

[REDACTED]

From: Kristy Rusher
Sent: Tuesday, 20 September 2016 8:48 a.m.
Subject: FW: Response on Delta PE documents and audio file

Hi,

In relation to your request for the information about the Council's decision regarding the Delta & the Noble Subdivision, we now provide you with:

1. The audio recording and transcript of the non-public section of the 1 August council meeting where this transaction was considered. Please click on this link:

<https://www.dropbox.com/sh/jcvhpn0w2a7v1n7/AADWTnaiJcP3R0YA-dZuuo1Ya?dl=0>

2. A copy of reports presented as part of the non-public section of the August 1 council meeting where the Delta transaction was discussed.

3. The minutes of this part of the 1 August Council meeting are not yet included. That is because at yesterday's meeting of the Council, an amendment was made to this section of the minutes. They will be provided to you in their amended form when the minutes of yesterday's meeting become available.

The information you have requested is attached. Please note that due to the late conclusion of yesterday's Council meeting we were unable to provide you with this response yesterday.

Audio Recording of Discussion at Council Meeting

There were some technical difficulties experienced with the recording of the meeting. Unfortunately this resulted in only the first part of the meeting up until the first adjournment being recorded. We have sought expert help to recover the rest of the recording but it is blank.

An independent party has also transcribed the audio file that is available and this transcript is attached. This provides details of each speaker and may help your listening of the file.

If you have any questions please contact me in the first instance.

Regards, Kristy

NOBLE/YALDHURST VILLAGE UPDATE

Department: Executive Leadership Team

REASONS FOR CONFIDENTIALITY

- Grounds: S48(1)(a) - The public conduct of the part of the meeting would be likely to result in the disclosure of information for which good reason for withholding exists under section 7.
- Reason: S7(2)(b)(i) - The withholding of the information is necessary to protect information where the making available of the information would disclose a trade secret.
- S7(2)(c)(ii) - The withholding of the information is necessary to protect information which is subject to an obligation of confidence or which any person has been or could be compelled to provide under the authority of any enactment, where the making available of the information would be likely to damage the public interest.
- S7(2)(h) - The withholding of the information is necessary to enable the local authority to carry out, without prejudice or disadvantage, commercial activities.
- S7(2)(i) - The withholding of the information is necessary to enable the local authority to carry on, without prejudice or disadvantage, negotiations (including commercial and industrial negotiations).

EXECUTIVE SUMMARY

- 1 Dunedin City Holdings Limited (DCHL) are seeking a decision from Council on a new loan facility to replace the existing \$13.4 million debt owed by Delta Utility Services Limited (Delta). The delegation for this decision sits with Council.

RECOMMENDATIONS

That the Council:

- a) **Approves** the Dunedin City Holdings Limited recommendation to authorise Delta Utility Services Limited to enter a new loan agreement with Infinity to replace the existing \$13.4 million debt owed to Delta Utility Services Limited by Noble Investments on settlement of the Gold Band Finance driven mortgagee sale.

BACKGROUND

- 2 The background to this matter is covered in the attached report from DCHL (Attachment A).

DISCUSSION

- 3 DCHL are seeking approval from Council per the Statement of Intent process for the transaction outlined in Attachment A. The quantum and nature of the transaction means that the delegation for this decision sits with Council.
- 4 Mr Crombie and Mr McKenzie will be present at the Council meeting to respond to questions and speak to the report.

OPTIONS

- 5 DCHL have outlined a range of options in Attachment A for consideration by Council.

NEXT STEPS

- 6 If Council approves the recommended option, then the DCHL Board will give Delta the final approval to enter the transaction.

Signatories

Authoriser:	Grant McKenzie - Group Chief Financial Officer
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Attachments

	Title	Page
A	Noble/Yaldhurst Village Update - DCHL Report	

SUMMARY OF CONSIDERATIONS***Fit with purpose of Local Government***

This report provides an update of the Nobel/Yaldhurst Village subdivision and options for the Council going forward.

Fit with strategic framework

	Contributes	Detracts	Not applicable
Social Wellbeing Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Economic Development Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Environment Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Arts and Culture Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
3 Waters Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Spatial Plan	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Integrated Transport Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Parks and Recreation Strategy	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Other strategic projects/policies/plans	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

This report has no direct contribution to the Strategic Framework.

Māori Impact Statement

There are no known impacts for tangata whenua.

Sustainability

There are no known implications for sustainability.

LTP/Annual Plan / Financial Strategy /Infrastructure Strategy

There are no known implications.

Financial considerations

The report fulfils the reporting requirements for Council.

Significance

Not applicable – reporting only.

Engagement – external

Not applicable – reporting only.

Engagement - internal

Not applicable – reporting only.

Risks: Legal / Health and Safety etc.

The risks are covered in Attachment A.

Conflict of Interest

There are no known conflicts of interest.

Community Boards

There are no known implications for Community Boards.

NOBLE/YALDHURST VILLAGE UPDATE

From: Board of Dunedin City Holdings Limited

EXECUTIVE SUMMARY

1. Delta Utility Services Limited (Delta) has an outstanding debt related to infrastructure services provided to the Yaldhurst Village development in Christchurch. This has been a significant issue for the company for a number of years.
2. Delta has been working to position itself to receive the best possible return from this doubtful debt over the last few years. This has included efforts to improve its security position, working with the developers to try and advance the development and working directly with the neighbouring lot owners in attempts to resolve their issues.
3. Following a mortgagee sale process earlier in the year there is a potential option to restructure the project with an experienced developer. This proposal would receive finance from the BNZ which will be utilised to pay some outstanding costs, remove Gold Band Finance (GBF) from its first mortgage position, provide approximately \$1m to Delta immediately and provide working capital to bring sections to the market.
4. Repayment of the full debt is still likely to take a number of years.
5. The Board of Delta, after assessing a range of options has recommended the proposed transaction to DCHL. The Board of DCHL, again after working through the options has agreed to recommend to Council, as required under our Sol, that Council approve the transaction.

RECOMMENDATION

That the Council:

- a) **Approves** the Dunedin City Holdings Limited (DCHL) recommendation for Delta Utility Services Limited (Delta) to enter a new loan agreement with Infinity to replace the existing \$13.4 million debt owed to Delta by Noble Investments on settlement of the Gold Band Finance driven mortgagee sale.

BACKGROUND

6. Delta's interest in the Yaldhurst Village development has been the subject of regular detailed reports to the Delta Board, reports to DCHL and Audit New Zealand and updates to Council at the regular quarterly briefings from DCHL.
7. Delta has an outstanding debt (\$13.4 million) relating to infrastructure services provided in the Yaldhurst Village development through its now closed water & civil construction business in Christchurch. Delta is not the developer of the project.
8. Progress on the development has been blocked for several years by a caveat dispute between Noble Investments Ltd (Noble, the developer) and some of the neighbours to the development property. The dispute has caused lengthy delays and cost over-runs, and consequently Noble has been unable to meet its financial obligations to creditors for some time.

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9. Delta has previously engaged in several 'without prejudice' discussions with the caveators, with a view to achieving a negotiated settlement that would enable the development to proceed. All such efforts to date have been unsuccessful.
10. Until recently, the caveats registered by some neighbours on titles to the development property, were preventing the mortgagees (including Delta) from enforcing their security interests to recover Noble's debts. That position changed in September 2015, when the High Court ruled in favour of an application by Gold Band Finance, the first mortgagee, and issued orders for the caveats to be removed to allow settlement of a mortgagee sale.
11. The application by Gold Band Finance to proceed with its mortgagee sale was opposed by the caveators who argued that they were intentionally disadvantaged by security sharing arrangements entered between Gold Band Finance and Delta. The High Court Judge rejected the caveators argument. An extract from the High Court judgement confirmed "that neither the circumstances relating to Gold Band's security sharing arrangement with Delta nor Gold Band's present intention to enforce its security by mortgagee sale involve, even arguably, unconscionable conduct by Gold Band. Gold Band made a commercial decision to share its security with Delta".
12. More recently, in late May 2016, the caveators applied to the High Court for an injunctive 'stay' to prevent settlement of the mortgagee sale. This 'stay' application was subsequently dismissed by a further High Court ruling on 22 July 2016.
13. The outcome of the mortgagee sale has provided an opportunity for the project to be restructured with an experienced developer. Delta will remain a debtor to the project. Delta's outstanding debt in the restructured project would be approximately \$12.4m.
14. The Statement of Intent (SOI) for DCHL requires that DCHL will obtain prior approval of the Council where the total investment exceeds \$10 million for transactions of the company or any of its subsidiaries involving the acquisition of new assets. As this restructured transaction is greater than \$10m DCHL is seeking Council's approval.
15. The full history of the project is included in Attachment A.

