
PwC Consulting
lynne.taylor@pwc.com
021 779 088

A handwritten signature in black ink, appearing to read 'Craig Rice', written over a light blue horizontal line.

Craig Rice
Partner
PwC Consulting
craig.rice@pwc.com
021 624 462

Introduction

Introduction and Purpose

This summary report has been prepared for the Waipa Networks Trust (the Trust) to support the periodic review of the Trust's ownership of Waipa Networks Limited (Waipa Networks or the Company) and any other significant assets.

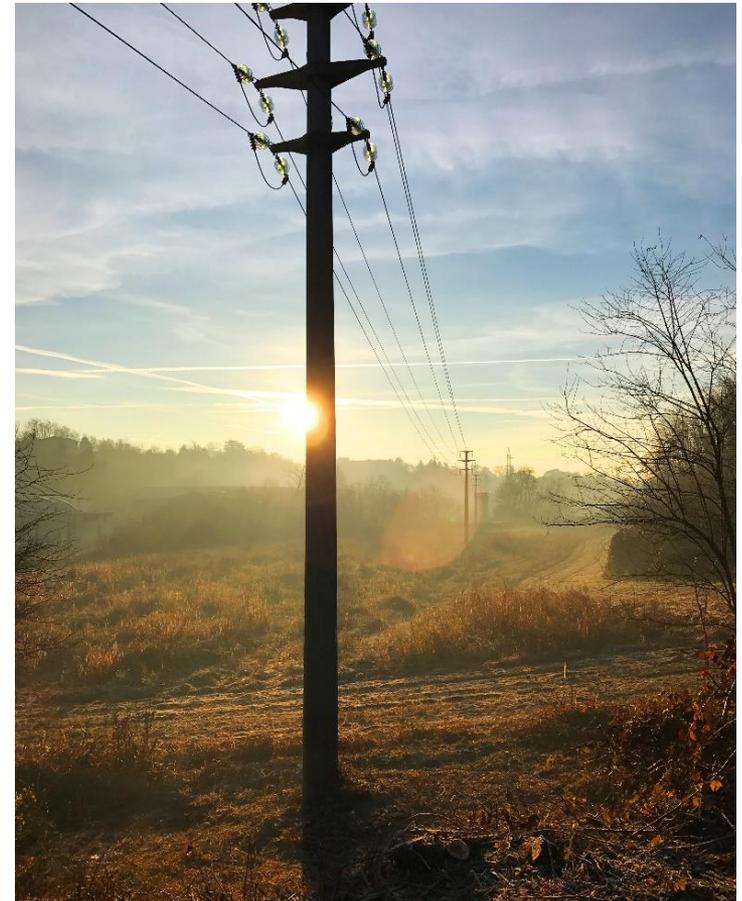
Consistent with Clauses 4.1.1 to 4.1.3 of the Trust Deed, the review must include:

- An analysis of the performance of the Company to the date of the report, together with a discussion of the advantages and disadvantages of Trust ownership.
- An analysis of alternative ownership options, including without limitation, a share distribution to connected consumers, a sale of shares to the public, a sale of shares to institutional investors and retention by the Trust.
- A comparison of the performance by the Company with the performance of other similar energy companies.

This report summarises our:

1. Review of Waipa Networks' performance over the last five years
2. Review of Waipa Networks' performance against comparable companies.
3. Analysis of ownership options available to the Trust and its beneficiaries, including the current trust ownership structure.

In conducting this review, PwC has relied on information supplied by Waipa Networks, published information disclosure documents for electricity distribution businesses (EDBs), PwC databases and interviews with members of the Trust, the Chairman of the Board of Directors and the Chief Executive of the Company.



Summary

Waipa Networks (or the Company) owns and operates the electricity distribution assets located in Cambridge and Te Awamutu and the surrounding rural Waikato district. Waipa Networks conveys electricity on behalf of energy retailers from Transpower's Grid Exit Points (GXP) to over 27,000 connections. The Company is owned by the Waipa Networks Trust (the Trust).

