

**NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LIMITED**  
Company

and

**TEL SECURITY TRUSTEE (LGFA) LIMITED**  
Security Trustee

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**SECURITY TRUST DEED**

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**RUSSELL McVEAGH**

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DEED dated 7/12/2011

## PARTIES

NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LIMITED ("Company")

TEL SECURITY TRUSTEE (LGFA) LIMITED ("Security Trustee")

## AGREEMENT

### INTERPRETATION

1.1 **Definitions in the Guarantee:** Words and expressions defined in the Guarantee and used in this deed shall have the same meanings in this deed, unless the context requires otherwise.

1.2 **Definitions:** In this deed, unless the context otherwise requires:

"**Additional Beneficiary**" means a person to whom the benefit of this deed has been extended in accordance with clause 5.1.

"**Beneficiary**" means an Initial Beneficiary or an Additional Beneficiary or, in either case, their permitted assigns. It does not include a person that has ceased to be a Beneficiary pursuant to clause 5.3.

"**Beneficiary Recognition Deed**" means a deed in, or substantially in, the form of schedule 2.

"**Business Day**" means a day (other than a Saturday, Sunday or public holiday) on which registered banks are generally open for business in Wellington, Auckland and Christchurch.

"**Conditions**" has the meaning given to it in the NZ Trust Deed.

"**Debenture Trust Deed**" means, in relation to a Guarantor, the debenture trust deed made by the Guarantor, under which (among other things) certain of the Guarantor's indebtedness may, from time to time, be secured by the issuing of security stock.

"**DMO**" means Her Majesty the Queen in right of New Zealand.

"**Event of Default**" means an event of default (however described) under a LGFA Finance Document the occurrence of which entitles the relevant Beneficiary to request the Security Trustee to make a demand under the Guarantee.

"**Exposure**" means at any time:

- (a) in relation to an Initial Beneficiary, the amount at that time equal to the amount described in schedule 1 opposite the Initial Beneficiary under the heading "Exposure"; and
- (b) in relation to an Additional Beneficiary, the amount at that time equal to the amount described as such in the related Beneficiary Recognition Deed.

"**Guarantee**" means the deed of guarantee and indemnity dated on or about the date of this deed made by various Local Authorities in favour of the Security Trustee.

**"Hedge Agreement"** means the 1992 ISDA master agreement dated on or about the date of this deed between the Company and DMO and the schedule, credit support agreement and each confirmation forming part of that master agreement.

**"Hedge Counterparty"** means DMO.

**"Initial Beneficiary"** means, at any time, a person who at that time is a person described as such in schedule 1.

**"LGFA Finance Document"** means:

- (a) in relation to an Initial Beneficiary, the document set out opposite the Initial Beneficiary in schedule 1 under the heading "LGFA Finance Document"; and
- (b) in relation to an Additional Beneficiary, the document specified as such in the related Beneficiary Recognition Deed.

**"Liquidity Facility Agreement"** means the agreement dated on or about the date of this deed between the Company and the Liquidity Facility Provider entitled "Liquidity Facility Agreement".

**"Liquidity Facility Provider"** means DMO.

**"Local Authority"** means a Local Authority as defined in the Local Government Act 2002.

**"Majority Beneficiaries"** means, at any time, a group of Beneficiaries whose Exposures amount in aggregate to 66.66% or more of the aggregate Exposures of all Beneficiaries at that time, provided that where the Company is a Beneficiary, the Company may not form part of the applicable group of Beneficiaries and the Company's Exposure for the purposes of this definition shall be deemed to be zero.

**"New Creditor"** has the meaning given to it in clause 5.1.

**"NZ Bond Trustee"** means Trustees Executors Limited in its capacity as "Trustee" under the NZ Trust Deed, or any replacement trustee appointed under that deed.

**"NZ Dollar Equivalent"** means, in relation to an amount of NZ Dollars, that amount, and in relation to an amount of another currency, the amount of NZ Dollars which the Security Trustee could purchase with that amount of other currency at a Reference Bank's spot rate of exchange for purchasing NZ Dollars with that other currency in the New Zealand interbank market at or about 11am (local time) two Business Days prior to the day on which the calculation is required to be made.

**"NZ Dollars"** means the lawful currency of New Zealand.

**"NZ Trust Deed"** means the master trust deed dated on or about the date of this deed between the Company as issuer and the NZ Bond Trustee as trustee.

**"Reference Banks"** has the meaning given to it in the NZ Trust Deed.

**"Retail Notes"** and **"Retail Holder"** have the meanings given to them in the NZ Trust Deed.

**"Security"** means:

- (a) in the case of a Security Stock Certificate, the security interest created by the related Debenture Trust Deed; and

- (b) in the case of any other Security Document (other than the Guarantee), the security interest created by the Security Document.

