

Potts & Hodgson

BARRISTERS & SOLICITORS

12 January 2007

Our ref: 445.3

~~Henry Hollis
1532 State Highway 2
RD7
Te Puke~~

~~John Hata
PO Box 110
Opotiki~~

~~Leonard Brown
Bells Road
RD
Waimana~~

~~Pehimana Brown
752 Main Road
Waerengaahika
Gisborne 3871~~

Tarati Carrington
53 King Street
Opotiki

Re: **REWETU STATATION JOINT VENTURE**

Enclosed is a package comprising Heads of Agreement with an attached draft Joint Venture Agreement, draft Leases, draft Constitution, draft Management Contract and draft Agreement as to finance. I understand that you are meeting to consider this proposal. Each party should be separately advised. We have prepared these documents at the instruction of Rewetu Station Limited and the trustees need to seek legal advice as to their position.

Yours faithfully
POTTS & HODGSON



IAN PETERSON
Solicitor

email: ian@pottshodgson.co.nz
IRP5k2

cc *Rewetu Station Limited*

SIGNED by **THE TRUSTEES** of)
WHAKAPAUPAKIHI 5 Block)

.....
Henry Russell Hollis - Trustee

.....
John James Hata - Trustee

.....
Leonard Apanui Brown - Trustee

.....
Pehimana Haapu Brown - Trustee

.....
Tarati Carrington - Trustee

SIGNED for and on behalf of)
REWETU STATION LIMITED by)

.....
Raymond Bruce Sharp - Director

.....
Jeffery Steven Bakalich - Director

SCHEDULE 1

Objective

- 1 Rewetu shall be the manager, purchasing and selling agent of the farming business of the Joint Venture Company with the objective to increase the farm stocking capacity and production from 9 stock units per hectare to 15 stock units per hectare and thereby increase the profits to the Joint Venture Company.
- 2 To attend to the development of pasture and change in farming methods to more intensively use the land with the objective of increasing to 15 stock units per effective hectare within 4 years of commencement date. The objective will be to lift the gross margin per stock unit from between \$60 to \$70 gross margin per stock unit to a target of \$80 per gross margin stock unit.
- 3 Rewetu to provide dedicated good farm management according to the best standards of husbandry in the district and with the objective of meeting the draft budget in the proposal considered by the Joint Venture Parties on Wednesday the 29th November 2006.
- 4 To work with the directors of the Joint Venture Company to allow hunting in accordance with the hunting protocols set out by the Joint Venture Company.
- 5 The Joint Venture Company shall buy and sell stock maintaining breeding ewes, purchasing beef cattle, growing on and finishing that stock. The Joint Venture Company shall undertake capital development on No. 2 Block including drainage, installation of culverts, clearing of stumps, cultivating and fencing increased application of fertilizer and lime. The Joint Venture Company shall undertake capital development of Whakapaupakihi 5 including drainage installation of culverts and initial cultivation of the balance of the flats, tidying up fencing, improvements to the woolshed plant, water supply and electricity and the increased application of capital fertilizer and lime.
- 6 The Joint Venture Company shall progressively crop develop and renew pastures on cultivatable areas and apply capital fertilizer and liming to bring the farms to their potential.
- 7 The effective areas of the farms has been assessed at Whakapaupakihi No. 5, 75 hectares, Whakapaupakihi No. 2, 387 hectares with Whakapaupakihi No. 2 having 300 hectares good pasture, 87 hectares rough pasture. The management regime will include an element of winter available crops followed by regrassing to new grass type pastures to give better wintering of stock and improved pasture performance.

SCHEDULE 2

1 The management fee payable to Rewetu shall be \$20,000.00 per annum plus GST.

This amount shall be reviewed every three years on the anniversary of the commencement date.

ANNEXURE FOUR TO HEADS OF AGREEMENT

AGREEMENT AS TO FINANCE

BETWEEN REWETU STATION LIMITED ("Rewetu")

AND LIMITED ("Company")

1. Rewetu Agrees to advance to the Company the initial amount of \$500,000.00 and such other amounts as are required from time to time by the Company as is agreed to from time to time within a maximum amount of credit agreed to from time to time between Rewetu and the Company.

2. Interest Rate

The annual percentage rate shall be set at the commencement date at a figure no less than the interest rate available to Rewetu Station Ltd from a bank for a rural term loan of three years and shall be reviewed on every third anniversary of the commencement date.

3. Term of Advance

The advance shall be for 3 years and then on demand made in writing.

The Company can repay the financial facility at any time without penalty. The costs of providing security to Rewetu for the provision of security for the advance and for the release of that security shall be paid by the Company.

4. Security

The security to be provided to Rewetu by the Company shall be:

- (a) General Security Agreement given by the Company including security over all present and after acquired assets of the Company with a priority amount of \$800,000.00.
(b) Mortgage of the Lease of Whakapaupakihi 2 and Whakapaupakihi 5 Blocks

The terms of the security shall be the normal form of general security agreement used by lawyers in Opotiki.

6. Interest shall be paid by the Company to Rewetu on a monthly basis with interest calculated daily on the outstanding debit balance as at the end of each day. The interest rate applied each day is equal to the annual percentage rate applicable at the time divided by 365. Interest will be debited each month during the term and added to the debit amount if it is not paid.

DATED this day of 2007

SIGNED for and on behalf of)
REWETU STATION LIMITED)
by two of its Directors)

Raymond Bruce Sharp - Director

Jeffery Steven Bakalich - Director

SIGNED for and on behalf of)
 LIMITED)
by)

– Director

– Director