DISCUSSION

16. The board of DCHL has reviewed the proposed transaction and has approved the transfer of debt from Noble Investments Limited (Noble) to Infinity Yaldhurst Limited (Infinity). The transaction is subject to Council approval as required under the DCHL SOI.
17. A company profile of Infinity is included as Attachment B.
18. Independent advice has been sought throughout the process from professional advisors to ensure that Delta's likelihood to receive the repayment of this debt is maximised.
19. Given the history and the problems with this particular development it is still likely that it will take a number of years to realise the full value. A repayment of circa \$1 million to Delta is anticipated upon settlement of the mortgage sale to Infinity (see below), following which conservative projections are for the remainder of the debt (plus interest at 7% per annum) to be cleared by progressive principal repayments ending no later than February 2024.
20. The transaction that Delta is proposing is:

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- a) Infinity has offered to purchase the property for \$18.350 million. This reflects the June 2015 registered market valuation.
- b) The transaction is subject to Delta and other secured creditors converting the debt they are presently owed by Noble to new loans repayable by Infinity as the new developer.
- c) Infinity has confirmed funding from the Bank of New Zealand (BNZ) (\$5.9 million) to complete its purchase and progress the development. It is envisaged that circa \$3.8 million of the new BNZ loan will be used to clear Gold Band Finance's share of the first mortgage debt (circa \$2.8 million) and to reduce Delta's residual debt (by circa \$1 million) to around \$12.4 million – see below. The remaining circa \$2.1 million of the BNZ loan will be available to progress the development.
- d) Delta stands to receive a payment of circa \$1 million (value will change depending on final settlement date) upon settlement of the mortgagee sale (estimated to be \$1.23 million if completed by July/August 2016). The residual balance of Delta's existing debt (circa \$12.4 million) will then be converted to a new loan owing to Delta by Infinity (rather than Noble).
- e) There are no requirements or expectations that Delta will be providing any additional funding, or undertaking future work towards the completion of the subdivision.
- f) Interest is payable on the new loan at 7% per annum which will be capitalised and compounded monthly until it is paid.
- g) The table below summarises the initial purchase of the project:

Development Property Purchase	\$18.35 million
Funded by:	
BNZ	\$ 3.80 million
Delta 2 nd mortgage loan (residual balance of existing debt)	\$12.40 million
Other 2 nd mortgage loans (including Cardno & Cavell Leitch)	\$ 2.15 million

21. Under the proposed transaction Delta is giving up its shared first mortgage position (67.5% which is presently valued at circa \$5.6 million) to the BNZ. In exchange the BNZ is providing a funding line of \$5.9 million to Infinity to clear Gold Band Finance (circa \$2.8 million), reduce Delta (circa \$1.0 million) and provide additional funding for the development to proceed (circa \$2.1 million).
22. It is proposed that the BNZ will have a mortgage priority up to \$10 million. Any increase above the \$5.9 million loan will require Delta approval.
23. The funds from the BNZ will be used for the following purposes:
 - a) To clear the existing Gold Band Finance debt estimated to be \$2.8 million (value will change depending on final settlement date).
 - b) Repay Delta (\$1 million) and reimburse costs previously incurred by Delta (\$230k) and other creditors (\$70k).

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- c) The rest of the funds will be used for additional work required to get the sections available for sale.
24. The first stage of the development (66 residential sections and three commercial lots) is essentially complete and will be available for sale when titles are issued after the caveats have been discharged. The estimated sale proceeds from the 66 residential sections are \$7 - \$8 million.

OPTIONS

25. The boards of Delta and DCHL worked through a range of options before arriving at this recommended position. The conclusions were reached with a view to receiving the best return possible for the outstanding debt within acceptable risk profiles. The boards had the advantage of a comprehensive public tender process to provide an understanding of the market's perspective of the project. We have set out a summary of the options being;
- a. The proposed restructured transaction with Infinity taking the role of developer
 - b. Gold Band Finance selling to a third party with a view of Delta clearing some debt and finalising its position
 - c. Delta acquiring Gold Band's share of the first mortgage
 - d. Do nothing

Option One – Approves the DCHL recommendation of the Delta Utility Services limited (Delta) transaction to enter a new loan agreement with Infinity to replace the existing \$13.4 million debt owed to Delta by Noble Investments on settlement of the Gold Band Finance driven mortgagee sale (Recommended Option)

Advantages

- Working with a developer who has significant experience and reputation in property development.
- Reduction in debt owing to Delta.
- Greater likelihood of the total loan being repaid to Delta, albeit over a period of time.

Disadvantages

- Having to give up the first mortgage position to BNZ.
- Risk that Infinity is unable to repay the loan.
- Will still take a period of time before the whole debt is repaid.

Option Two – Gold Band Selling to Another Third Party (if possible)

Advantages

- Delta would have no further involvement in the project.
- Would reduce management's focus on minimising the potential loss from the potential bad debt.
- Possible repayment of some of the debt owing to Delta.

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Disadvantages

- There is currently no other third party that has put in a credible bid.
- Depending on the level of funds repaid may require an equity injection into Delta from the shareholder to reinstate the company's balance sheet to ensure it can continue to tender credibly for third party contracts in competitive markets.

Option Three – Delta Acquiring Gold Band's Remaining Share of the First Mortgage

Advantages

- Delta would have complete control of the project.
- May result in a higher return from the project over time.

Disadvantages

- Would require additional investment
- Could require greater management focus in an area where the company has no formal expertise, although project management could be contracted.
- Higher potential risk for the company compared to its current operating model.

Option Four – Do Nothing.

Advantages

- Would continue to have first mortgage protection for some of the debt.

Disadvantages

- No further ahead.
- Would continue to require management focus.
- Significant valuation risk for the company due to lack of progress in getting any resolution.

NEXT STEPS

26. If Council approves the recommended option, then the board of DCHL will give final approval to Delta to enter into the transaction.

SIGNATORIES

Author:	Grant McKenzie, Group Chief Financial Officer
Authoriser:	Graham Crombie, Chair, Board of Dunedin City Holdings Limited

Attachments

	Title
A	Yaldhurst Village and Noble Investments Ltd - Background
B	Infinity Investment Group Holdings Limited

ATTACHMENT A

YALDHURST VILLAGE AND NOBLE INVESTMENTS LTD

BACKGROUND

Delta has an outstanding debt of \$13.4 million related to infrastructure services provided through its now closed water and civil construction business in Christchurch (as disclosed in its 2015 Annual Report).

The company is focused on maximising its secured position.

Delta's interest in the Yaldhurst Village development has been the subject of regular detailed reports to the Delta Board, and reports to both DCHL and Audit New Zealand.

Yaldhurst Village comprises a residential development of 250-350 medium and high density sections in the northwest of Christchurch, and a proposed commercial precinct for which a number of potential uses (including a medical centre, hardware store and supermarket) have been considered.

Progress on the development has been blocked for several years by a caveat dispute between the developer, Noble Investments Ltd (Noble), and some of the neighbours to the development property. The dispute has caused lengthy delays and cost over-runs, and consequently Noble has been unable to meet its financial obligations to security holders for some time.

Delta has engaged in several 'without prejudice' discussions with the neighbours and Lot 9 in particular, with a view to achieving a negotiated settlement that enables the development to proceed. All such efforts to date have been unsuccessful.

Caveat Dispute

Noble Investments Ltd (Noble), the developer, is party to a longstanding dispute with a group of neighbours that reside to the west of the land that is being developed. This dispute has been the subject of several High Court hearings which we understand may still be the subject of an appeal(s).

Delta has not been party to that dispute.

Several of the neighbours claim that under historical agreements with either Noble, or an entity associated with Noble, they are entitled to an upgrade to the access and services to be delivered to the boundaries of their lots. The owners of two of the neighbouring lots (Lots 4 & 9) registered caveats on Noble's land and it is those caveats that have prevented the spine road that runs through the development from vesting in the Council, which in turn has prevented the titling and settlement of section sales and delayed the repayment of Delta's debt.

A High Court decision in March 2013 indicated the caveat over the first tranche of titles was likely to endure until the new intersection of the Spine Road with Yaldhurst Road could be opened.

One of the major impediments to the Yaldhurst Road intersection opening was that the original design of the intersection required the northern tip of Lot 22 (circa 89 square meters of land owned by the western neighbours and referred to colloquially as 'the knob') to be vested with NZTA. The neighbours have used this as a point of leverage to prevent the intersection from opening. In essence, they have argued that Noble is in breach of its contractual obligations under historical agreement(s).

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Following several attempts by multiple parties (including CERA, NZTA, Gold Band Finance and others), Delta engaged directly with the neighbours from around March 2014 in an effort to find a solution that would enable the development to proceed.

Subsequently, during February 2015, Delta reached a conditional agreement with Canterbury Sports Ltd, a neighbour situated to the north of the Yaldhurst road intersection, which could enable the intersection to be re-located northwards and opened without any requirement for 'the knob' to be vested. NZTA were and remain supportive of this solution.

Original Works Contract and Development Funding

Delta's Christchurch water and civil business tendered for the residential development works at Yaldhurst during September 2009, and Delta was subsequently appointed Contractor. The underlying works contract was executed by Delta as Contractor and Noble as the Principal, on or around 16 October 2009.

Shortly thereafter, the terms of a loan facility were documented, under which Delta agreed to fund the contract works by way of a deferred payment arrangement. The value of the first tranche of works was originally estimated at \$3.5 million. The first Precinct One agreement provided for a loan of up to \$4 million plus interest.

Subsequently, it transpired that the basic design of the development was incomplete, further Council consents were required, and project costings were grossly understated. On top of this, the Canterbury earthquakes in November 2010 and February 2011 caused significant project delays and disrupted the decision making capabilities of the relevant local authorities.

At the time of the large earthquake in February 2011, the value of the contract works undertaken by Delta (and the balance of Delta's loan) was approaching \$3.5 million plus interest. It was evident however, that the first precinct of sections was far from complete. There was also increasing concern the development was lacking a master plan and a formal project management structure.

Peter Soundy of Peak Projects Queenstown was engaged to undertake a project management audit in April 2011, following which it was agreed between Delta and Noble that Mr Soundy would be appointed to the Construction Project Manager's role.

At the end of May 2011, Delta's debt had reached \$4 million and discussions had commenced in regards to a second \$5 million Precinct Two loan agreement. The \$5 million Precinct Two loan was approved in July 2011.

By January 2012, it was apparent that further consultancy input and construction works would be required to achieve the completion of a fully compliant stormwater system.

As of June 2012, the value of the contract works undertaken by Delta (and the total balance of Delta's loans) was approaching \$9 million plus interest, and construction of the first Precinct of 77 sections (mostly Lot 14) and the stormwater system remained incomplete.

On 13 June 2012, a Special Meeting of the Delta Investments Ltd Board was held to approve an increase of up to \$1.5 million plus interest in the Precinct One Loan, to fund the estimated costs to complete Precinct One and its associated services. Subsequently, it was identified that an additional \$6-700k of works were required to complete the first of the Precinct One sections and associated services.

Delta's Precinct One Loan facility was increased by \$850k to \$6.35 million during December 2012, subject to Noble providing additional security in the form of an increased mortgage priority to \$16.1 million and a registered second ranking General Security Agreement (refer Security Position below).

