

Product Disclosure Statement

for an Offer of Class A Preference Ordinary Shares in Stanford Residences Limited



Issued by Stanford Residences Limited - 20 March 2017

This is a replacement product disclosure statement that replaces the product disclosure statement dated 14 March 2017.



This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information on the Offer Register at <https://www.companiesoffice.govt.nz/disclose> under the offer number (OFR11862).

Stanford Residences Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial advisor to help you make an investment decision.



This development was undertaken by Clarke Group and is included for illustrative purposes only. Stanford was not involved in carrying out this development and has no financial interest or benefit in it. Appendix 2 sets out further examples of developments carried out by Clarke Group, together with important investor disclosures.

1. Key Information Summary

1.1 What is this?

This is an offer of fully paid Class A Preference Ordinary Shares in Stanford Residences Limited (**Class A Shares**).

Class A Shares give you a stake in the ownership of Stanford Residences Limited (**Stanford**). You may receive a return if dividends are paid or Stanford increases in value and you are able to sell your Class A Shares at a higher price than you paid for them.

If Stanford runs into financial difficulties and is wound up, you will only be paid after all creditors have been paid. You may lose some or all of your investment.

1.2 About Stanford Group

Stanford and its subsidiaries form the Stanford Group. The Stanford Group has been formed with the purpose of acquiring suitable land to develop into high density, fully furnished residential units (known as Residential Centre Complexes), to rent the completed units on a short to medium term basis and to sell the developments for a profit to provide a return for the shareholders.

Stanford is not a 'managed investment scheme' for the purposes of the Financial Markets Conduct Act 2013 and does not have a FMA-licenced manager or an FMA-licensed supervisor to govern its investment activities. Investor rights are set out in the constitution of the company, which has been set up in accordance with the Companies Act 1993.

1.3 Purpose of this Offer

The purpose of this offer is to raise capital to enable Stanford Group to undertake its business of developing, letting and selling Residential Centre Complexes.

Money raised under the Offer will be used for the following:

- **Undertaking the Swanson Project:** The first proposed Residential Centre Complex to be developed by Stanford Group is a development at Swanson Road (**Swanson Project**). The Swanson Project involves the construction of approximately 100 studios. Further details on the Swanson Project are set out at Section 2.2(d). It is intended that the Swanson Project will be carried out through a wholly owned subsidiary, Henderson Residences Limited (**Henderson Residences**).
- **Offer costs:** These include brokerage, marketing and promotion, legal and accounting fees relating to the offer of Class A Shares.
- **Ongoing business:** The balance of funds raised will be used to undertake further Residential Centre Complex developments and meet Stanford's operational overheads.

More information on the use of monies raised under the Offer is set out at Section 3.

1.4 Key Terms of the Offer

The following table sets out the key terms of the offer of Class A Shares (**Offer**):

Description of the equity securities	Fully paid Class A Preference Ordinary Shares (Class A Shares)
Offer Price	NZ \$1 for each Class A Share.
Offer Opening Date	23 March 2017
Offer Closing date	14 July 2017, unless the Offer is fully subscribed or closed earlier. The Stanford Board reserves the right to extend the Offer in accordance with the Financial Markets Conduct Act.

Minimum and maximum application amounts	Each Applicant may apply for: <ul style="list-style-type: none"> • A minimum number of 10,000 Class A Shares (NZ \$10,000) • A maximum number of 1,000,000 Class A Shares (NZ \$1,000,000). Applications for more than 10,000 Class A Shares must be in multiples 10,000 Class A Shares.
What is the minimum and maximum number of Class A Shares being offered?	Minimum: 10,000,000 Class A Shares (Minimum Number) Maximum: 20,000,000 Class A shares No other Class A Shares have been issued prior to the Offer Opening Date. On closing of the Offer, the Class A Shares will comprise: <ul style="list-style-type: none"> • 100% of the Class A Shares; and • Between 53.85% (if only the Minimum Amount is raised) and 70% (if the Maximum Amount is raised) of the total shares on issue in Stanford.
Conditionality of the Offer	No Class A Shares will be issued until Stanford has received Approved Applications for the Minimum Number of Class A Shares (Minimum Amount Condition). If the Minimum Amount Condition is not satisfied by the Offer Closing Date, then unless Stanford extends the Offer, Stanford will refund all Applicants their Application monies (with interest, less RWT) as soon as is reasonably practicable.