**"Security Documents"** means:

- (a) this deed;
- (b) the Guarantee;
- (c) each Debenture Trust Deed;
- (d) each Security Stock Certificate issued by a Guarantor in favour of the Security Trustee; and
- (e) each document entered into by the Guarantors and the Company (or any of them) in favour of the Security Trustee creating or expressed to create a security interest in respect of the obligations of the Company under a LGFA Finance Document and/or the Guarantors under a Security Document,

and any other document or agreement entered into by the Guarantors and the Company (or any of them) under or in connection with, or for the purpose of amending, supplementing or novating, any of the above.

**"Security Stock Certificate"** means, in relation to a Guarantor, a Security Stock Certificate as defined in the related Debenture Trust Deed.

**"Wholesale Series"**, **"Wholesale Notes"** and **"Wholesale Holder"** have the meanings given to them in the NZ Trust Deed.

1.3 **References:** Except to the extent that the context otherwise requires, in this deed:

a **"clause"** or **"schedule"** is a reference to a clause of, or schedule to, this deed.

**"guarantee"** includes any guarantee, indemnity, letter of credit, legally binding letter of comfort, suretyship or other assurance against loss.

**"indebtedness"** includes any obligation (whether present or future, actual or contingent, secured or unsecured as principal or surety or otherwise) for the payment or repayment of money.

**"law"** includes common or customary law and any constitution, decree, judgment, legislation, order, ordinance, regulation, by-law, statute, treaty or other legislative measure, in each case of any jurisdiction whatever and **"lawful"** shall be construed accordingly.

**"person"** includes an individual, firm, company, corporation, unincorporated body of persons, organisation or trust, and any government, government agency or authority, in each case whether or not having separate legal personality.

a **"security interest"** includes a security interest (as construed and defined in the Personal Property Securities Act 1999), mortgage, lien, pledge, any interest in land of a security nature, any other security arrangement creating in effect security for the payment of a monetary obligation or the observance of any other obligation, and any other arrangement having like economic effect over any property, assets or revenues, and **"unsecured"** means not subject to a security interest.

**"written"** and **"in writing"** include all means of reproducing words in a tangible and permanently visible form.

#### 1.4 **Miscellaneous:**

- (a) The introduction to and headings in this deed are inserted for convenience only and shall be ignored in construing this deed.
- (b) Unless the context otherwise requires words denoting only the singular number shall include the plural and vice versa and words denoting any gender shall include all genders.
- (c) References to any legislation or to any provision of any legislation are deemed to be references to that legislation or provision as from time to time amended, re enacted or substituted and, unless the context otherwise requires, shall also include any statutory instruments issued under any such legislation or provision.
- (d) References to any document (however described) shall include references to such document as modified, novated, supplemented, varied or replaced from time to time.
- (e) References to any party to this deed or any other document or any Beneficiary shall include its successors or permitted assigns.
- (f) References to a time of day are references to New Zealand time unless otherwise stated.
- (g) Anything which may be done at any time may also be done from time to time.

1.5 **Rights of Beneficiaries:** This deed is made for the benefit of and is intended to be enforceable by, any person who is from time to time a Beneficiary. The rights of each Beneficiary under this deed are several.

1.6 **Determination, statement and certificate:** Except where otherwise provided in this deed, any determination, statement or certificate by the Security Trustee provided for in this deed is sufficient evidence unless the contrary is proved.

1.7 **Business Day:** If anything is to be done on a day which is not a Business Day, that thing must be done on or by the next Business Day.

1.8 **Inconsistency:** This deed prevails over the other Security Documents to the extent of any inconsistency (in the sense that it is impossible to comply with both) unless otherwise expressly provided.

## 2. **SECURITY TRUSTEE**

### 2.1 **Authority:**

- (a) The Security Trustee is irrevocably appointed and authorised to act as the security trustee of the Beneficiaries under the Security Documents with the powers expressly given to it under this deed and the other Security Documents together with any other powers which are reasonably incidental to those powers.
- (b) Without limiting the generality of clause 2.1(a) but subject to the Security Documents, the Security Trustee shall act as security trustee for the Beneficiaries in:
  - (i) entering into and/or and having the benefit of the Security Documents;

- (ii) making demand or claim for any moneys payable under any Security Document;
  - (iii) exercising the rights, powers and remedies of the Beneficiaries against the Company and the Guarantors under the Security Documents;
  - (iv) enforcing or attempting to enforce the Security Documents or any part of them; and
  - (v) issuing and receiving notices under the Security Documents on behalf of the Beneficiaries.
- (c) Any action taken by the Security Trustee in accordance with this clause 2.1 shall bind all the Beneficiaries.
  - (d) The Security Trustee shall have no duties or responsibilities except those expressly set out in this deed and the other Security Documents.