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Telfer Young of Christchurch was engaged jointly by Delta and Gold Band Finance at the end of April 2013, to undertake a valuation of the entire Yaldhurst Village residential development. Telfer Young's final report was received on the 16 July 2013, and identified there was a shortfall of circa \$5.2 million between the value of Delta's existing security interest and the balance of its loan. This security shortfall was partially offset by a year-end provision of \$1.5 million in the Delta Management accounts, which reflected Management's decision during October 2012 to stop 'booking' the interest revenue that was accruing on the loan.

Telfer Young assigned a value of \$9.1 million to Delta's existing first mortgage security over three of the six residential lots, after discounting their assessment by \$1.6 million to reflect the caveat issues. The balance of Delta's loans (inclusive of interest) was \$14.3 million as at 30 June 2013.

On 8 August 2013, the Delta Board approved the terms of a tri-party agreement between Gold Band Finance, Delta and Avanti Finance under which Delta would later purchase a \$1.2 million share of the existing Gold Band Finance first mortgage loan and securities (for \$1.2 million) and receive additional mortgage securities to the value of circa \$5.1 million (under the Agreement to Mortgage) to secure its existing debt. This approval was notified to DCHL immediately.

On 28 August 2013, the Delta board resolved to retain a provision of \$1.5 million in the company's 30 June 2013 year-end accounts, which reduced the fair value of Delta's loans to circa \$12.8 million.

On 1 May 2014, the Delta Board authorised management to commit further funding of up to \$375k if necessary, in order to advance Delta's financial interest in the development. This funding is yet to be fully committed.

On 22 August 2014, the Delta Board accepted the recommendation of its Audit & Risk sub-committee and resolved to adopt \$12.85 million as the fair value estimate of the secured loan receivables in Delta's 30 June 2014 annual accounts. The Board arrived at its updated fair value assessment by reference to two independent registered valuations at that time. As a precautionary measure in August 2014, the Board also authorised management to make a drawing against the company's term debt facility if it became necessary to purchase the Gold Band Finance first mortgage loan (circa \$3.5 million as at 30 June 14) to prevent a forced sale of the property.

During December 2014, Gold Band Finance advised that it had been approached by one of the western neighbours and caveators, who was offering to purchase a share of the first mortgage loan. Delta received legal advice that it would be detrimental to Delta's interest if the caveator or any other adversarial party was to obtain a share of the first mortgage. Further legal advice indicated the terms of the tri-party agreement were such that Gold Band was unable to transfer its share of the first mortgage without Delta's prior consent, however Avanti Finance was in a position to assign its share without the consent of either Delta or Gold Band.

On 29 January 2015, the Delta Board authorised management to make a drawing of circa \$2.2 million to purchase the Avanti Finance share of the first mortgage loan in order to prevent the sale of an interest in the first mortgage to the caveator or any other adversarial party. This decision was notified to DCHL immediately.

On 24 February 2015, the Delta Board approved funding of up to \$725k to meet Delta's 50% share of the estimated costs to relocate the Yaldhurst Road intersection in terms of the conditional agreement with Canterbury Sport Ltd, noting that there was a remedial works provision of \$400k in the Delta financials that could be applied towards the new intersection costs.

To protect its security position, Delta settled the purchase of Avanti's share of the first mortgage for \$2.19 million on 31 March 2015.

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On 29 July 2015, the Delta Board accepted the recommendation of its Audit & Risk sub-committee and resolved to adopt \$13.2 million as the fair value estimate of the secured loan receivables in Delta's 30 June 2015 annual accounts. The Board arrived at its updated fair value assessment by reference to a further independent registered valuation at that time.

CURRENT STATUS OF SECURED LOANS

Delta's secured loan advances presently comprise:

- The original \$6.35 million Precinct One loan which expired on 30 June 2013,
- The \$5 million Precinct Two loan which expired on 22 December 2013,
- Delta's share of the Gold Band Finance first mortgage loan which has been acquired in two tranches during 2013 and 2015 at a combined cost of \$3.390 million.

Most recently, the fair value of these secured loans was re-assessed as \$13.32 million as at 31 December 2015.

Interest is continuing to accrue on the Gold Band Finance first mortgage loan. As of May 2016, Delta's share of the first mortgage loan is estimated to be \$5.400 million.

MORTGAGEE SALE PROCESS

The first mortgage loan has been in default for some time.

Property Law Act (PLA) notices were issued by Gold Band Finance and expired on 15 July 2014. Subsequently, during March 2015, Gold Band Finance applied to the High Court for the neighbours' caveats to be removed with a view to clearing the way for a settlement of its intended mortgagee sale. The High Court decision was finally released in September 2015, when the Judge issued orders for the caveats to be removed immediately prior to the property being transferred by Gold Band Finance to the successful purchaser under its power of sale. The High Court decision was subsequently appealed, but that appeal was then deemed by the Courts to have been abandoned.

Notwithstanding the prior lengthy delays, Delta viewed the mortgagee sale process as a positive step towards the recovery of its secured debt. The property was advertised for sale last November and December, and tenders closed on 12 February 2016.

Gold Band Finance entered a \$21 million conditional sale and purchase agreement on 4 April 2016. We were advised that the conditions of that contract were required to be satisfied by 30 April 2016, at which point a non-refundable deposit of \$1 million was to have been paid by the purchaser.

Gold Band Finance also entered an \$18.3 million conditional 'back-up' contract with Infinity on 15 April 2016. The terms of this back-up contract were such that the higher priced \$21 million offer was to be avoided if it was not confirmed as unconditional by early May.

On 2 May 2016, Gold Band Finance advised Infinity that the conditions of the \$21 million offer were unable to be confirmed and Infinity was now in a position to proceed to satisfy the conditions of its own contract to purchase the property.

LOT 9 STAY APPLICATION

On 25 May 2016, Delta was advised that despite having previously allowed their initial appeal of last September's High Court decision to lapse, the Lot 9 caveators had now applied for an

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injunctive 'stay' to prevent settlement of the mortgagee sale, pending the outcome of a separate application to the Court of Appeal for their appeal to be reinstated.

This 'stay' hearing was heard in the High Court in Christchurch on 1 July 2016. The High Court dismissed the 'stay' in a further judgement dated 22 July 2016.

TIMELINE

Oct/Nov 2009	Precinct 1 Loan Approved	\$4.00 mil
July 2011	Precinct 2 Loan Approved	\$5.00 mil
June 2012	Precinct 1 Loan increased for additional works	\$1.50 mil
October 2012	Decision to suspend interest recognition	
December 2012	Precinct 1 Loan increased for additional works	<u>\$0.85 mil</u>
	Sub-total Delta loans	\$11.35 mil
May/Jun 2013	Security shortfall of circa \$5 mil identified	
August 2013	First tranche of First mortgage acquired to improve security position by \$5.1 mil	\$1.20 mil
March 2015	Second tranche of First mortgage acquired	<u>\$2.19 mil</u>
	Sub-total First mortgage	<u>\$3.39 mil</u>
	Total Secured Loans	\$14.74 mil
	Fair value assessed as at 31 Dec 2015	\$13.32 mil

ATTACHMENT B



Infinity Investment Group Holdings Limited

INFORMATION DOCUMENT FOR DELTA UTILITY SERVICES LIMITED

May 2016

Strictly Confidential – Not to be Released to any Third Party

Executive Summary – Yaldhurst Village

1. The biggest risk to the project and Delta's financial exposure is further delays.
2. Current interest costs and other holding costs are eroding Delta's financial position.
3. Infinity has secured funding from the BNZ for \$5.9m to ensure the project is de-risked by completing Stage 1 of the residential and commercial area.
4. The key to getting Delta repaid is to engage an experienced developer to complete the project.
5. The project is viable, can stand on its own and is not expecting any support from shareholders/stakeholders.
6. Infinity has the team and resources already in place to complete the project.
7. Infinity provides the project with a reputable developer that has an excellent track record.
8. Infinity already has a strong presence in the Christchurch market and has relationships with key builders, agents etc.

STRICTLY CONFIDENTIAL – NOT TO BE RELEASED TO ANY THIRD PARTY

Yaldhurst

1. Infinity has secured funding from the BNZ for \$5.9m to ensure the project is de-risked.
2. The funding ensures that titles for approximately 70 residential lots and 80% of the commercial area can be achieved in a very quick timeframe allowing significant cashflow back to the BNZ and to Delta.
3. Based on the Colliers valuation titling the lots as stated above will give an approximate gross realisation of \$15m.
4. Funds will as a priority be applied to repay BNZ and Delta debt.
5. The project is viable and can stand on its own and should not need any support from shareholders/stakeholders.
6. The biggest risk to the project are further delays.
7. Infinity is committed and ready to complete the project.
8. Infinity already has a strong presence in Christchurch and knows all key builders, agents etc.
9. The Yaldhurst development would complement our existing project to the north of Christchurch called Ravenswood, as most buyers at Ravenswood have shown strong interest in purchasing at Yaldhurst also.
10. We already have two key commercial buyers that have shown strong interest in the commercial area plus there are two large house builders who want 10-20 lots each. This has been achieved by our relationships at Ravenswood.

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Ravenswood

1. Infinity has an existing team of people already in Christchurch for its Ravenswood project.
2. Ravenswood is located to the north of Christchurch and is approximately a 30 minute drive from the city.
3. The project has no conflict with Yaldhurst and in fact complements the project as most house builders want to be involved in both projects.
4. Ravenswood is a subdivision of approximately 1300 residential sections and 15ha of commercial land.
5. To date we have secured deals with Foodstuffs, BP and MacDonald's. We are also in negotiations with Bunnings and we expect to conclude that deal within the next four to six weeks.
6. We also have subdivision consent for Stage 1 residential (197 lots) and the commercial area.
7. We have already sold approximately 50 sections in Stage 1 over the last two months.
8. We are planning a launch of the project on 2nd July 2016, where we believe we will achieve significantly more sales both in the commercial and residential area.
9. We have been working with the BNZ over the last six months to fund this project and we are expecting to receive a term sheet within the next four weeks for \$50m to fund this project.
10. Please see separate Information Document on Ravenswood.