Allotment process	<p>The first tranche of Class A Shares will be issued on the First Allotment Date, which is the later of:</p> <p>(a) The date that the Minimum Amount Condition is satisfied; and</p> <p>(b) 1 April 2017.</p> <p>Between the First Allotment Date and the date that is five working days after the Offer Closing Date (Last Allotment Date), Class A Shares will be allotted to Approved Applicants (in one or more tranches) once Stanford has received their Application Monies in cleared funds and their Application has been approved by Stanford.</p>
Further payments or fees or charges	<p>There are no calls payable on Class A Shares. No brokerage or other commission is payable by you under the Offer.</p> <p>If you sell your Class A Shares, you may be required to pay brokerage or other sale expenses. You may also be liable for tax on the sale of your Class A Shares.</p>
Class A Preferential Dividend	<p>Stanford intends to pay on a quarterly basis a preferred dividend to the holders of Class A Shares at the targeted rate of 9% per annum (before tax) on subscription monies for Class A Shares, beginning to accrue from the seventh month following the allotment of a parcel of Class A Shares under the Offer (9% Targeted Preferred Return). Subject to solvency and working capital requirements, Stanford intends to declare quarterly dividends from the tenth month following the First Allotment Date.</p>

	<p>If insufficient funds are available to meet the 9% Targeted Preferred Return, the Board may declare a dividend for Class A Shares which is less than the targeted rate.</p> <p>No dividends will be declared for other classes of shares in Stanford (or collectively, on all classes of Ordinary Shares) unless the Class A Shareholders have been paid their 9% Targeted Preferred Return in full.</p> <p>These rights are described at Section 6 ("<i>Key Features of Class A Shares</i>"), which also describes the rights of Class A Shareholders to receive:</p> <ul style="list-style-type: none"> a separate Special Dividend (if declared in the Board's discretion) on all Ordinary Shares; and a preferential liquidation preference
Voting rights	<p>Class A Shares have the same voting rights as all other Ordinary Shares in Stanford.</p>
Transfer and shareholding restrictions	<p>The maximum number of shares in Stanford which any Class A Shareholder, together with their "Associates" (as defined in the Constitution) may hold from time to time is 10% of the Ordinary Shares in Stanford.</p> <p>The holders of Class A Shares may not sell their Class A Shares until after audited financial statements for Stanford's first full accounting period have been completed.</p>

Swanson Project: Development Management Agreement and Property Management Agreement	<p>Subject to Stanford Group acquiring the Swanson Road site, Stanford and Henderson Residences have appointed Clarke Group Management Limited (Clarke Group) to be the development manager for the Swanson Project under a development management agreement (Swanson DMA). Once the complex is completed, it is intended that Clarke Group will also be appointed as property manager under a property management agreement (Swanson PMA).</p> <p>Under those two agreements, Clarke Group is entitled to the following fees (plus GST) and profit share:</p> <ul style="list-style-type: none"> An Establishment Fee of \$400,000 A project management fee of 2% of budgeted Development Costs (estimated at \$314,093) A conditional milestone fee of \$500,000 Subject to certain deductions, a 50% share of the net profit from the sale of the completed Swanson development and a 50% share of any rental income (including rent and income from ancillary streams such as laundry, parking and internet charges) received by Henderson Residences prior to the sale of the complex A property management fee of 8% (plus GST) of gross rental income received from the complex (estimated at \$127,345) <p>Please see Section 7, which sets out the assumptions and basis for calculating these related party fees, along with a table summarising all related party fees payable to Clarke Group.</p>
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Swanson Project: Development Management Agreement and Property Management Agreement	The key terms of the Swanson DMA and PMA, along with other material agreements entered into (or proposed to be entered into) by members of the Stanford Group are summarised at Section 2.13 (<i>"Material Interests of directors of Stanford Group"</i>). Copies of the material agreements described in that section (including the Swanson DMA and PMA) are also available on the Offer Register at https://www.companiesoffice.govt.nz/disclose under the offer number (OFR11862)
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Current and future aspects of Stanford's business that have, or may have, the most impact on the business' financial performance

Cost effective acquisition of land which is suitable for development as a Residential Centre Complex

Stanford will use its own contacts and third party advisers to identify potentially suitable sites. To ascertain suitability, Stanford carries out extensive due diligence prior to acquiring any property.

Completion of Residential Centre Complex developments within budgeted costs and timeframes

To keep design and construction costs on budget:

- Stanford uses standardised base designs for each complex.
- Projects are competitively tendered and construction is undertaken on a fixed price basis.
- Stanford will draw upon the experience of the Board and external property development managers (including Clarke Group) in procuring and managing the development.

Obtaining debt financing on commercial terms which allow Stanford Group to undertake developments profitably

Stanford will seek competitive proposals from a number of lenders before it obtains debt finance. Stanford will only undertake a development if the costs of lending make the development economically viable and wherever possible (and if it is economically prudent), Stanford will seek to fix the interest rates for the duration of the development. Stanford may also refinance each development if more advantageous terms become available.