In this report we summarise our review of Waipa Networks' performance over the last five years (FY16-FY20), and also in comparison to other electricity distribution businesses (EDBs). We have also presented a summary of our analysis ownership options available to the Trust and its beneficiaries, including the current trust ownership structure.

Waipa Networks' performance

Waipa Networks has experienced significant growth on the network over the past five years, with consistent growth in new connections and the electricity delivered to connected customers. In addition to investment to meet growth in demand, Waipa Networks has also improved the security and therefore the reliability of the network with the commissioning of the 110kV line from Hangatiki to Te Awamutu.

The substantial investment in the electricity network, and the ongoing investment in UltraFast Fibre Limited (UFF) through the Company's 15% shareholding in Waikato Networks Limited (WNL) has resulted in significant asset growth for the Company over the review period.

Financial highlights over the past five years include:

- compound average annual growth rates of 4.4% in lines revenue and 8.3% in operating expenses
- line charge discounts of \$23.2m paid to consumer beneficiaries over the review period
- a compound average annual growth rate in profit (before interest and tax) of 5.7%
- total asset growth of \$82m, and net asset growth of \$31m, as borrowings were increased to fund investments
- the sale of the interest in UFF, for a value in excess of \$120m, a significant gain on the Company's investment.

The Company's **Statement of Corporate Intent (SCI)**, sets out performance targets for the Company which are agreed between the Company and the Trust. Performance outcomes over the past five years against the SCI targets include:

- achieved, or within 10% of the financial performance targets in all years except FY20
- cost performance generally met or fallen within 10% of the targets, with the exception of FY19 maintenance costs
- loss ratio target was met in all years
- reliability performance has been mixed. Targets were fully met in FY16 and FY19. None of the reliability targets were met in FY20, partly due to significant planned outages associated with a major supply upgrade at Waikeria Prison
- staff safety targets were exceeded in all years. The targets are set as zero lost time accidents and zero hours lost. Any accident resulting in lost hours will generate this outcome. We understand that the Company is continuing to invest in improved Health and Safety (H&S) practices.

Summary (continued)

Significant investment in **capital works** has been undertaken during the review period, including:

- the 110kV line between Hangatiki and Te Awamutu completed in FY17, on time and within budget
- customer connection capex has increased significantly over the review period, reflecting the growth in demand on the network
- system growth capex was significant in FY20 due to network upgrades

There has been some variance between planned and actual capex for growth and replacement capex across the review period.

Waipa Networks has seen a steady increase in **operational expenditure** over the review period. Increases are across all categories of network and non-network opex and reflect increased investment in:

- routine and corrective maintenance to ensure the service capability of existing assets does not deteriorate
- vegetation management to limit unplanned interruptions from tree contacts
- system operations, asset management planning and asset information management – consistent with increased levels of activity on the network
- business support, including reinvesting in core business systems to improve information management and business operations.

Planned network **interruptions** were below 100 in all years except FY20 (163). Unplanned interruptions were consistently between 150-170 between FY16-FY19, and increased to 176 in FY20. Increases in planned interruptions reflect the network upgrade programme, and in FY20, the major upgrade at the Waikeria prison.

Unplanned interruptions show year on year fluctuation. This is expected as these interruptions are influenced by external events, such as bad weather or third party interference on the network.

Total unit **lines charge revenue** has increased by 1c/kWh between FY16 and FY20. Distribution charges, which reflect Waipa Network's costs of running the distribution network, are the primary reason that prices have increased. The lines charge discount has offset this increase to some extent, as average unit prices, net of discount are 0.7c/kWh higher in FY20 than FY16.

During the review period Waipa Networks introduced a Time of Use (TOU) pricing structure, initially for new connections and distributed generation (DG), such as solar PV connections exporting into the distribution system. TOU pricing better aligns pricing to network costs, with higher prices during periods of peak usage, and lower prices when demand is reduced, for example when energy is being supplied by rooftop solar.