## 2.2 Instructions; extent of discretion:

- (a) In the exercise of any of its rights, powers and discretions under the Security Documents, the Security Trustee shall act in accordance with the instructions of the Beneficiaries given in accordance with this deed. The Security Trustee shall not be obliged to seek instructions except where expressly required by any Security Document.
- (b) In the absence of any such instructions, the Security Trustee may act as it thinks fit in the best interests of the Beneficiaries as a whole or may, notwithstanding clause 2.1(b), refrain from acting until receipt of instructions.
- (c) Except where any Security Document otherwise expressly provides, the Security Trustee shall not be obliged to consult with the Beneficiaries before giving any consent, approval or agreement or making any determination under the Security Documents, provided that, such consent, approval, agreement or determination does not, in the opinion of the Security Trustee, prejudice the interests of the Beneficiaries as a whole.
- (d) The Security Trustee may refrain from doing anything which would or might in its opinion be contrary to any law or official directive, or render it liable to any person.
- (e) Notwithstanding any other provision in this deed, the Security Trustee shall not be obliged to take any enforcement action under any Security Document until it is first secured to its satisfaction in accordance with clause 2.10.

## 2.3 No obligation to investigate:

- (a) Neither the Company nor any Guarantor shall be concerned to enquire as to whether any instructions have been given to the Security Trustee as required by this deed or as to the terms of any such instructions.
- (b) As between the Company and the Guarantors on the one hand, and the Security Trustee and the Beneficiaries on the other hand, all actions taken by the Security Trustee under this deed shall be deemed to be authorised.

## 2.4 Limits of role: The Security Trustee shall not be deemed to have any fiduciary duty other than as expressly provided for in this deed and the other Security Documents.

The Security Trustee shall not in any respect be the agent of the Company or any Guarantor by virtue of any Security Document.

- 2.5 **Exoneration:** Neither the Security Trustee nor any of its directors, officers, employees, agents, attorneys, subsidiaries or successors shall be responsible to any Beneficiary or to the Company or any Guarantor for:
- (a) any statement, representation or warranty provided to any of them in any Security Document, or in any document or agreement referred to or provided for in or received under any Security Document; or
  - (b) the value, validity, effectiveness, genuineness, enforceability or sufficiency of any Security Document or any other such document or agreement; or
  - (c) any failure by the Company, any Guarantor, any Beneficiary or any other person to perform their respective obligations; or
  - (d) any action taken or omitted to be taken by it under any Security Document except in the case of its own wilful default, gross negligence or fraud; or
  - (e) any action taken or omitted to be taken by it under any Security Document acting on instructions from the Beneficiaries given in accordance with this deed.
- 2.6 **Delegation:** The Security Trustee may delegate to any person any of the rights, powers and discretions vested in it by the Security Documents which cannot conveniently be exercised by it or through its employees, and may appoint attorneys, upon such terms and conditions as it thinks fit.
- 2.7 **Reliance on documents and experts:** The Security Trustee may rely on:
- (a) any communication or document (including any facsimile transmission, telegram or telex) reasonably believed by it to be genuine and correct; and
  - (b) advice and statements of lawyers, accountants and other experts selected by it.
- 2.8 **Knowledge of default:**
- (a) The Security Trustee shall not be required to keep itself informed as to observance or performance by the Company or any Guarantor of any of their obligations under any Security Document or any other document or agreement, or to inspect the assets or records of the Company or any Guarantor, or to investigate whether or not any Event of Default has occurred or might occur.
  - (b) The Security Trustee may assume that the Company and each Guarantor are observing and performing their obligations under the Security Documents, and shall be deemed not to have knowledge of the occurrence of any Event of Default unless it has received written confirmation from a Beneficiary stating that an Event of Default has occurred.
- 2.9 **Security Trustee as Beneficiary and banker:**
- (a) The Security Trustee shall have the same rights and powers under the Security Documents as the other Beneficiaries and may exercise those rights and powers as if it were not acting as the Security Trustee.

- (b) The Security Trustee may (without having to account to any Beneficiary) engage in any kind of business with the Company and the Guarantors (or any of them) as if it were not the Security Trustee and may accept fees or other consideration for services without having to account to the Beneficiaries.