Market demand for Residential Centre Complexes and its impact on occupancy rates, rental rates and valuation on sale

Stanford intends to acquire sites for development which are situated on residential land near transport hubs, town centres, hospitals and/or tertiary education facilities, which can supply workers and residents who are likely to utilise this type of accommodation.

Each studio will be fully furnished, with private ensuite, security features and access to communal kitchen and laundry facilities. Each complex will be actively maintained by the appointed property manager. Stanford believes that these features, in combination with the location of each complex, can attract tenants who are willing to pay rent at rates which are higher than shared flat rates, but less than hotel accommodation rates.

Sale of completed developments

Stanford intends to maximise the sale price for each development by endeavouring to let the completed units and thereby generating a rental income stream.

In the event that there is a downturn in property market at the time that a development is completed and let, Stanford may opt to hold some or all of the units and wait until the market improves and receive the rental income instead.

1.5 How you can get your money out

Stanford does not intend to quote these Class A Shares on a market licensed in New Zealand and there is no other established market for trading them. This means that you may not be able to sell your Class A Shares.

Class A Shares are not redeemable.

1.6 Key Drivers of Returns

This section briefly summarises the aspects of Stanford's business model which Stanford considers have the most impact on the financial performance of Stanford's business, and its strategies and plans in relation to those aspects of its business. You should also read Section 2.3 of this PDS (*"Current and future aspects of Stanford's business and strategies"*).

1.7 Key Risks Affecting this Investment

Investments in shares are risky. You should consider if the degree of uncertainty about Stanford Group's future performance and returns is suitable for you. The price of these Class A Shares should reflect the potential returns and the particular risks of these Class A Shares.

Stanford considers that the most significant risk factors that could affect the value of the Class A Shares are:

Risks

New property development business risk

Stanford is a newly created entity, set up to undertake Residential Centre Developments and therefore has not undertaken any previous property developments in its own right. As a new business, Stanford is reliant on its Board and contractual arrangements with third parties to deliver its business plan.

In addition, Stanford's business plan is subject to a number of property development risks, such as unforeseen increases in the development costs, unforeseen delays in undertaking a development or a change in the regulatory process for obtaining consents to undertake Residential Centre Complexes, which may impact on the timeframes within which Stanford will complete, let and sell complexes, the profitability of Stanford's developments and therefore the returns payable to shareholders.

Bespoke accommodation offering

Stanford's business is to develop Residential Centre Complexes, which are a bespoke type of development. If there is a decrease in market demand for this type of accommodation, this may impact occupancy rates and rental income and sale prices for completed complexes.

Bank Financing Risk

Stanford will require bank funding to undertake each development and if Stanford cannot obtain financing on acceptable terms it will not be able to undertake the planned developments as envisaged by the business plan.

SGIL defaults on its payment obligations for its shares in Stanford

SGIL has contracted to pay for its Class B Shares (see Section 6.2(b)). A copy of the subscription agreement is available on the Offer Register. If SGIL fails to pay all the payments as they fall due, Stanford may have insufficient cash reserves to pay the 9% Targeted Preferred Return until such time as a successful development is completed, rented and sold.

This summary does not cover all of the risks of investing in Class A Shares. You should also read Section 8 of this PDS (*"Risks to Stanford's Business and Plans"*) and Section 2.3 of this PDS (*"Current and future aspects of Stanford's Business and Strategies"*).

1.8 Where you can find Stanford Group's financial information

The financial position and performance of Stanford Group are essential to an assessment of this Offer. You should also read Section 7 (*"Stanford's Financial Information"*).

Stanford was incorporated in July 2016 and prior to the date of lodgement of this PDS, has not traded. No historical financial information is available for it.

However, prospective financial information for the Stanford Group is set out at Section 7 (*"Stanford's Financial Information"*) and on the Offer Register. This should be read together with the assumptions set out in Section 7 and on the Offer Register.

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Chairperson's Letter

Dear Investor

Thank you for considering an investment in Stanford Residences Limited (**Stanford**). We believe that Stanford's solution to a shortfall in Auckland's accommodation sector offers an interesting opportunity for investors.

The last few years have seen significant growth in Auckland's population, driven by those choosing to live here permanently but also by temporary visitors to the city, including transitory workers. Our view at Stanford is that the traditional accommodation options for those temporary visitors do not meet their requirements. Short term visitors and holidaymakers who are visiting for a few days, or even a few weeks, are catered for by hotels and motels. Longer term visitors who are here for a year or more often rent a house or apartment. Stanford believes there is a gap in the accommodation market for those workers seeking to rent for the medium term. Stanford intends to offer an alternative form of accommodation for this group and details are set out in this Product Disclosure Statement.