Waipa Networks' **regulatory return on investment (ROI)** was between 5% and 6% between FY16 and FY20, except for FY17 (7%). Although revenues increased for Waipa Networks during the review period, opex and the value of the regulatory asset base (RAB) have also increased. This has moderated the ROI performance.

Summary (continued)

Comparative performance

We have benchmarked Waipa Networks' performance against other EDBs of a similar size and density, including Alpine Energy, Counties Power, Horizon Energy Distribution, MainPower New Zealand, Marlborough Lines and Network Tasman. We have also benchmarked against the industry average performance.

Waipa Networks' ROI is similar to, but slightly below the average of the peer group over the review period. It is lower than the industry average, particularly in the final two years.

Average unit revenue (inclusive of distribution charges and transmission charges), has been lower for Waipa Networks than the peer group average and the industry average over the full review period. Waipa Networks' distribution prices (excluding recovery of transmission costs) are notably lower than the average of the peer group and the industry average.

The low prices recorded by Waipa Networks reflect a lower cost base, and the pricing discounts which are passed through to consumer beneficiaries. Waipa Networks' network and non-network opex levels are significantly below the peer group average and the industry average, on a per connection basis. As Waipa Networks has no subtransmission system, the more simple network is expected to result in a lower cost base.

There has been some increase in opex towards the end of the review period, as the Company invests in improving capacity, capability, systems and information, in order to improve performance and manage the growth on the network.

We note that there is a trend of increasing opex across the electricity distribution sector, as lines owners manage networks which are aging, while responding to the increasingly complex operating environment and compliance requirements.

It is important that network operators invest in sufficient capability to ensure that the performance of their network is maintained over the longer term to meet the needs of customers. Investment in additional capability is likely to support the achievement of these outcomes over time.

Waipa Networks capex on a per connection basis has been lower than the peer group and industry averages in all years, except FY16.

The duration of planned interruptions has been considerably lower than the peer group and industry average in all years except FY20. The duration of unplanned interruption compares well against the peer group and industry averages, although it increased above the benchmarks in FY20.

The frequency of planned interruptions has been lower for Waipa Networks than the average of the peer group and the industry in all years, although it has increased over the review period.

The frequency of unplanned interruptions is in line with the comparator group averages. There is a downward trend in unplanned interruption frequency for Waipa Networks from FY16 to FY19. The industry has maintained relatively stable unplanned interruption frequency levels, on average, over the review period.

Summary (continued)

Ownership options

We have considered the advantages and disadvantages to the Trust's beneficiaries of consumer trust ownership of Waipa Networks' shares, relative to the distribution of these shares.

To help us assess ownership options, we have focussed on two key criteria, drawn from insights into Waipa Networks' mission and principal objectives.

These criteria consider the value of trust ownership for current beneficiaries and future beneficiaries.

Evaluation criteria

1. Effective and efficient core business

To continue to successfully manage the electricity network and maintain/increase distributions available to beneficiaries, Waipa Networks will need to maintain high levels of customer service and achieve positive health and safety outcomes. At the same time, it must focus on effective network asset management underpinned by robust fiscal management.

2. Growing our company

Waipa Networks must operate successfully in the face of evolving regulations, technology and business models and continue to meet changing customer needs. To do so, it must be able to respond proactively to market developments and to pursue new opportunities which enhance the wellbeing of the community for the benefit of beneficiaries.

Ownership options available to the Trust range from continued 100% consumer trust ownership through to full distribution of shares. We consider the following options.