**2.10 Payments to the Security Trustee:** If the Beneficiaries in accordance with this deed request the Security Trustee to take any enforcement action, the Security Trustee shall not be obliged to take any such action under any Security Document until the relevant Beneficiaries have paid to the Security Trustee (rateably in proportion to the Guaranteed Money owing to each of them) each amount reasonably estimated by the Security Trustee as necessary to meet the expenses of legal proceedings or otherwise in connection with such enforcement. If the estimated amount exceeds the amount actually required, the Security Trustee shall repay each relevant Beneficiary's proportion of the excess.

**2.11 Independent investigation:** By receiving the benefit of this deed each Beneficiary shall be taken to agree that it has made and shall continue to make, independently and without reliance on the Security Trustee or any other Beneficiary and based on such documents and agreements and information as it considers appropriate:

- (a) its own investigation into the financial condition and affairs of the Company and the Guarantors; and
- (b) its own analyses and decisions as to whether or not to take action under any Security Document.

**2.12 Information:**

- (a) The Security Trustee shall not have any duty or responsibility (but is authorised by the Company and each Guarantor) to provide any Beneficiary with any information concerning the affairs, financial condition or business of the Company and the Guarantors (or any of them) which may otherwise come into the possession of the Security Trustee.
- (b) Nothing in this deed shall oblige the Security Trustee to disclose any information relating to the Company and the Guarantors (or any of them) if that disclosure would or might in the opinion of the Security Trustee on the basis of the advice of its legal advisers constitute a breach of any law or duty of secrecy or confidence.

**2.13 Replacement of Security Trustee:**

- (a) Subject to the appointment and acceptance of a successor Security Trustee as provided in this clause 2.13:
  - (i) the Security Trustee may resign at any time by giving not less than 3 months' notice to the Beneficiaries and the Company; and
  - (ii) the Majority Beneficiaries may, by giving not less than 3 months' written notice to the Company and the Security Trustee, remove the Security Trustee from office.
- (b) Upon any notice of resignation or removal being given the Majority Beneficiaries shall have the right to appoint a successor Security Trustee.
- (c) If no successor Security Trustee has been appointed by the Majority Beneficiaries or has accepted an appointment within 3 months after any such

notice, the retiring Security Trustee may on behalf of the Beneficiaries appoint a successor Security Trustee.

- (d) Upon the acceptance of any appointment under this clause 2.13 by a successor Security Trustee, the successor Security Trustee shall succeed to and become vested with all the rights, powers and obligations of the retiring Security Trustee under the Security Documents and as from that time the retiring Security Trustee shall be discharged from its rights, powers and obligations.
- (e) After any retiring Security Trustee's resignation or removal, the provisions of this clause 2 shall continue in effect in respect of any actions taken or omitted to be taken by it while it was acting as the Security Trustee.

#### 2.14 Amendment to this deed and to Security Documents:

- (a) The provisions of this deed and any Security Deed may be amended without the consent of the Beneficiaries where such amendment (in the opinion of the Security Trustee):
  - (i) is of a minor or technical nature;
  - (ii) is to correct a manifest error;
  - (iii) is to comply with the requirements or a modification of the requirements of any applicable law or rules of a stock exchange; or
  - (iv) is in connection with the extension of the benefit of this deed to an Additional Beneficiary or an amendment to a LGFA Finance Document,

and, in any such case, two directors of the Company have certified that such amendment will not be materially prejudicial to the interests of the Beneficiaries.

- (b) Notice of any such amendment shall be provided to the Beneficiaries within 30 days of the amendment being made.
- (c) Without limiting clause 2.14(a) but subject to clause 2.14(d), the provisions of this deed and any Security Document may be amended if the amendment has been approved in writing by the Majority Beneficiaries.
- (d) Notice of any proposed variation under clause 2.14(c) shall be given by the Company to each Beneficiary not less than 21 days before the date on which it is intended that such variation take effect, but the non-receipt of notice by any such Beneficiary shall not affect the validity of any such variation.