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Infinity - Track Record



Peninsula Bay, Wanaka

Premium 340-lot community development with magnificent lake and mountain views, large lots, extensive reserves and community facilities for residents. In 2013 Peninsula Bay won the NZ Property Council award for 'Best Urban Land Development in NZ'.



Far Horizon Park, Wanaka

Themed on an English Park, 45 4000m² sections with stunning views and community facilities including swimming pools and gym. Winner of a NZ Property Council Merit Award in 2007.



First National, Wanaka

First National Wanaka was established in 2010. Following the National Awards 2016 First National Wanaka is ranked first place office in the lower South Island.



Riverside Village, Wanaka

437-section residential community at Albert Town, four kilometres from the centre of Wanaka.



Sunrise Bay, Wanaka

A premium 22.1-acre section lakefront estate on the lakefront. On-site facilities include clubrooms, gym, changing rooms, swimming, spa and children's pools.



Pegasus Town, Christchurch

Pegasus is a master planned town for an estimated population of 7,000 residents consisting of 1,500 residential sections and a large commercial precinct.

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Infinity Financial Position

1. As at 31st March 2015 Infinity's net assets were \$20.46m.
2. PWC is the Auditor of Infinity Investment Group.
3. Due to the strong Central Otago market we are currently in the strongest financial position we have been in the last seven years.
4. We have developed over 2,500 residential lots over the last 10 years and have an existing pipeline of a further 1,300 residential lots that will ensure we have a strong financial position going forward.
5. Significant cashflow (\$6.5m) being released by final stages of our Wanaka projects over the next two to four months. All lots are unconditionally sold.
6. Strong support from our funders.
7. We are one of the few medium sized property developers in New Zealand to survive the Global Financial Crisis.

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1 August 2016

Infinity – Key Management

1. Paul Croft – Managing Director (7 years at Infinity Investment Group)

A chartered accountant, Paul has extensive property-focused experience. Before returning to New Zealand in 2009, Paul worked for almost a decade in Europe, managing large financial and property portfolios for leading investment companies, including UBS Global Asset Management, Equion PLC and Henderson Global Investors. He was senior fund accountant for UBS' flagship UK fund (UBS Triton Property Fund) which managed commercial properties worth over \$1.5 billion sterling. Paul was instrumental in establishing and creating the European real estate accounting platform for UBS. Currently also Managing Director of Infinity Investment Group, Paul has had extensive property development experience as part of the project team responsible for the development of award-winning Peninsula Bay and Riverside Park in Wanaka, and Pegasus in North Canterbury.

2. Iain Weir – Development Manager (3 years at Infinity Investment Group)

Iain is a registered valuer with more than 25 years' experience in property consultancy and development covering a range of property classes including commercial, tourism, hospitality, lifestyle and residential projects in New Zealand, Australia and the UK. Iain manages a number of Infinity Investment Group developments in Wanaka and the West Coast and is heavily involved in the development and sales programme for the commercial land at Ravenswood. He was engaged by Queenstown Lakes District Council to manage the development and sale programme for both Scurr Heights and Anderson Heights residential and commercial subdivisions in Wanaka from 2000-2006. He is also an experienced project manager and recently completed a large commercial building on Wanaka's waterfront.

3. Patrick Waser – Sales Manager (9 years at Infinity Investment Group)

Patrick originates from Sweden and has lived and worked in several countries and can speak several languages fluently. He has a strong hospitality background in both sales and marketing and operations and has been both General Manager/Owner for hotel properties in both Melbourne and New Zealand. These large properties have involved major construction and renovations. He has also had many years' experience in commercial business brokering in the North Island as well as being Sales Manager for a commercial services company in Auckland. Patrick has worked in a Sales Management role on all Infinity Group projects since 2007 involving several subdivisions and projects including Pegasus Town in North Canterbury, Marina Apartments, Peninsula Bay and Riverside Park in Wanaka.

4. Hetty van Hale – Communications Manager (11 years at Infinity Investment Group)

Hetty has over 25 years' experience in communications, marketing, sponsorship and event management, having worked for a number of large New Zealand corporates including Brierley Investments, Carter Holt Harvey and Tourism Holdings. She has worked for Infinity for over 10 years and implements and manages the marketing and communications for all group projects including the one-day Pegasus land sale when \$122m of property was sold in one day. In addition she has wide governance experience and is a current Director of Snow Sports New Zealand, Winter Games New Zealand, Badminton New Zealand, and Chairs the Southern Lakes Arts Festival Trust.

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Infinity Stakeholder Committee

On 16th November 2014 after a short illness the co-founding shareholder Bob Robertson passed away.

At that time Paul Croft was made the sole director of Infinity Investment Group and a stakeholder committee was formed.

Nick Davidson QC (now presiding judge) was appointed to represent Jen Robertson's interest in Infinity. Nick has now been replaced by Mark Russell after his appointment to being a judge.

George Berry, founder of Berry & Co, was appointed to represent Bob's Estate. George retired at the end of 2015 and has now been replaced by David Jackson who is a Partner at Berry & Co.

We are currently in the process of winding up the Stakeholder committee and appointing a more conventional board. We expect this to be concluded during the 2016 year.

Please find below the profiles of Mark Russell and David Jackson.

1. Mark Russell

Mark studied at Canterbury and Cambridge Universities before lecturing in company and banking law at the University of Canterbury for four years. Mark went into legal practice in 1985, with Weston Ward & Lascelles, some partners of which left to form Brookman Stock (a boutique commercial firm) in 1986. Brookman Stock merged with Buddle Findlay in 1989 and Mark was a partner in the Christchurch office of Buddle Findlay for 25 years before joining the Bar as a commercial barrister at the beginning of 2015. Mark specialises in company, banking, commercial and insolvency law. Mark also holds governance appointments as director of Lifetime Group Limited, an independent member of the Christchurch City Council Audit & Risk Management Committee and director of Diligent Corporation Inc. Mark is a Chartered Member of the Institute of Directors.

2. David Jackson, LLM(Hons) | Partner

David has a wide range of litigation and commercial experience having worked as a Crown Prosecutor (for the Crown Solicitor at Christchurch), a government legal adviser (to the Treasury Solicitor's Department, London) and as a general commercial and insurance litigator for national New Zealand and City of London law firms. David's current litigation practice is wide-ranging and includes criminal, employment, resource management, commercial and insurance litigation instructions. Further, David is asked to advise on commercial contracts with a particular focus on allocation of risk, dispute resolution and termination provisions. In recent years David has advised small to medium business owners on contract formation, management and employment issues.

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Infinity Shareholders

When Bob Robertson passed away, he gifted 25% of his shareholding in Infinity Investment Group to Paul Croft to ensure the long term survival of the Company. The other shareholders of Infinity Investment Group are the following.

1. **Jen Robertson – 37.5%**
Co-founder
2. **Pamela Higgins – Executor of Bob Robertson's Estate – 37.5%**
Bob Robertson's sister
3. **Paul Croft – Managing Director – 25%**

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Pegasus Town

During the Global Financial Crisis, the Bank of Scotland was under significant financial pressure, which resulted in them selling their entire New Zealand and part of their Australian loan books.

As part of that deal NZ Property Finance Partners, which was a consortium owned by Australia's Brookfield group and investment banker Goldman Sachs purchased the New Zealand loan book.

Pegasus was one of 22 loans that NZ Property Finance Partners purchased in New Zealand.

NZ Property Finance Partners tendered the Pegasus loan at which time we secured funding from the BNZ and ANZ to complete the loan buyback. However, under the arrangements with both banks we needed an additional \$15m of equity.

We then entered into an arrangement with Todd Property where we would JV the project 50/50.

We had delays finalising the agreement with Todd Property and the ANZ at which time NZ Property Finance Partners placed Pegasus into receivership.

Shortly after Todd Property entered into an agreement to purchase Pegasus from NZ Property Finance Partners. Todd Property also had another loan with the Bank of Scotland.

The receivership was not an insolvency issue but more related to a corporate takeover. In fact Pegasus had already completed \$40m of future presales when the receivership occurred.

The Pegasus project was ring-fenced from all other Infinity development interests.

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TRANSCRIPT OF MEETING

Date: Monday 1 August 2016
Time: 10.00am
Venue: Council Chamber, Municipal Chambers, The Octagon, Dunedin

Present: Mayor Dave Cull
Deputy Mayor Chris Staynes
Cr David Benson-Pope
Cr John Bezett
Cr Hilary Calvert
Cr Aaron Hawkins
Cr Mike Lord
Cr Jinty MacTavish
Cr Andrew Noone
Cr Neville Peat
Cr Richard Thomson
Cr Lee Vandervis
Cr Andrew Whiley
Cr Kate Wilson

Absent: Cr Hall (withdrawn due to conflict of interest)

In Attendance: Sue Bidrose, Chief Executive Officer, Dunedin City Council
Grant McKenzie, Group Chief Financial Officer, Dunedin City Council
Sandy Graham, General Manager Corporate Services, Dunedin City Council
Kristy Rusher, Manager Civic and Legal, Dunedin City Council
Graham Crombie, Chair, Dunedin City Holdings Ltd
Keith Cooper, Director, Dunedin City Holdings Ltd
David Smillie, Legal Counsel, Dunedin City Holdings Ltd

I confirm that this is a verbatim transcript of the non-public section of Dunedin City Council's Council meeting held on Monday 1 August 2016.



Megan Chilcott
Independent Audio Transcriber

MAYOR CULL: Okay, welcome, everyone, back to the Council meeting. The way we are going to do this -- order. The way we are going to do this is we will go directly to the report C6 on the Noble/Yaldhurst Village Update, and then we will get that out of the road and then we will go to the other items.

So can I invite Mr Crombie and Mr McKenzie --

Sorry? Yes, and just for noting, Cr Hall declared an interest in the -- this particular item and has withdrawn from the meeting as a result. Yes, and the other thing --

MALE SPEAKER: Do we need a motion to change the order?