The Board of Stanford intends to initially focus on developments in Auckland and then, subject to its success, replicate it in other New Zealand city centres (for example, Queenstown, Christchurch and Hamilton).

This Product Disclosure Statement contains information about Stanford, the sector in which it operates and important information about the Offer. I encourage you to read this PDS in its entirety carefully and in particular, consider the risks set out in Section 8 ("Risks to Stanford's Business and Plans").

Yours faithfully

Stanford Residences Limited



Dene Biddlecombe
Chairman and Independent Director

2 Stanford Group and what it does



This development was undertaken by Clarke Group and is included for illustrative purposes only. Stanford was not involved in carrying out this development and has no financial interest or benefit in it. Appendix 2 sets out further examples of developments carried out by Clarke Group, together with important investor disclosures.



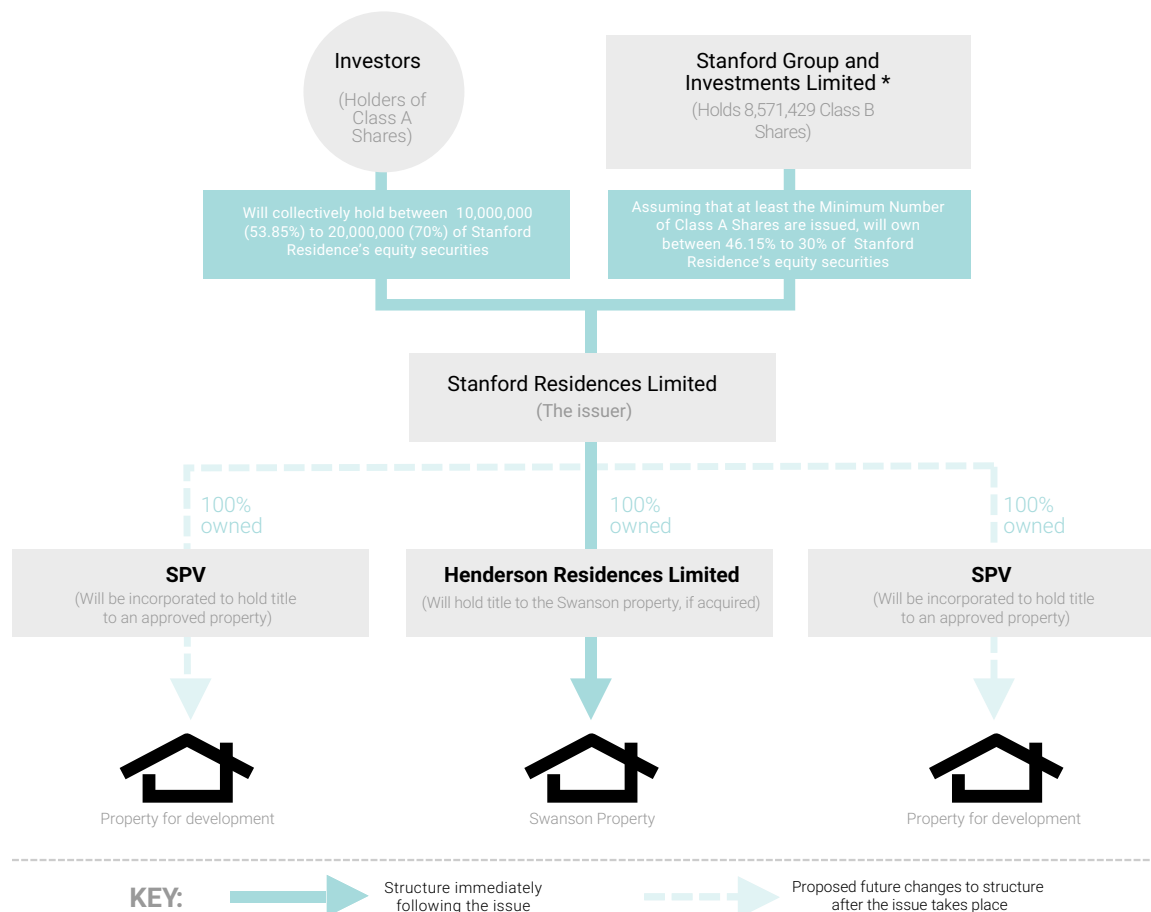
This development was undertaken by Clarke Group and is included for illustrative purposes only. Stanford was not involved in carrying out this development and has no financial interest or benefit in it. Appendix 2 sets out further examples of developments carried out by Clarke Group, together with important investor disclosures.