#### 2.15 Liability of the Security Trustee

- (a) Notwithstanding any other provision of any LGFA Finance Document, any liability incurred by the Security Trustee pursuant to this deed can be enforced against the Security Trustee only to the extent to which it can be satisfied out of the assets subject to this deed. This limitation of the Security Trustee's liability applies notwithstanding any other provision of this deed (other than clause 2.15(c)) and extends to:
  - (i) all liabilities and obligations of the Security Trustee in any way connected with any representation, warranty, conduct, omission,

agreement or transaction relating to any LGFA Finance Document;  
and

- (ii) every delegate, attorney, agent or other similar person appointed by the Security Trustee.
- (b) Subject to clause 2.15(a), the Beneficiaries may not sue the Security Trustee personally or seek the appointment of a liquidator, administrator, receiver or similar person to the Security Trustee or prove in any liquidation, administration or arrangement of or affecting the Security Trustee.
- (c) Clauses 2.15(a) and 2.15(b) will not apply to any liability of the Security Trustee arising out of the fraud, gross negligence, wilful default or wilful breach of trust of or by the Security Trustee.
- (d) In addition to the rights and trusts conferred on the Security Trustee by any LGFA Finance Document, the Security Trustee shall have all the rights, privileges and immunities which gratuitous trustees have or may have in New Zealand, even though it is entitled to remuneration.

### 3. ENFORCEMENT OF THE SECURITY DOCUMENTS

- 3.1 **Demand under the Guarantee:** The Security Trustee shall make a demand under the Guarantee on behalf of a Beneficiary if the Security Trustee is requested in writing to do so by the Beneficiary and the Beneficiary has confirmed in writing to the Security Trustee that an Event of Default has occurred under the related LGFA Finance Document.
- 3.2 **Enforcement of Security:** Subject to clause 2.2(e), the Security Trustee shall exercise its rights under the Security Documents to enforce, or to request the relevant trustee to enforce, the Security if it is requested to do so by Beneficiaries whose aggregate Exposures amount to not less than 25% of the aggregate Exposures of all Beneficiaries at the relevant time and those Beneficiaries have confirmed to the Security Trustee that an Event of Default has occurred under each related LGFA Finance Document. Where the Company is a Beneficiary, the Company may not make a request under this clause 3.2 and the Company's Exposure for the purposes of this clause 3.2 shall be deemed to be zero.

### 4. NO COMPETITION

- 4.1 **No competition:** The Company shall not, if an Event of Default has occurred and is continuing, unless requested to do so by the Security Trustee:
  - (a) take steps to recover (whether directly or by enforcing a security interest, set-off, counterclaim or otherwise), or accept, money or other property, or exercise, enforce or receive the benefit of any rights (including by way of set-off), in respect of any amount due (whether actually or contingently) from any Guarantor to the Company; or
  - (b) claim or prove in the dissolution of a Guarantor in competition with the Security Trustee.
- 4.2 **Company to account:** If, notwithstanding, and in breach of, clause 4.1 the Company proves in the Company's own name in the dissolution of a Guarantor or exercises any rights contemplated by clause 4.1(a) (whether or not the Security Trustee has required the Company to do so, or has consented to the Company doing so), for all or any part of

any amount due (whether actually or contingently) from a Guarantor the Company shall immediately pay or transfer to the Security Trustee all such money, other property or the benefit of set-off, or all amounts received by the Company in relation to any such proof, and all interest accruing thereon, until the Guaranteed Money then outstanding is discharged in full and, until that payment or transfer is made, shall hold such money or other property, or the benefit of that proof or set-off, and all interest thereon, on trust for the Security Trustee in an amount not exceeding the Guaranteed Money then outstanding.

## 5. ADDITIONAL BENEFICIARIES

### 5.1 Other Additional Beneficiaries:

- (a) If the Company wishes to have the benefit of this deed extended to:
- (i) a person who has provided, or may provide, financial accommodation to the Company;
  - (ii) any registrar, agent or paying agent appointed by the Company; or
  - (iii) the trustee, agent or other representative of a person described in sub-clause 5.1(a)(i) above,

(any such person, a "New Creditor") as a Beneficiary, the Company shall deliver to the Security Trustee a duly completed and signed Beneficiary Recognition Deed together with a copy of the LGFA Finance Document described therein.

- (b) Upon receipt of a Beneficiary Recognition Deed and a copy of the related LGFA Finance Document the Security Trustee shall:
- (i) countersign the counterpart of the Beneficiary Recognition Deed;
  - (ii) enter the Beneficiary Recognition Deed in a register kept by it in accordance with clause 9 (which shall be conclusive); and
  - (iii) retain one counterpart and deliver the other to the Company.

5.2 **Effect of duly executed Beneficiary Recognition Deed:** Upon a Beneficiary Recognition Deed being countersigned by the Security Trustee in accordance with clause 5.1(b), the person specified therein as an Additional Beneficiary shall receive the benefits of this deed as if it were named herein as a Beneficiary.

### 5.3 Ceasing to be a Beneficiary:

- (a) The Security Trustee may by notice request a Beneficiary to confirm whether at the time of the notice:
- (i) the Beneficiary's commitment to provide financial accommodation under the related LGFA Finance Document (if any) has been reduced to nil; and
  - (ii) there is no Guaranteed Money (present or future, actual or contingent) owing to the Beneficiary.