Ownership options considered

Option	Description
100% trust ownership of shares (status quo)	Trust ownership is common practice with over 70% of EDBs in New Zealand operating under it to some degree. We also consider variants to the current consumer trust option.
Distribution to beneficiaries or sale to beneficiaries, the public or external investors of 24.9% or 49.9% of shares	Distribution or sale of 24.9% allows the Trust to retain control over Waipa Networks' constitution Distribution or sale of 49.9% allows the Trust to retain control.
Distribution of 100% of shares to beneficiaries	Where a 100% share distribution occurs, shares are typically on-sold by beneficiaries within a short period, making it possible for an interested party to gain majority control.
Sale of 100% of shares to beneficiaries, the public or external investors	A sale of 100% of shares would enable the Trust to test the market for interest in the Company and pass the proceeds to beneficiaries.

Summary (continued)

Ownership options

Operating under **100% consumer trust ownership**, Waipa Networks has maintained profit levels through cost management and modest price increases, which were offset to some extent through discounts for beneficiaries.

Waipa Networks has also invested in the reliability and resilience of the network and is investing in improving the Company's health and safety record, while meeting the demands of network growth.

The realisation of the fibre investment now provides additional capital for future network development and potential entry into a broader range of energy sector opportunities.

The immediate challenge will be how to effectively address the growing demand on the network and the capacity constraints which are already evident, while maintaining power quality and improving core business processes and capability.

The Trust has effectively fulfilled its responsibilities to appoint Directors and review Director performance, which is achieved through the Director rotation process. The Trust also contributes to setting objectives for the Company through the annual SCI process. The Trust appears to have a good relationship with the Board of Directors and the Company, with both formal and informal information sharing and discussion.

The status quo is consistent with meeting the needs of current and future consumer beneficiaries. It is a relatively low cost ownership model, which provides for the local interests of consumers to be reflected in the Company's performance and direction.

Operating under 100% trust ownership, Waipa Networks has a substantial degree of flexibility in responding to new industry opportunities and meeting changing customer needs. Exemption from price-quality regulation is a critical factor in this respect.

A **community trust** structure would allow funds to be distributed to meet community needs, such as investing in infrastructure to support local economic growth and engaging in community sponsorship.

However, direct alignment of interests between beneficiaries and electricity consumers through the consumer trust structure means both financial and non-financial considerations such as network resilience, health and safety and maintenance of network assets can be balanced.

Appointed trustees may be able to better reflect the needs of beneficiary groups or provide for specific skills or experience on the Trust, however regulatory exemption status would most likely be lost if this was introduced.

A **sale of shares or distribution of shares to beneficiaries** would allow beneficiaries to realise the market value of their investment in Waipa Networks. However, this is likely to raise inter-generational equity issues since value would be passed to current beneficiaries at the expense of future beneficiaries.

Alternative ownership options which involve **external shareholders taking a full or partial stake in Waipa Networks** may bring stronger commercial incentives, potential improvements in operational efficiency, access to additional external expertise and capabilities, and pursuit of value-adding opportunities. This would depend on the nature of new shareholders and the size of the respective shareholdings.

Summary (continued)

A partial or full sale of shares to external shareholders may result in financial considerations such as return on investment being prioritised at the expense of non-financial considerations, including health and safety, network performance and maintenance of network assets.

There is likely to be a discount for any minority shareholdings taken by an investor. Also, if a dividend replaces the discounts currently being provided to consumers, this is likely to have tax implications. Sale to a larger non-local entity may also cause local objectives to be diluted.

A sale of shares to a party with sector experience may improve Waipa Networks' ability to respond to changing customer needs and industry opportunities. This may be driven by access to capabilities or existing technologies contributed by the investor.

The capital available due to the recent sale of the 15% shareholding in WNL, suggests there are unlikely to be funding constraints for the business in the near future. Access to capital is a trigger for a change in ownership.

Another trigger for sale is a degradation in the prospects for the core business. However given current network demand and the government policy settings this is highly unlikely in the near term.

Conclusion

Operating under the trust model, Waipa Networks has performed strongly over the review period, both in relation to financial and non-financial factors. This has included:

- a compound average annual growth rate in profit (before interest and tax) of 5.7%
- total asset growth of \$82m, and net asset growth of \$31m
- distributing \$23.2m of line charge discounts to consumer beneficiaries
- investing in improving the resilience of the network and demonstrating strong network reliability
- realising a significant gain on the investment in UFF.