MAYOR CULL: Yes, that was -- that was foreshadowed when I -- when I -- when the Chief Executive put the note out that we would -- it was foreshadowed that we would go to this because Mr Crombie was here for the meeting, and we may as well -- rather than having him sit around.

And the other thing that we should note at the request, or the suggestion of myself and one or two other councillors, this meeting is being recorded by audio, not by video, which is a departure from normal practice in non-public meetings, but it was felt that a record would be useful, so that's what's happening.

So, welcome, Mr Crombie, Mr Cooper and Mr McKenzie.

I am just going to outline now the process that we will go through. We will start with questions. Now obviously there are -- there's a whole range of questions of an historical nature if one wanted to explore the antecedence to this issue completely, but this is a -- the piece before us is a current proposal aimed, admittedly it's sorting out an old issue, but this is -- this issue is not about the original -- this proposal is not about the original contract, it's about mending the old problem. So please can I request that you keep your questions relevant to the proposal that's in front of us, but I will leave it to Mr Crombie, Mr Cooper and Mr McKenzie to make a call on that. And then when we've had questions we'll go on to a recommendation -- to the recommendation. I've had an indication from the Chair of Finance that he wants to move. So there's a mover and seconder for that as it stands. So I am also aware that there are other suggested motions, and the recommended proposal as a motion can be the basis for discussion and debate, and those others can be subsequential to that. So we'll start with questions, and I see Mr Thomson has his -- Cr Thomson has his hand up, so --

CR THOMSON: I have a number of questions.

CR HAWKINS: You needn't stand, Richard.

CR THOMSON: Excellent.

I have a number of questions which -- some of which are generic in the sense that -- as I am sure you are aware councillors have been bombarded with various information on this matter, but one question that I think is relevant is how was the valuation derived? Can you just -- can you just explain the background to the valuation, and if I can perhaps give the reason for the question. It's been suggested to councillors by other parties that the value of the completed subdivision might be in the order of 35 or 40 million, and how does that -- how does the valuation presented in the papers relate to a potential finished valuation?

MR MCKENZIE:

So on an annual basis Delta has had an independent valuation done by third parties. That has looked at a number of factors, one being the net present value of all the potential cash flows, and then also current market values for those types of activities. So the valuers then weigh those up and look at actually what is the most likely outcome.

The issue you have with trying to value something like this particular property is that there are a number of conditions that need to be met to ensure that you can actually sell it, which is why the valuation has been discounted in the past. So those caveats that have been in place, in effect they reduced the value of the property because you actually haven't been able to do what you want to, and therefore your certainty over -- around the discounted cash flow is not there, and it means that the likely timeframe is to take more.

So it has been done by third parties, it's been outside of the -- so it's been third parties, and, you know, it's been provided to Delta on an annual basis. And you have seen the valuations that have come down in the recent years have dropped slightly, and that's just due to the simplistic -- due to the fact that it's actually taken significantly longer than expected to actually get the properties moving, and the market values in Christchurch are changing. You know, if this had been sold four or five years ago, or completed four or five years ago, it would have been worth significantly more than it is now because Christchurch was in dire need of properties, that need now is reduced.

CR THOMSON:

So in seeking the valuation, were there instructions provided to the valuer or the valuers, as to how they were to come to that valuation? Were there limitations for -- were they -- were they instructed, for example, to take, I don't know, a certain position around the caveats, for example, or were they simply given an instruction to value the subdivision, or value the land?

MR MCKENZIE:

It was to value the land effectively.

CR THOMSON:

Right.

MR MCKENZIE:

And it is part of the annual financial reporting process that they actually need. So you have the valuers and then you actually have it peer-reviewed effectively by Audit New Zealand, because it's a significant issue for audit assurance as well.

CR THOMSON: And so just so I can be clear for myself, the valuation is based on the land as it is, as opposed to the value of the land completed ready to -- ready for sale with for sale signs out in the lots?

MR MCKENZIE: That is correct. If it was for sales out on the lot the value would be higher.

CR THOMSON: In that context, one of the suggestions that's been made to councillors is that Delta could have exercised or -- not exercised a right, but could have bought out the balance of the first debenture from the finance companies and become the entity that completed the subdivision, and that's clearly a -- not something that you are recommending to us. Was that something that the Delta board and/or DCHL considered?

MR CROMBIE: Certainly at the earlier times we looked at the various options which are -- there were four basically. That was one of the options considered. By simply buying out the finance company's first mortgage, that wouldn't actually change the position other than Delta would have spent some more money.

To obtain access to deal with the project you would have had to go through a mortgagee sale anyway to that process, and then you would also require, I understand, well I am not a lawyer, called "clearances of secured creditors" to take control of that land. That would have placed Delta in a developer role, and that was one of the scenarios that we did not believe Delta should be in. We believe that the skillset required for that development is not within the company, and that's been proven in the past, and they have a clear strategy that they do not want to be the developer of the company -- of the -- of the site, and we concurred with that.

CR THOMSON: The previous offer that didn't proceed, the higher offer, are you aware of what -- of why that offer didn't proceed, other than that it ran out of time?

MR CROMBIE: No, we're not. We had no visibility over other people's offer and what was involved in them. Delta was advised by those running the tender process, or the mortgagee process, that a higher offer had been received and accepted, subject to them delivering on their -- what they had to deliver on, that the offer that we have in front of us today was there as a backup (overspeaking) should that not go forward, and we were then advised, I understand around the beginning of May, that the higher offer had not been able to settle, and therefore this offer became on the table. So we've had no visibility at all about what's in that tender.

Comment [MDC1]: 18:29:3

CR THOMSON: Can I ask, roughly what the amount owing to Delta would have looked like if the Board hadn't decided to stop booking their interest and to, you know, make various write-downs around that debt? I don't need it to the cent, but a rough order?

MR MCKENZIE: So the total debt outstanding, if you allow for the interest and you -- and all the other associated costs, is in excess of \$23 million. Now I haven't got the exact number in my head, but that number is a bit of a misnomer

because the interest rate that has been charged is at 22%. So while it would be nice, and the accounting laws dictate that they actually have to include it and then write it back each year, it is a bit of a misnomer, so --

CR THOMSON: The decision to purchase, and I may not be using the correct technical terms, but to purchase a share of the finance company's first debenture, I just want to check that my understanding of this is correct; that the finance company continued to, and I assume still continues, to charge interest on the amount that it's owed, and to the extent that you ranked behind them. If you hadn't taken that action, would it have been the case that the finance company would have effectively, through the interest charges, continued to soak up more and more of any likely realisable value, so that sitting in behind them you would have been -- you would have been at risk of receiving even less money back? Is that essentially the reason for that action?

MR MCKENZIE: So there's two main reasons. One is the reason you stated, where actually you're dead right, they would have been earning that interest. The second one, though is it puts them in a more secure position because they have wider access to the security arrangements than they had. So --

CR CALVERT: Point of order. Can we know whether Mr McKenzie is speaking for DCHL here to DCHL's report, or whether he's speaking to the report that the Executive Leadership Team provided to us, which he authored? Because if he's speaking to DCHL's report, then can we have somebody who is speaking to the other report that we can talk to on behalf of Executive Leadership Team who have given us a report?

MAYOR CULL: Well I'm not sure that it's a point of order, but to answer your question I assume, and I can be corrected by the Chief Executive, Mr McKenzie is the Group Chief Financial Officer, he speaks in both capacities, and in any case he is answering questions. So I take it that he is answering questions as a matter of fact, regardless of which hat he has on.

CR CALVERT: Yes, but one report recommends we choose the other report as an option, and the other report has got the guts of the information in it, and if I want to ask a question about why the Executive Leadership Team recommends this report, who would be answering that?

MAYOR CULL: You can ask the question and one of the team at the table will be able to answer you.

CR CALVERT: Well, no, because I am asking of the Executive Leadership Team, and that's not --

MAYOR CULL: Mr McKenzie is on the Executive Leadership Team.

MS BIDROSE: Correct. So Grant is my employee. On your behalf he is the Group Chief Financial Officer, he is the chief financial officer for both DCHL and Council, and Grant can answer both of those things. If I think Grant has erred, I can

step in on behalf of ELT, but it's never happened before and I don't expect it to happen today.

CR THOMSON: So one further question at this stage, and that's has Delta or DCHL got any view as to the likely cost to complete the subdivision to the point at which all of the land could be marketed for sale? Is that something you have an approximate idea about in terms of cost?

MR MCKENZIE: No, we don't have a specific idea, sorry on a specific base.

CR THOMSON: So one of the -- I guess one of the comments that's been made is that the value at completion is substantially more than the value as it stands now, and so understanding what else would have to be thrown at the subdivision to realise that value becomes, you know, one of the factors that has to be considered. And you say -- you said that you hadn't considered -- well, sorry, you had ruled out the possibility of Delta completing the subdivision. I guess it would be helpful if you have any idea as to how much you have -- you might have to discount that likely retail value back for the cost of finishing it, and I don't expect you to have that exact answer, but I thought you might possibly have an indication.

MR MCKENZIE: Infinity, in the report, if you refer to paragraph 21, talks about -- they believe they need an extra 2.1 to do some -- to clear some of the development, but that won't be all of the development. That's at Stage 1 part of it, so when you're talking about the whole development, there's a number of stages, so we don't have the whole cost, but Infinity are estimating it will be about 2.1 to finish that first stage --

CR THOMSON: Right.

MR MCKENZIE: -- and that's in paragraph 21.

CR THOMSON: Yes, but we -- what we don't -- what we don't know is what it would cost us -- not us, sorry, what it would cost to complete the rest?

MR MCKENZIE: Correct, yes.

CR THOMSON: Alright, thank you. I may have some other questions later.

MAYOR CULL: Cr Calvert, you had some questions.

CR CALVERT: I do as it happens. Have we got a more recent valuation than a year ago?

MR CROMBIE: No, there's no written valuation (inaudible) for 30 June audit process, which we don't have yet in play. We have the -- obviously the tender in the market has been the closest we would have to that.