- (b) If a Beneficiary gives the Security Trustee an affirmative confirmation in writing under clause 5.3(a), then on receipt of that confirmation by the Security Trustee the Beneficiary shall automatically cease to be a Beneficiary.
- (c) The Security Trustee shall notify the Company of a Beneficiary ceasing to be a Beneficiary pursuant to clause 5.3(b).

## 6. PROCEEDS OF ENFORCEMENT

6.1 **Order of application:** All amounts received by the Security Trustee under the Security Documents, whether in the exercise of its rights thereunder or otherwise, shall (subject to the claims of all secured and unsecured creditors (if any) ranking in priority to the Security Trustee) be applied:

- (a) first, in payment of all costs, charges and expenses (including legal expenses on a full indemnity basis and goods and services and similar taxes thereon) of and incidental to the exercise of the powers of the Security Trustee, but subject to any direction in respect thereof made by any court and excluding any fee payable under clause 8.1;
- (b) second, in payment to the Beneficiaries of the Guaranteed Money *pari passu* and rateably in proportion to the amounts owing to them; and
- (c) lastly, in payment of any surplus to the relevant Guarantor or Guarantors or other person or persons entitled thereto.

6.2 **Money actually received:** In applying any money toward satisfaction of the Guaranteed Money a Guarantor will be credited only with the money available for that purpose which is actually received by the Security Trustee. The credit will date from the time of receipt.

6.3 **Amounts contingently due:** If any Guaranteed Money is contingently owing to any Beneficiary at the time of a distribution of an amount under clause 6.1, the Security Trustee may retain any of that amount. If it does, it shall place the amount retained on short term interest bearing deposit until the relevant Guaranteed Money becomes actually due or ceases to be contingently owing, and the Security Trustee will then:

- (a) pay to that Beneficiary the amount which becomes actually due to it; and
- (b) apply the balance of the amount retained (together with interest earned on the deposit) in accordance with clause 6.1.

6.4 **Conversion of currencies on application:** For the purpose of making an application under clause 6.1 the Security Trustee may purchase one currency with another, whether or not through an intermediate currency, whether spot or forward, in the manner and at the time it thinks fit (acting reasonably).

6.5 **Statement of Guaranteed Money:**

- (a) If requested by the Security Trustee each Beneficiary shall promptly provide it with:
  - (i) a statement showing details of the Guaranteed Money owing to that Beneficiary or its Exposure at the date of the statement; and

- (ii) any information which the Security Trustee reasonably requests in relation to the calculation of the amounts referred to in sub-clause 6.5(a)(i) above.
- (b) The Security Trustee may rely on any statement given by a Beneficiary under clause 6.5(a) as conclusive evidence of the amount of Guaranteed Money owing to the Beneficiary or its Exposure on the date of the statement and may assume the amount of Guaranteed Money owing to a Beneficiary or its Exposure remains unchanged until it is otherwise notified in writing by the Beneficiary. This will not prejudice any rights of the Company or a Guarantor against the Beneficiary.

## 7. ASSIGNMENT

- 7.1 **By the Company:** The Company may not assign or transfer any of its rights or obligations under this deed without the prior written consent of the Security Trustee (acting on the instructions of the Majority Beneficiaries).
- 7.2 **By a Beneficiary:** The benefit of this deed extends to each permitted assign of each Beneficiary.

## 8. FEES, COSTS AND EXPENSES

- 8.1 **Fees:** The Company shall pay to the Security Trustee a fee of such amount and payable on such dates as shall from time to time be agreed in writing by the Company and the Security Trustee (plus goods and services tax, if any). Such remuneration shall accrue from day to day and shall be payable up to and including the date when all of the Guaranteed Money have been paid and/or discharged.
- 8.2 **Costs and expenses:** The Company shall pay to the Security Trustee upon demand an amount equal to all reasonable costs, losses, expenses and other liabilities on a full indemnity basis (including legal expenses on a full indemnity basis and goods and services and similar taxes thereon) incurred or sustained by the Security Trustee in connection with:
  - (a) the negotiation, preparation, signing, delivery, administration and release of this deed and the other Security Documents;
  - (b) the exercise, enforcement or preservation, or the attempted exercise, enforcement or preservation, of any right under this deed or any Security Document, or in suing for or recovering any Guaranteed Money; and
  - (c) the granting of any waiver or consent under, or the giving of any variation or release of, this deed or any Security Document.
- 8.3 **Indemnity by Company:** Without prejudice to the right of indemnity by law given to trustees, the Security Trustee shall be indemnified by the Company for all expenses, losses and liabilities sustained or incurred as a result of any action taken, or omitted to be taken, in accordance with the provisions of this deed, other than a claim arising out of the fraud, wilful default, gross negligence or wilful breach of trust of or by the Security Trustee.
- 8.4 **Stamp duty and taxes:** The Company shall pay all stamp, documentary, transaction, registration, excise, property and other like duties and taxes (including fines, interest and penalties), if any, which may be payable or determined to be payable in connection with

the signing, delivery, registration, performance, exercise of any right under, or enforcement or variation of, this deed or any Security Document.