2.1 Structure of the Stanford Group

Stanford was established to develop, rent out and sell Residential Centre Complexes. Stanford was incorporated in July 2016 and prior to the date of this PDS, has not traded.

As at the date of this PDS, the Stanford Group comprises Stanford itself and its wholly owned subsidiary, Henderson Residences Limited (**Henderson Residences**), which was established for the purposes of carrying out the proposed Swanson Project (see Section 2.2(d) (*“Proposed Swanson Road Development”*) below). Stanford intends to form more wholly owned subsidiaries to carry out the development of Residential Centre Complexes (one special purpose vehicle for each development), once suitable development projects are approved. The number of subsidiaries which Stanford establishes may change, depending on the number of developments undertaken.

Immediately prior to the Offer Opening Date, all shares issued in Stanford were Class B Shares. These were held by Stanford’s sole shareholder, Stanford Group and Investments Limited (**SGIL**). If the Minimum Amount Condition for the Offer is satisfied, Stanford will issue between 10,000,000 to 20,000,000 Class A Shares to new shareholders under the Offer. The diagram below shows the structure of the Stanford Group immediately after the issue of Class A Shares, as well as how the group structure may change if further subsidiaries are established to undertake future projects.



2.2 Business of the Stanford Group

The primary industry in which the Stanford Group operates is the property development market.

Stanford is a specialised property developer: it has been set up to acquire land to develop into Residential Centre Complexes, rent the completed units in those developments on a short to medium term basis, sell the completed developments and to distribute the income it receives from renting and selling the completed developments to its shareholders.

(a) Business Plan

Strategy to develop Residential Centre Complexes

Stanford is seeking to raise a Maximum Amount of \$20,000,000 under this Offer. Further details of how Stanford will use those funds are set out at Section 3 ("Purpose of the Offer"), but principally, based on the Maximum Amount being raised, Stanford plans to undertake the Swanson Project (described at Section 2.2(d) ("Proposed Swanson Road Development")) and two more Residential Centre Complex developments of similar size and scope to the Swanson Project.

The number of projects actually undertaken and their size and scope may vary depending on the size and location of the development sites that become available and the amount of capital actually raised under this Offer.

Strategy for payment of the 9% Targeted Preferred Return

Stanford estimates that each complex (assuming it is of similar size and scope to the Swanson Project) is likely to have a development period of 30 months (from commencement to sell-down). The estimated development timeframes for the Swanson Project are described at Section 2.2(d)).

Subject to the risks described in Section 8 ("Risks to Stanford's Business and Plans") and the factors affecting distributions described at Section 6.2(a):

- During the development period for each complex, Stanford intends to pay the Class A Shareholders the 9% Targeted

Preferred Return using cash reserves accumulated from equity contributions made by SGIL (the Class B Shareholder) and rental income from completed developments (which Stanford estimates it may begin to receive from 25 months following the First Allotment Date). SGIL's equity contributions are described at Section 6.2(b) ("Preferential Dividend on Class A Shares"). Stanford estimates that those equity contributions will provide it with sufficient cash reserves to pay the 9% Targeted Preferred Return to Class A Shareholders in the first 30 months after the First Allotment Date.

- After the initial 30 month period, Stanford's business plan estimates that the first completed development will be sold. From that point onwards, Stanford intends to pay the Class A shareholders the 9% Targeted Preferred Return primarily through its share of profits received from the sale of the completed complexes, together with its share of rental income generated from the complexes during the interim holding period between completion of the developments and the sale of the developments.

Stanford's strategies and plans for the above key aspects of its business are set out at Section 2.3.

For further information on the financial projections and assumptions underlying Stanford's business plan, please see Section 7 ("*Stanford's Financial Information*") and the Prospective Financial Statements lodged on the Offer Register. Please also see Section 6.2 ("*Dividends and Dividend Policy*").

(b) What are Residential Centre Complexes?