The Company can be expected to continue to perform if the Trust:

- maintains clear expectations for the Company which promote a strong network and balance financial and non-financial considerations
- encourages investment and initiatives which give the Company access to technical and operational expertise and capabilities
- affords the Company flexibility in pursuing new opportunities in response to industry evolution and changing consumer needs
- establishes and promotes a culture of innovation and operational excellence
- advocates for the interests of current and future beneficiaries.

Appendix

Restrictions

This report has been prepared to assist the Waipa Networks Trust to support the Trust's requirements to carry out a periodic review of the Trust's ownership of Waipa Networks Limited. This report has been prepared solely for this purpose and should not be relied upon for any other purpose. We accept no liability to any party should it used for any purpose other than that for which it was prepared.

This report can be made available for public inspection in accordance with the requirements of the Waipa Networks Trust Deed. Apart from this noted exception, our report is not intended for general circulation, distribution or publication nor is it to be reproduced or used for any purpose without our written permission in each specific instance.

To the fullest extent permitted by law, PwC accepts no duty of care to any third party in connection with the provision of this report and/or any related information or explanation (together, the "Information"). Accordingly, regardless of the form of action, whether in contract, tort (including without limitation, negligence) or otherwise, and to the extent permitted by applicable law, PwC accepts no liability of any kind to any third party and disclaims all responsibility for the consequences of any third party acting or refraining to act in reliance on the Information.

We have not independently verified the accuracy of information provided to us, and have not conducted any form of audit in this respect. Accordingly, we express no opinion on the reliability, accuracy, or completeness of the information provided to us and upon which we have relied.

The statements and opinions expressed herein have been made in good faith, and on the basis that all information relied upon is true and accurate in all material respects, and not misleading by reason of omission or otherwise.

The statements and opinions expressed in this report are based on information available as at the date of the report. We reserve the right, but will be under no obligation, to review or amend our report, if any additional information, which was in existence on the date of this report, was not brought to our attention, or subsequently comes to light.

This report is issued pursuant to the terms and conditions set out in our engagement letter dated 26 November 2020.

Appendix B

PROVISIONS OF THE TRUST DEED

Source: **Waipa Networks Trust Deed (Extract)**

4. REVIEW PROCEDURE

4.1 Report:

Within 3 years of the date of this Deed and thereafter at intervals of no more than five years or at any time upon request by not less than 10% of Connected Consumers, the Trustees shall prepare a report considering proposals and available options for the future ownership of the shares and the other assets comprising the Trust Fund. Such report shall contain the following detail:

- 4.1.1 an analysis of the performance of the Company to the date of the report together with a discussion of the advantages and disadvantages of trust ownership;
- 4.1.2 an analysis of the various ownership options considered including without limitation, a share distribution to Connected Consumers, a sale of shares to the public, a sale of shares to institutional investors and retention by the Trust;
- 4.1.3 a comparison of the performance by the Company with the performance of other similar energy companies;
- 4.1.4 the conclusions of the Trustees as to the most appropriate form of ownership together with an indication whether the conclusions are unanimous and if the decision is not unanimous, a summary of the conclusions of the dissenting Trustees shall be included;
- 4.1.5 the matters referred to in clauses 4.6(a) to 4.6(c) if a distribution is recommended;
- 4.1.6 a statement of the view of the Directors of the Company regarding future ownership of the shares and other assets together with an indication whether the views are unanimous, and if not, a summary of the views of the dissenting Directors;