## 9. REGISTER

9.1 **Register:** The Security Trustee agrees to establish and maintain a register of Beneficiaries in which it shall record such details as it considers fit, including:

- (a) the name of each Beneficiary;
- (b) the LGFA Finance Document applicable to a Beneficiary; and
- (c) where a Beneficiary is an Additional Beneficiary, the Beneficiary Recognition Deed in respect of that Beneficiary.

## 10. NOTICES

10.1 **Writing:** Each notice or other communication to be given or made under this deed to any person must:

- (a) **Writing:** be given or made in writing by fax or letter and be signed by the sender or an authorised officer of the sender;
- (b) **Address:** be given or made to the recipient at the address or fax number, and marked for the attention of the person (if any), from time to time designated by the recipient to the other for the purposes of this deed;
- (c) **Deemed delivery:** not be effective until received by the recipient, and any such notice or communication shall be deemed to be received:
  - (i) (if given or made by letter) when left at the address of the recipient or 5 Business Days after being put in the post (by airmail if to another country), postage prepaid, and addressed to the recipient at that address; or
  - (ii) (if given or made by fax) upon production of a transmission report by the machine from which the fax was sent which indicates that the fax was sent in its entirety to the fax number of the recipient,

provided that any notice or communication received or deemed received after 5pm on a working day in the place to which it is sent, or on a day which is not a working day in that place, shall be deemed not to have been received until the next working day in that place.

10.2 **Initial address and numbers:** The initial address, fax number and person (if any) designated for the purposes of this deed, are set out below:

(a) **The Company:**

Address: C/o Russell McVeagh  
Vero Centre, 48 Shortland Street  
PO Box 8, Auckland 1140

Phone No: (09) 367 8250  
Facsimile No: (09) 367 8163

Attention: Grant Kemble

(b) **The Security Trustee:**

Address: Level 5, 10 Customhouse Quay  
PO Box 3222  
Wellington 6143

Phone No: (04) 471 7698  
Facsimile No: (04) 496 2952  
Attention: Business Manager, Corporate Trust

(c) **The Beneficiaries:** The details specified in the applicable LGFA Finance Document.

## 11. MISCELLANEOUS

- 11.1 **Waivers and remedies:** Time shall be of the essence of this deed but no delay in acting, or failure to act, by the Security Trustee is a waiver of any of the Security Trustee's rights. The rights provided in this deed do not exclude any rights provided by law.
- 11.2 **Partial invalidity:** An invalid provision in this deed shall not affect the enforceability of the remaining provisions of this deed.
- 11.3 **Survival:** The indemnities given in this deed will survive the repayment of all the Guaranteed Money and the termination of this deed.
- 11.4 **Counterparts:** This deed may be signed in any number of counterparts, all of which together constitute one and the same instrument, and any of the parties may execute this deed by signing any such counterpart.

## 12. GOVERNING LAW

- 12.1 This deed shall be governed by New Zealand law.

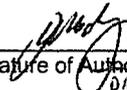
## 13. NO CROWN GUARANTEE

- 13.1 The parties acknowledge that the obligations and liabilities of the Company under this deed are not guaranteed by the Crown.

**SIGNATURES**

**The Security Trustee**

**SIGNED for and on behalf of TEL SECURITY TRUSTEE (LGFA) LIMITED by:**

  
\_\_\_\_\_  
Signature of Authorised Signatory

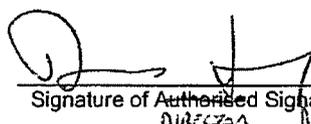
**Yogesh Mody**  
\_\_\_\_\_  
Name of Authorised Signatory