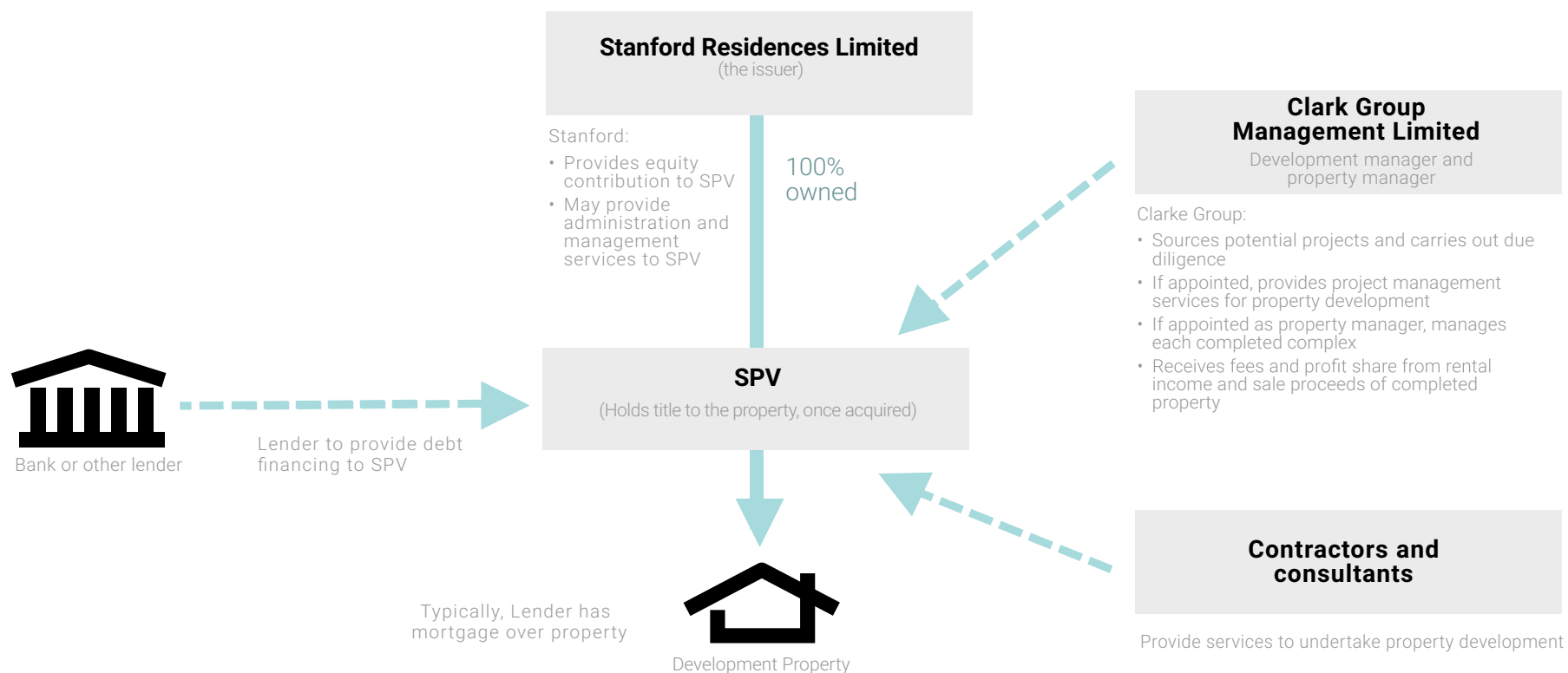
Residential Centre Complexes comprise blocks of fully furnished studios that are built in residential areas next to key infrastructure facilities, targeting workers and professionals wanting to live close by.

The Residential Centre Complex model has the following features:

- Density is achieved by typically developing 5 to 20 dwellings on a site with each dwelling comprising between 3 to 10 individual studios, each returning rent from a separate tenant.

- Each studio is fully furnished, with private ensuite and tea/coffee making facilities. For security, the studio is only accessible by electronic swipe card. The development provides communal kitchen facilities for the tenants' use. The intention is to generate supplementary income streams from the provision of additional amenities for tenants such as coin-operated laundry facilities, internet access and car park rental.

- The strategic location of each complex assists with achieving target occupancy and rental rates. Stanford aims to develop the complexes near transport hubs, town centres and/or places of work such as public or private health facilities and tertiary educational facilities, that provide the workers and residents who may rent the completed accommodation.



(c) **How will each Residential Centre Complex development be structured?**

Establishment of separate subsidiary for each development

Stanford will establish a separate wholly owned subsidiary (each a Stanford Subsidiary) for each project, to acquire the approved property, undertake the development and sell-down the completed Residential Centre Complex.

Stanford's role

For each project, Stanford will provide an equity contribution to the Stanford Subsidiary undertaking the development, which will be used for site acquisition and development costs. The amount of equity contribution provided by Stanford to each Stanford Subsidiary will vary between projects, depending on the purchase price of the site and the estimated costs for carrying out the development.

In addition to the services provided by appointed development managers and other contractors, Stanford itself may also undertake financial management, project management and administration services in relation to each development.