CR CALVERT: Is there -- I did ask, I think, whether we could see a copy of the valuation that was obtained a year ago, is that available?

MR MCKENZIE: It can be made available, but it will be a redacted version of the valuation.

Comment [MDC2]: 18:36:5

CR CALVERT: I had already asked for it, so today would have been the time I -- if we are making a decision.

MR MCKENZIE: As I recall, I think you asked on Friday for the valuation, so I haven't -- I haven't had a chance to --

CR CALVERT: Yes.

MR MCKENZIE: -- go and redact the thing, because funny enough, I've been in Council.

CR CALVERT: Yes, my apologies for my questions being late, but I would say that we were just about to get this report before the Finance meeting three weeks ago, so if we had this coming I could have asked you this three weeks ago and given you time. So can we have a copy of the contract that's currently afoot, which I presume is the one that was a backup starting early May, or around about then?

MR MCKENZIE: We do not have a copy of that contract. So you are talking about the original offer that was made to Gold Band?

CR CALVERT: I'm talking about the current contract, which I presume is what we are encouraged today to --

MR MCKENZIE: Yes, so we can get a copy of that, but once again it will be a redacted version of the contract.

CR CALVERT: So you are saying you will give us one at some stage or --

MR MCKENZIE: Yes, correct.

CR CALVERT: -- but not for today, not before we decide?

MR MCKENZIE: Yes.

CR CALVERT: Was it due for confirmation on the 29th of July?

MR CROMBIE: My understanding is no. I think there was a target in play but that was subject to clearance of both Dunedin City Holdings and the Council, and also Infinity completing their due diligence.

CR CALVERT: So when the judge understood it to be due for confirmation by 29 July, as a result of somebody presumably explaining to the judge that it was important that the caveats were lifted by 29 July, that wasn't quite the position?

MR CROMBIE: I am not sure what was told to the judge, I'm sorry.

CR CALVERT: I mean he said, "This is due for confirmation on the 29th".

MR CROMBIE: (inaudible)

Comment [MDC3]: 18:39:4

CR CALVERT: He said that he had been told that it was due for confirmation on the 29th. It's now overdue for that confirmation.

MR CROMBIE: I am sorry, I don't have any other comment really other than what I've said.

CR CALVERT: When is the settlement proposed?

MR CROMBIE: The settlement will follow the confirmation of contract.

CR CALVERT: Again --

CR BENSON-POPE?: What was that, I didn't hear you?

MR CROMBIE: Sorry, the settlement will follow the confirmation of the contract, which still is subject to approval here and approval from Infinity and their due diligence.

CR THOMSON: Sorry, just a point of clarification. In terms of the timing, this was originally projected to come to the Finance Committee for approval some -- a couple of weeks ago, so I don't know whether that's relevant to the question in terms of 29 July. It was the -- but the decision was to have been made earlier.

CR CALVERT: The contract, have we had it since presumably not only the beginning of May, but we must have known about it before the offer was made by Infinity, as a backup contract, because it involved us cooperating with it. It -- well it involved us financing. Infinity is not putting any money in. It involved us putting money in, 12-point-something million, so we must have had discussions with them back then?

MR CROMBIE: Sorry, just to be clear, the tender process happened in February this year, and that's when the decision was made to put a tender in. When the tenders were then approved, and as we have indicated, the first tender was accepted, this was a backup situation. When the first tender fell over, this was then -- came into play. At that point the review provisions came in, so DCHL was approached at that time to say, "The Board of Delta have recommended that we go with this", we worked through that process at that time. That was in May that we did that.

CR CALVERT: Yes, so --

MR CROMBIE: We then looked to bring that to Council, and as we worked through the timing of that, you will be aware that there was a stay proceeding in place, and we also looked to bring it to Finance Committee in July. The delegation was higher than Finance Committee's delegation, which is why it is here today.

CR CALVERT: Yes, now, I am just thinking about the beginning of this. Delta must have had discussions with Infinity prior to the contract that fell over for 21, because it involved Delta --

MR CROMBIE: We -- yes (overspeaking)

CR CALVERT: -- and was the backup contract already in place before the 21 fell over?

MR CROMBIE: Yes, that would have happened in February when Infinity would have -- would have approached Delta and the other second mortgagees around the financing of a tender that they would be looking to put in. So remember Infinity put this tender in, not Delta. Delta are there as a financier.

CR CALVERT: Yes, so this proposal is for us to finance it, and we were already seriously in play between February and May; Delta was?

MR CROMBIE: Sorry, I don't understand your question. Could you say again?

CR CALVERT: I think you're saying that since February, Delta was talking to Infinity about it?

MR CROMBIE: Infinity would have approached all the second mortgagees prior to the tender going in in February, so they would have said, "If we're going to put a tender in with this scenario, and you backing up as a second mortgage, that's how we would structure this tender. Do you have agreement around that?" And then at that point they would have put a tender in subject to, if it were being successful, clearance by the boards of Delta, DCHL, and eventually Council because of the size of where it is.

CR CALVERT: I think you've suggested, or somebody, and I think it's maybe Delta or, I'm not sure who, that this is a process by Gold Band not sort of as if they're out there. Do you believe that Gold Band will do what Delta tells it to, and Delta was effectively behind the Gold Band process?

MR CROMBIE: No, I don't. The process that -- when they went into the mortgagee sale, the advisors to Gold Band -- so Gold Band put the property law notices in place 2014, I think. The advisors, being Anthony Harper and Harcourts, to the arrangement, they were very explicit that potentially Delta might be involved in a tender, and therefore they should have no involvement at all in the assessment of, or the decisions around, the tender process. So at this point I am very comfortable that there was an arm's length scenario going on there, and Gold Band are acting in their own commercial behalf, and I think that was backed up by the judgment last week from the judge in the High Court.

CR CALVERT: I am just looking at the security sharing agreement, which I did ask for some time ago and haven't received, saying:

"Gold Band irrevocably appoints Delta to be its attorney on behalf of Gold Band to complete, execute, effect any transfers, assignments or agreement, and generally to do all such acts and things that Gold Band Finance could do."

That's effectively an instruction that says that Delta can tell Gold Band Finance what to do.

MR CROMBIE: So I am not aware of the clause that you are reading there, and I am sure there's a context around that, but I would reiterate that the process that's gone through here has separated Delta out from the mortgagee process totally, and that Anthony Harper had gone beyond the call in that scenario. So I am very comfortable that Delta does not tell Gold Band what to do. They are acting in their own race.

CR CALVERT: Are you suggesting some sort of peculiar Chinese wall arrangement, or --

MR CROMBIE: Well, that's not peculiar, it's exactly what happened in the mortgagee process; that Delta hadn't seen the (overspeaking), they are not involved in the tender process. Gold Band made that decision. That's so -- sorry --

Comment [MDC5]: 18:46:2

CR CALVERT: But this says Gold Band -- well Delta can tell Gold Band what to do.

MR CROMBIE: It's not what happened.

CR CALVERT: Delta is two-thirds of Gold Band's security.

MAYOR CULL: Can I just interrupt there. This is question time, and you may have a different interpretation of that, but the -- when you asked the question, Mr Crombie said that he didn't agree with that interpretation, so please move on to the next question. This is not a discussion time.

CR CALVERT: Are you aware of anybody else who -- well, I guess you are aware that the neighbours have got a different suggestion of how to get through this. Are you aware of anybody else?

MR MCKENZIE: As part of the mortgagee process, there was no other bids put on the table, so --

CR CALVERT: I was told last -- that last week Delta was approached by somebody?

MR MCKENZIE: I am not aware of --

CR CALVERT: Is it possible somebody in Delta might have been aware?

MR MCKENZIE: Look, I can't speak for Delta. So my -- there -- over the weekend there was a bid -- a letter sent to Delta, but it's not following the due process. If you have gone through a mortgagee process you -- and it's closed, you can't then just go and actually go and put a bid on the table. There is a process that had to be worked through.

CR CALVERT: Although our process involves us looking at options, and this may be an option, so we're being asked to choose an option --

MR MCKENZIE: So, but the option would be there, is that we then did nothing, and then Gold Band would then have to decide what it wanted to do, and then they

might then decide that they want to re-tender it again. But that's pure speculation on my behalf.

CR CALVERT: The -- we got -- we received an email that I think was from Grant Dixon, but it may have been from Grady sometime on this over the weekend period.

FEMALE SPEAKER: It was Gary --

Comment [MDC6]: 18:48:4

CR CALVERT: Gary --

FEMALE SPEAKER: -- Martin.

CR CALVERT: -- sorry, yes, Gary Dixon, Grady Grant, yes. I think it might have been Gary.

MAYOR CULL: Can we have clarity of the question, it's very --

CR CALVERT: Yes.

MAYOR CULL: -- it's going to be very difficult to know if the answer's right --

CR CALVERT: Yes, I'm just --

MAYOR CULL: -- if we don't know what the question means.

CR CALVERT: It probably came from Gary, but the suggestion was that this process would in some way -- and the -- this Infinity agreement that we haven't got, would in some way protect the interests of the caveators. Do you know anything about that?

MR MCKENZIE: Sorry, can you restate the question, sorry, I --

CR CALVERT: Well the suggestion in an email we received --

MR MCKENZIE: Yes.

CR CALVERT: -- was that the interests of the neighbours to do with their infrastructure and their abilities to use their land or continue to do what they needed to do would be protected, and was protected in some ways -- way with the Infinity deal, and it had been protected earlier.

MR MCKENZIE: Yes.

CR CALVERT: Is that what you understand to be the position?

MR CROMBIE: That was the thing that (inaudible).

Comment [MDC7]: 18:50:1

MR MCKENZIE: That is -- I am just trying to find the dot point that Gary spoke about, sorry.

CR CALVERT: Yes, I have got it somewhere in the middle of --

MR MCKENZIE: So I think the point you are referring to is:

"The current conditional purchaser has agreed to similar -- to a similar provision with only related conditions between matters that nine can agree to at no cost to them and which will enable the subdivision to proceed."