  
\_\_\_\_\_  
Signature of witness

Name of witness **Sean Roberts**  
Corporate Business Manager

Occupation **Wellington**

\_\_\_\_\_  
City/town of residence

  
\_\_\_\_\_  
Signature of Authorised Signatory

**THOMAS JOSEPH KEY**  
\_\_\_\_\_  
Name of Authorised Signatory

  
\_\_\_\_\_  
Signature of witness

Name of witness **Sean Roberts**  
Corporate Business Manager

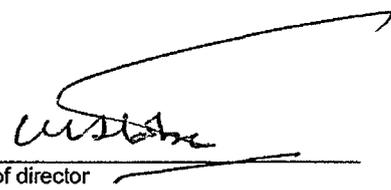
Occupation **Wellington**

\_\_\_\_\_  
City/town of residence

**NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LIMITED by:**

  
\_\_\_\_\_  
Signature of director

**John Avery**  
\_\_\_\_\_  
Name of director

  
\_\_\_\_\_  
Signature of director

**Craig Stubbs**  
\_\_\_\_\_  
Name of director

**SCHEDULE 1**  
**INITIAL BENEFICIARIES**

<b>Initial Beneficiary</b>	<b>LGFA Finance Document</b>	<b>Exposure</b>
Hedge Counterparty	Hedge Agreement	The NZ Dollar Equivalent of the Settlement Amount, if any, which would be payable to the Hedge Counterparty under the Hedge Document if the relevant time was deemed to be an Early Termination Date for which the Company is the Defaulting Party (and for this purpose "Early Termination Date", "Settlement Amount" and "Defaulting Party" shall have the meanings given to them in the Hedge Agreement), that Settlement Amount to be determined in accordance with the Hedge Agreement, provided that if the Settlement Amount is negative, it shall be deemed to be zero.
Liquidity Provider	Facility Liquidity Facility Agreement	The NZ Dollar Equivalent of the aggregate principal amount outstanding under the Liquidity Facility Agreement at the relevant time.
NZ Bond Trustee	NZ Trust Deed	The NZ Dollar Equivalent of the aggregate principal amount outstanding under all of the Retail Notes at the relevant time.
Each Wholesale Holder	Conditions of the related Wholesale Series	The NZ Dollar Equivalent of the aggregate principal amount outstanding under all of the Wholesale Notes held by the Wholesale Holder at the relevant time.
Security Trustee	This deed	The NZ Dollar Equivalent of any accrued and unpaid fee payable to the Security Trustee under clause 8of this deed at the relevant time.
NZ Bond Trustee	NZ Trust Deed	The NZ Dollar Equivalent of any accrued and unpaid fee payable to the NZ Bond Trustee in accordance with the NZ Trust Deed at the relevant time.

## SCHEDULE 2

### FORM OF BENEFICIARY RECOGNITION DEED

BENEFICIARY RECOGNITION DEED dated [●]

#### PARTIES

New Zealand Local Government Funding Agency Limited ("Company")

[●] ("Security Trustee")

#### INTRODUCTION

- A. The Company and the Security Trustee are parties to a security trust deed dated [●] ("Security Trust Deed").
- B. The Company has requested the Security Trustee to extend the benefit of the Security Trust Deed to [●] ("Additional Beneficiary").

#### COVENANTS

1. **Definitions:** In this deed, capitalised terms shall have the meanings given to them in the Security Trust Deed unless otherwise defined in this deed.
2. **Accession:** The parties agree that, from the date of this deed, the Additional Beneficiary will have the benefit of the Security Trust Deed as if it were named therein as a Beneficiary.
3. **Beneficiary Details:** The LGFA Finance Document and the Exposure applicable to the Additional Beneficiary are set out below:

LGFA Finance Document	Exposure

4. **Governing Laws:** This deed shall be governed by, and construed in accordance with, the laws of New Zealand.

**EXECUTED AS A DEED**

**The Company**

**NEW ZEALAND LOCAL GOVERNMENT  
FUNDING AGENCY LIMITED by:**

\_\_\_\_\_  
Signature of director

\_\_\_\_\_  
Signature of director

\_\_\_\_\_  
Name of director

\_\_\_\_\_  
Name of director

**The Security Trustee**

**SIGNED for an on behalf of [•] by:**

\_\_\_\_\_  
Signature of Authorised Signatory

\_\_\_\_\_  
Signature of Authorised Signatory

\_\_\_\_\_  
Name of Authorised Signatory

\_\_\_\_\_  
Name of Authorised Signatory

\_\_\_\_\_  
Signature of Witness

\_\_\_\_\_  
Signature of Witness

\_\_\_\_\_  
Name of Witness

\_\_\_\_\_  
Name of Witness

\_\_\_\_\_  
Occupation

\_\_\_\_\_  
Occupation

\_\_\_\_\_  
City/town of residence

\_\_\_\_\_  
City/town of residence