Intended debt financing and security arrangements

In addition to Stanford's initial cash contribution to each development, Stanford Group intends to obtain debt financing for the remainder of funds required to carry out the development.

As at the date of this PDS, no member of the Stanford Group has entered into any approved loan facilities. In the first instance, Stanford will approach New Zealand registered banks to borrow funds. The amount which the applicable Stanford Subsidiary will borrow to undertake any particular development will vary from project to project, depending on the financial metrics of each proposed development.

Stanford does not intend to obtain loans at the group level. Each subsidiary will obtain debt based on its own financial position and neither Stanford nor any other member of the Stanford Group will guarantee that subsidiary's borrowing. In addition, finance will be sought on the following terms (which the Board considers are commercially acceptable to the Stanford Group):

- On a per project basis, the loan to value ratio must not exceed 65% of the estimated value of a completed development. The completion value is ascertained by an independent valuation obtained at the time that Stanford seeks debt financing for the development.
- The Stanford Subsidiary will grant the lender a first ranking mortgage over the development property and enter into a general security agreement in respect of all property (and proceeds) of the Stanford Subsidiary.
- Stanford will enter into a specific security agreement which grants the lender a security interest in its shares in the Stanford Subsidiary. No other guarantees or security interests will be given by Stanford or any other member of the Stanford Group in relation to any Stanford Subsidiary's borrowing.
- Austen Clarke has agreed in principle to provide a personal guarantee in relation to the subsidiaries borrowings, provided that such guarantee is on commercially usual and reasonable terms.

In the event that additional capital is required for a development (for example, in the event of cost over-runs), Stanford may elect to provide an additional cash contribution to the applicable Stanford Subsidiary. Alternatively, the contracted development manager may also source additional funds.

Commercial relationship with Clarke Group

To assist Stanford with growing its business of developing, letting and selling Residential Centre Complexes, Stanford has formed a commercial relationship with Clarke Group Management Limited (**Clarke Group**), an associated company of Austen Clarke.

Stanford will be able to draw on Clarke Group's experience with sourcing potential development sites, undertaking due diligence, project managing each development and managing each completed property, upon the terms of the agreements described at Section 2.13 ("Material Interests of directors of Stanford Group"), which are also available on the Offer Register.

(d) **Proposed Swanson Road Development**

The first proposed Residential Centre Complex project which the Stanford Group is considering for development is the Swanson Project.



The Board of Stanford (**Stanford Board**) is currently undertaking due diligence and a risk assessment for the proposed development.

Subject to the Stanford Board being satisfied with the results of its evaluation process and Stanford receiving subscriptions for not less than the Minimum Amount under the Offer, the Stanford Group may elect to proceed with the proposed development.

In the event that the Stanford Board elects not to proceed with the Swanson Project, the Board will endeavour to secure a suitable replacement Residential Centre Complex development project.

If the Swanson Project proceeds, it is proposed that:

- Henderson Residences Limited, a wholly owned subsidiary of Stanford, shall acquire the site at 14-20 Swanson Road, Henderson (a 4778 m² land parcel) under the Swanson SPA (as nominee of Clarke Group Property Investments Limited). Once

acquired, Henderson Residences will retain ownership of the Swanson site and development.