CR CALVERT: Yes, so that suggests that in some ways their interest would be protected in this Infinity contract that we haven't seen, because in the judgment that we were also circulated with, and I haven't got it in front of me because my iPad won't produce it, but I think about para 58 there's something from the judge saying that he thought that Gold Band had done very well in general and it was -- with the neighbours, and it was only after something fell over earlier that Delta gave up and stopped taking any notice of the interests of the neighbours. And this email we've got suggests that they have tried to protect them, and we haven't seen what this agreement says. But the judge is saying they have given up trying to protect them, and Gary's saying this contract says they do try and protect them.

MAYOR CULL: So could you explain the question?

CR CALVERT: Well if the neighbour's interests were protected under the Infinity arrangement, I may personally feel differently about whether it's a good deal or not. If they are not protected, and we can't see it, we've just got Gary saying we -- as Grant just read out, we have taken their interests into account, whereas the judge has said they were good earlier and they took them into account and it's not their fault that they no longer are.

MR CROMBIE: Councillor, if it's all right with you, David Smillie is with us from Gallaway Cook Allan, who's our legal advisor on these, and I am just being careful about the wording to respond to your question.

CR CALVERT: Yes, it might not be, because I haven't got the words.

MR CROMBIE: No, no, that's fine.

So I wonder, David, if -- can you comment on the councillor's --

MR SMILLIE: Yes, sure. The provision I think you are referring to, Hilary, is in the tender terms where there was, what was called the "anti-staying provisions", were included in there, essentially saying that a purchaser would agree to give Lot 9 easements to satisfy their interests, to the extent that they were upheld on an appeal, but when Lot 9's appeal process lapsed because they didn't proceed with it, that's when those anti-staying provisions came out of the tender documents. That's the -- I think that's the paragraph you're referring to in the judgment. Infinity has, or is willing to agree to give right-of-way easements, and easements for surfaces to Lot 9, provided Lot 9 give a couple of things in exchange to do with the Lot 22 accessway, and that is recorded in the agreement.

CR CALVERT: Yes, so that's in the Infinity agreement at the moment, or it's something that we know Infinity --

MR SMILLIE: It's not in the Infinity contract, but it is agreed between Delta and Infinity that they would do that if requested.

CR CALVERT: So if we are being provided with that agreement -- the Infinity agreement, we could also be provided with that?

MR SMILLIE: I imagine you could be.

CR CALVERT: What parts of the Infinity agreement would be redacted if we get it?

MR MCKENZIE: I would ask my colleague, Sandy Graham, to answer that question.

MS GRAHAM: The answer I will give is probably not very helpful, but until we see it and read the document, we can't know what would need to be redacted until we run the LGOIMA test across it. I haven't seen it, so I can't say anything more than that, I'm sorry.

MALE SPEAKER: So who has seen it?

Comment [MDC8]: 18:55:0

CR CALVERT: So where I'm going with this is that for something to come to us because DCHL is not allowed to decide it on its own without coming back to us, it seems to me that nothing can be commercially sensitive in there because we are being asked to decide on it, and say that it would be commercially sensitive is a -- is really tantamount to saying, "Just trust me, it's fine", isn't it? Is it --

MAYOR CULL: What's the question?

CR CALVERT: I'm just like trying to -- because I haven't been given this agreement, and I have asked for it, and DCHL has had it for quite some time, has known about it since February, I am wondering why we can't just have it in its form, because I can't see how anything in here would need to be redacted from the people who, at the end of the day, have to be making this decision based on commercial reasons.

MAYOR CULL: It's still not a question, I'm sorry.

CR CALVERT: Has anyone taken it into any account or quantified litigation risk, costs of the current -- not in general, of the current court proceeding that's (inaudible)?

Comment [MDC9]: 18:56:4

MR CROMBIE: So again it's probably useful for David to speak to the proposed litigation that has been doing the rounds in the last week or so, and the fact that Delta hasn't -- has been joined to it and how they may respond to that. David, if I ask you to cover that off?

MR SMILLIE: Yes, so the proceedings that Colin Stokes has suggested that Delta and Gold Band are going to be joined to, but in play for a couple of years, as I understand it, and those are between Stokes and Greg Smith and Noble and Cardno, the surveyor, and various other parties. At this stage Delta hasn't been officially served with those proceedings, and to be properly

joined to those proceedings, as I understand it, Stokes would need to apply to Court to have a judge hear that application that it's appropriate for Delta and Gold Band to be joined to those proceedings. That process doesn't seem to have been followed at this stage. All we have had is an email from Duncan Cotterill, acting for Stokes, so that -- those proceedings -- that proceeding is still to play out in that process. But we don't have any sort of idea of litigation, risk or cost at this stage.

CR CALVERT: So we are sort of presuming that it's unknown and unquantifiable and therefore we're not taking it into consideration, or?

MR SMILLIE: Well as I say, it's only been sort of come to fruition in the last -- and the end of last week, being provided with that draft statement of claims, so there hasn't been an in-depth analysis at this stage.

CR CALVERT: And one, possibly, you'll be pleased to know, last question. Is there any reason why this proposal today is urgent, such as that it couldn't be delayed while we do get information that we've only had two working days to be thinking about asking for? Is there a reason why this is urgently required to be done right now?

MR CROMBIE: I guess there are two key reasons probably from that for the encouragement to make a decision. First of those is that we -- you'll be aware of the \$1 million-roughly payment due to Delta that gets eaten away by the interest bill as that continues on. So a delay there costs money. I guess the second one is making sure that the developer, Infinity, stays with the deal. Any further delay, and so I'll make some decisions around that, remembering that Council is being asked today to approve the loan, not to negotiate the transaction. There's a transaction there. So it's the loan which you're being asked to approved.

CR CALVERT: Sorry, there was one last question. Can Grant, having shifted his hat very quickly to his ELT hat, tell us what was it about this proposal that encouraged him to -- him or ELT to recommend it since the only thing we know about its financial considerations is "the report fulfils the reporting requirements to Council", what was in the minds of ELT that made them decide to recommend this?

MR MCKENZIE: Yes, look, the covering report that's gone with it is very brief because it's really trying to just introduce the main body of the report, which is what the report -- which is written by myself, with the assistance of Graham and a number of other people. So it is just trying to get DCHL's view across, and also then looking at what the potential impact is on Council, which is what's required as per the reporting template for Council.

CR CALVERT: Yes, it was ELT's report I was asking about, not DCHL.

MAYOR CULL: Cr Vandervis?

CR VANDERVIS: A question for Your Worship first. Which standing order is it under that you have decided to make an audio recording; under what standing order?

MAYOR CULL: I didn't make it under a standing order, I requested that the meeting be -- I suggested that the meeting be recorded. It was at a meeting of councillors and ELT. There was general agreement that that would be useful, so we did that, and I informed this meeting at the beginning. So it is no standing order I did it under.

CR VANDERVIS: Right. The reason I bring it up is that my understanding of Standing Orders 3.3.7 is that recordings of meetings may occur with the leave of the chairperson, as you have just suggested, with the knowledge of the meeting and "must be carried out in an unobtrusive manner and may not be distracting to members". If that is the article of standing orders under which you have the authority to make this recording, that would be fine, except for the fact that under 3.3.7 this only applies when the local authority is open to the public, and those provisions will apply. Since we are not open to the public those provisions don't apply, and I would like to know under what provisions a non-public meeting is recorded?

MAYOR CULL: Well on that, if it's the will of the Council that we turn it off, then that's -- if there is no standing order to allow this then it may have to discontinue, but I can get some advice.

CR VANDERVIS: Yes, I would like you to get some advice. My follow up question --

MAYOR CULL: No, no, well let's just get the advice on this, and then we'll move on to whatever other questions you have.

The answer to this, and I guess I apologise for not knowing this first, but on page 58 of our Standing Orders, Appendix C, Powers of the Chairperson:

"The Chairperson is to decide all questions where these standing orders make no provision or insufficient provision. The Chairman's ruling is final and not open to debate."

What's your next question?

CR VANDERVIS: My next question is who will the audio recording be made available to?

MAYOR CULL: "Who"?

CR VANDERVIS: And for what purpose?

MAYOR CULL: There is no plans to make it available to anybody at the moment. If --

CR VANDERVIS: So if there's no plans to make it available, why then are we doing it?

MAYOR CULL: Well it's not open for debate, I have just explained that. We are doing it as a record. And my suggestion --

CR VANDERVIS: A record for whom?

MAYOR CULL: For -- a record for the Council.

CR VANDERVIS: So does that mean that --

MAYOR CULL: Let's see what Ms Graham has to say.

MS GRAHAM: If I can just assist, it will be a public record, and the provisions of LGOIMA would apply to it, as they would a document or any other information that we hold. And so if someone were to request it, we would consider what was in it. If the grounds for withholding it still remain, and if they didn't then we would release those bits that we were able to under the Act.

CR VANDERVIS: Is there any precedent for recording of a non-public meeting in this way?

MAYOR CULL: No idea.

MS GRAHAM: I am unaware of it, but I don't know that there's a precedent or not.

CR VANDERVIS: Thank you for those answers.

Mr Crombie, under what authority have you decided to thwart the requests of Cr Calvert and myself to question the Delta chief executive at this meeting?

MR CROMBIE: Well there are two levels I would say. First of all this is a DCHL request to Council --

CR VANDERVIS: I am not talking about the DCHL request, I am talking about our request -- my request as a supposed maker of decisions, Cr Calvert's request as a supposed maker of decisions; our decision makers' requests to be able to question the chief executive of Delta. Under what authority have you thwarted that?

CR BENSON-POPE: Point of order. The rumours aside, Mr Chairman, in that there's a very clear procedural issue here, because just as we have one employee sitting to your right, we also have one entity that's responsible for the management and oversight of the other companies of which we are the beneficial owners, but not the actual legal owners, and Mr Crombie is the chair of that Board, and he is the person who is responsible for the questions to staff of those subsidiaries, because it's within his oversight, and I think an attack on Mr Crombie is entirely inappropriate, as well as unfair, and we should focus on the procedural issues that relate to the ownership chain and the responsibility of that reporting chain.