- 4.1.7 a summary of the professional advice (if any) obtained in respect of the preparation of the report; and
- 4.1.8 a statement as to whether or not the Trustees have had regard to any views expressed by the public with respect to ownership.
- 4.2 **Public Availability:** The Trustees shall make the report available to the public in accordance with Clause 13.
- 4.3 **Special Consultative Procedure:** The Trustees shall in respect of the report and no later than 1 month after the date of the report, implement the Public Consultative Procedure.
- 4.4 **Decision:** Following completion of the Public Consultative Procedure and in any event not later than 6 months after the report required by Clause 4.1 is completed, the Trustees shall meet and, after taking due account of the views expressed by the public and the Directors, the Trustees shall decide whether to:
- (a) retain the shares and/or the other assets of the Trust; or
 - (b) dispose of a portion of the shares and/or the other assets of the Trust and retain the remainder in the Trust; or
 - (c) dispose of all of the shares and/or the other assets of the Trust.
- 4.5 **Notification of Decision:** The Trustees shall notify the public in accordance with Clause 13 of the decision made under clause 4.4.
- 4.6 **Distribution Plan:** If the shares or any portion of them are to be distributed the Trustees shall prepare a Distribution Plan. The Distribution Plan shall contain the following details:
- (a) to whom the shares are to be distributed;
 - (b) the time and manner in which the shares are to be distributed; and
 - (c) whether the shares are to be distributed without consideration, at a concessionary consideration or for proper consideration.

4.7 **Notification of Distribution Plan:** The Distribution Plan shall be notified to the public in accordance with Clause 13 and following notification the Trustees shall be obliged to comply with the requirements of and ensure that the Distribution Plan is implemented unless the Trustees are unable to do so as a result of matters beyond the reasonable control of the Trustees.

4.8 **Payment for Review:** The Company shall be entitled to be paid out of the Trust Fund all reasonable costs incurred in connection with the ownership review carried out pursuant to this Clause 4.

4.9 **Sale of Shares:** Notwithstanding anything to the contrary in this Deed (but subject to Clause 4.10 and to Clause 1.1 (y) Termination Date) the Trustees will not:

- (a) Sell any shares in the Company, or
- (b) Vote affirmatively on any resolution to allot or issue any shares in the Company to any person other than the Trustees.

Unless a vote of Connected Consumers is held and sixty percent or more in number of those Connected Consumers who vote on the question approve the sale or allotment or issue of those shares.

4.10 **Result of Sale of Shares:** Clause 4.9 will not apply unless as a result of the sale of shares or the allotment or issue of shares:

- (a) The Trustees will no longer hold 60% or more in number of the shares in the Company, and
- (b) Those shares which the Trustees own cease to give or confer on the Trustees 60% or more of the voting power or rights of all shareholders in the Company.

4.11 **Vote:** The Trustees may in their discretion determine the method and procedures for carrying out the vote referred to in Clause 4.9, provided that:

- (a) Subject to Clause 4.11 (d), the Trustees shall give written notice to all the Connected Consumers of the vote, and of the method or procedures adopted by the Trustees for carrying out the vote.
- (b)
- (c) A period of not less than 21 days shall be allowed between the date the Connected Consumers are notified of the vote and the date by which the

votes of Connected Consumers will be disallowed if not received by the Trustees.

- (d) Each Connected Consumer shall be entitled to one vote for each metered Network Connection Point.
- (e) The Trustees shall give notice of the vote to the Connected Consumers through the post directed to the address of each Connected Consumer in the records of the Trust, or if there are no such records, in the records of the Company.
- (f) The notice referred to in Clause 4.11(d) shall be deemed to have been duly received two days after the date of posting of the notice by the Trustees.



WAIPA NETWORKS TRUST

TRUSTEES

Craig Sanders	CHAIRMAN
Andrew Bateman	DEPUTY CHAIRMAN
Judy Bannon	TRUSTEE
David McLean	TRUSTEE
Ashley Reid	TRUSTEE
Barbara Taranaki QSM	TRUSTEE



WAIPA NETWORKS LTD

DIRECTORS

Jonathan Kay	CHAIRMAN
Michael Marr	DEPUTY CHAIRMAN
Jonathan Cameron	DIRECTOR
Jennifer Kerr	DIRECTOR
Mark Stuart	DIRECTOR