MAYOR CULL: Well I'm not absolutely sure it's a point of order, but I was about to ask you, Cr Vandervis, to allow Mr Crombie to answer your initial question.

CR VANDERVIS: Which is under what authority --

MAYOR CULL: Yes, and he was halfway through when you interrupted him. So could you be so good as to let him --

CR VANDERVIS: My apologies.

MAYOR CULL: -- proceed.

MR CROMBIE: So again, the resolution that we are seeking approval for comes from Dunedin City Holdings Ltd, yes, from there, which is the reason we are here. We have looked at what the issue was that is to be discussed here, and we have the information available. The adding of the chief executive of the company would not add any value to this discussion because what we're asking you to do is transfer a loan from one person -- one entity to another. So we believe we are here as DCHL asking you that question. The Statement of Intent requires us to come to you, as DCHL comes to you, not Delta.

CR VANDERVIS: Right. I will just move on then since I don't believe you have given me under what authority you have, I don't believe you have the authority. I don't believe that --

MAYOR CULL: Please ask questions, councillor.

CR VANDERVIS: I will carry on. The lack of an original valuation document for us to look at here; why is it that we don't have the original valuation document to look at?

MR MCKENZIE: So I think the key point there is that the valuation was done at 30 June last year, and that's basically what the valuation of the transaction has been based on. So as I said earlier we can get you a copy of that valuation, but I don't have that with me today.

CR VANDERVIS: My question is why isn't -- why is that copy not included in this agenda?

MR MCKENZIE: So the key thing here is that we are talking about the transfer of the loans between two entities --

CR VANDERVIS: Yes.

MR MCKENZIE: -- not necessarily about the valuation. We are talking about the transfer of loans.

CR VANDERVIS: We are talking about a decision, with due respect, that I, as an elected representative, have to make on behalf of ratepayers. This decision involves trying to determine what value there is in making this transaction. Trying to determine what value there is without seeing the valuation is something which I find to be extraordinarily difficult, but I will move on.

Why have we not seen the original Option 1 contract, why is that not available to us, because that is essentially the reason for the transfer that we are here to discuss; why have we not seen the original contract? Why is it not an attachment in this agenda?

MR MCKENZIE: So, the "original transaction", you are talking about the original offer from another third party?

CR VANDERVIS: From Infinity. The whole reason for making this transfer is that Infinity want basically to take this whole thing over. They want us to loan them an enormous amount of money to do it, they want us to release our first mortgage standing in the process, they want us to take a mill for the privilege with promises up to 2024 that we might get some money for it. Why have we not seen the detail of that contract?

MR MCKENZIE: The same answer I gave Cr Calvert. This is about a transfer of loans between two entities -- between -- so for transferring this to Infinity. So are you talking about the loan between us and Infinity?

CR VANDERVIS: What I am saying, and I am amazed that you haven't picked this up yet, is that as an elected representative I need reasons to be able to approve this rather massive loan. And those reasons revolve entirely around a contract which we are not allowed to see, but based on a valuation that we are not allowed to see, and they are to do with a company that we are not allowed to interrogate the chief executive of, which by the way has already cost us an extraordinary amount of money.

The reason why I believe we should be able to see the original contract, and the original valuation, and speak with Mr Cameron, is because for us to make the decision that you're asking us to make, for that to be an informed decision we need to know why the transfer is to be made, we need to know whether there is value in making that transfer, and we also need to know whether past mistakes in investing public funds in subdivisions are not being made again by the same people. So --

MAYOR CULL: Right, can I -- I think you're speaking at -- talking at crossed purposes, with respect. And so can I ask you to let Mr McKenzie carry on where he was, because I think -- my sense is you have a different understanding of the nature of the transfer of the loan.

CR VANDERVIS: What I understand --

MAYOR CULL: No, can we --

CR VANDERVIS: Yes, okay, sure.

MAYOR CULL: We have got a lot of what you understand so far, but it's -- obviously there's a bit of a lack of connection, so can I ask Mr McKenzie to address that difference of understanding?

MR MCKENZIE: So as I said earlier, we will make available the redacted versions of those agreements, and as Cr Graham has --

CR VANDERVIS: What's the --

MR MCKENZIE: -- at least Sandy has said, as per the LGOIMA rules --

CR VANDERVIS: What is the point of making the information we need to make a decision, making it available to us after we've made the decision? What is the point of making it available to us too late? Why are we being denied the very information that we need to make an informed decision here? And we're being denied it in three areas already that I have spoken of. You have said that we are simply here to authorise a transfer, and that's the mechanics of it, but we need a reason to be able to do that. We need a number of reasons; we need a contract, we need a valuation, and we need to ask some very detailed questions of Delta for us to be able to make that informed decision. But moving on --

MAYOR CULL: Can I -- can I -- I have got to a bit of a stalemate here, because I -- I understand your question, so I am not sure that there is still a -- a complete meeting of minds here. So I'm going to call for an adjournment to ask Mr McKenzie to clarify some of the things and then we'll come back. So I am going to move through the Chair that we have an adjournment of five minutes, seconder Cr Staynes, and I am seeking to get genuinely to the bottom of this.

CR VANDERVIS: Thank you very much, I appreciate it.

MAYOR CULL: All those in favour, please say "Aye".

COUNCILLORS: Aye.

MAYOR CULL: Against? Carried.

(A short adjournment)

Council

CONFIDENTIAL MINUTES

Confirmed confidential minutes of an ordinary meeting of the Council held in the Council Chamber, Municipal Chambers, The Octagon, Dunedin, on Monday 1 August 2016, commencing at 1.02 pm

PRESENT

Mayor
Deputy Mayor
Members

Mayor Dave Cull	
Cr Chris Staynes	
Cr David Benson-Pope	Cr John Bezett
Cr Hilary Calvert	Cr Aaron Hawkins
Cr Mike Lord	Cr Jinty MacTavish
Cr Andrew Noone	Cr Richard Thomson
Cr Lee Vandervis	Cr Andrew Whiley
Cr Kate Wilson	

IN ATTENDANCE

Sue Bidrose (Chief Executive Officer), Grant McKenzie (Group Chief Financial Officer), Sandy Graham (General Manager Corporate Services), Kristy Rusher (Manager Civic and Legal), Graham Crombie (Chair, Dunedin City Holdings Ltd, for Item C6), Keith Cooper (Director, Dunedin City Holdings Ltd, for Item C6) and David Smillie (Legal Counsel, Dunedin City Holdings Ltd, for Item C6)

Governance Support Officer Pam Jordan

Adjournment of meeting

Moved (Mayor Dave Cull/Cr Chris Staynes):

That the Council:

Adjourns the meeting.

Motion carried (CNL/2016/086)

The meeting adjourned from 12.03 pm to 1.02 pm.

Cr Doug Hall left the meeting at 12.03 pm.

Cr Lee Vandervis, who had left the meeting near the end of the public section, was present when the meeting resumed at 1.02 pm.

DECLARATIONS OF INTEREST

Members were reminded of the need to stand aside from decision-making when a conflict arose between their role as an elected representative and any private or other external interest they might have.

Cr Hall had advised of a conflict of interest in respect to Item C6 Noble/Yaldhurst Village Update and had left the meeting.

Mayor Cull advised that the meeting was being audio recorded at his suggestion as he believed that a record of the meeting would be useful.

The Council here agreed that Item C6 Noble/Yaldhurst Village Update should be considered as the next item on the agenda.

REPORTS

C6 NOBLE/YALDHURST VILLAGE UPDATE

A report from Dunedin City Holdings Limited sought a decision from Council on a new loan facility to replace the existing \$13.4 million debt owed to Delta Utility Services Limited (Delta). The delegation for this decision lay with Council.

Mayor Cull outlined the procedures to be followed and the opportunity for Councillors to ask questions.

Councillors here asked a considerable number of questions which were answered by Messrs Crombie, Cooper, Smillie and McKenzie.

Cr Hawkins left the meeting from 1.53 pm to 1.56 pm.

Adjournment of meeting

Moved (Mayor Dave Cull/Cr Chris Staynes):

That the Council:

Adjourns the meeting.

Motion carried (CNL/2016/087)

The meeting adjourned from 2.00 pm to 2.05 pm.

A further question and answer session was held.

Cr Noone left the meeting from 2.23 pm to 2.25 pm.

Adjournment of meeting

Moved (Mayor Dave Cull/Cr Chris Staynes):

That the Council

Adjourns the meeting.

Motion carried (CNL/2016/088)

The meeting adjourned from 2.37 pm to 2.46 pm.

A further question and answer session was held.

Moved (Cr Richard Thomson/Cr Chris Staynes):

That the Council:

- a) **Approves** the Dunedin City Holdings Limited recommendation to authorise Delta Utility Services Limited to enter a new loan agreement with Infinity Yaldhurst Ltd (Infinity) to replace the existing \$13.4 million debt owed to Delta Utility Services Limited by Noble Investments on settlement of the Gold Band Finance driven mortgage sale.

There was extensive discussion on the motion and the information that had been provided during the course of the meeting.

Division

The Council voted by division:

- For: Mayor Dave Cull, Crs Chris Staynes, David Benson-Pope, John Bezett, Aaron Hawkins, Mike Lord, Jinty MacTavish, Andrew Noone, Richard Thomson, Andrew Whiley and Kate Wilson (11).
- Against: Cr Hilary Calvert (1).
- Abstention: Cr Lee Vandervis (1). Cr Vandervis recorded his reasons for abstaining as the Council had not been provided with a valuation, or the Infinity contract, or the agreement between Delta and Infinity, or the Infinity Investment Group security, and there had been no opportunity to question the Delta Chief Executive.

The division was declared CARRIED by 11 votes to 1, with 1 abstention.

Motion carried (CNL/2016/089)

The meeting resumed in public at 4.13 pm.