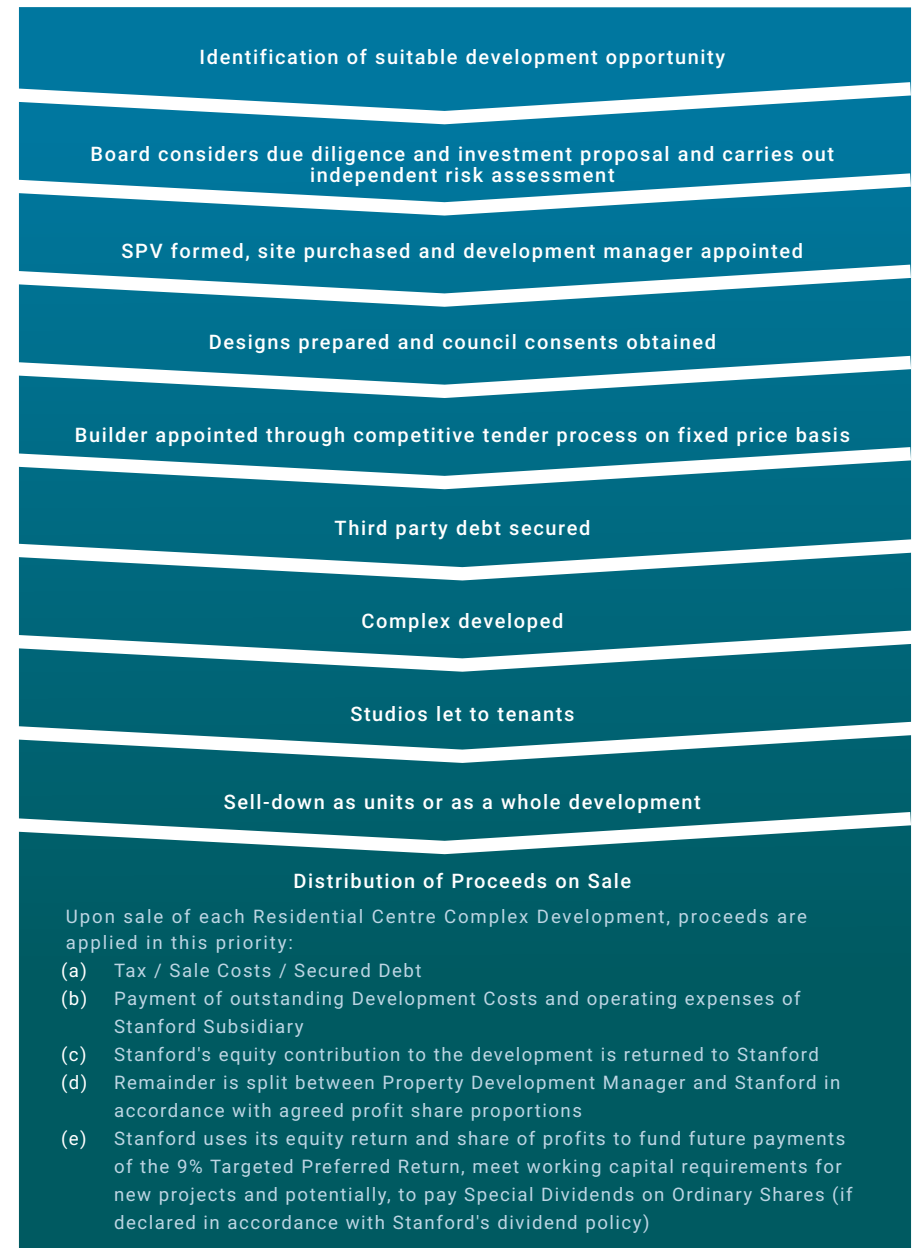
- The Swanson site will be acquired for \$5,000,000 (plus GST), to be settled approximately 4 months after the Swanson SPA becomes unconditional. Please see Section 8 (*"Risks to Stanford's business and plans"*) for further detail on acquisition risks relating to the Swanson Site.
- Stanford will provide a \$3,850,000 equity contribution to Henderson Residences, which will be used for site acquisition and development costs.
- Stanford intends that Henderson Residences will borrow the remainder of funds required to complete the Swanson Project. As at the date of this PDS:
 - Henderson Residences has not entered into any approved loan facilities.
 - Based on the Board's assessment of circumstances known to it at the date of this PDS, in the experience of the directors it is likely that Henderson Residences will be able to obtain debt financing upon the terms set out at Section 2.2(c) (*"How will each Residential Centre Complex development be structured?"*).
 - The estimated principal amount of borrowing required is \$11,854,000, although this amount may change depending on actual development costs.
- Clarke Group has entered into a conditional Development Management Agreement with Stanford and Henderson Residences to provide project management services for the Swanson Project. It is intended that Clarke Group will be appointed Property Manager of the Residential Centre Complex once the development is completed. Please see Section 2.13 (*"Material Interests of directors of Stanford Group"*) for a summary of these agreements and the fees payable and profit share arrangements under each.

- Based on project time frames for a previous Residential Centre Complex development of similar size which was undertaken by Clarke Group in the Henderson area, it is estimated that from project commencement, it will take 14 months to obtain resource consents for the development and building works will commence in the 15th month. Provided that the required consents are obtained in those time-frames, the Swanson Project is expected to be completed within 24 months of project commencement, and rent will be received from the 25th month onwards. Allowing a holding period of 5 months (in order to secure a purchaser at the targeted sale price), Stanford will aim to sell the completed Swanson development in the 30th month following project commencement.

(e) **What is the process for developing further Residential Centre Complexes?**

The Swanson Project is an example of the Residential Centre Complex projects which Stanford aims to undertake.

The Transaction Process flow-chart set out below outlines the typical process for developing further Residential Centre Complexes going forward.



2.3 Current and Future Aspects of Stanford's Business and Strategies

The Stanford Group's business plan is very briefly summarised at Section 2.2(a) ("Business Plan").

This section sets out the current and future aspects of the Stanford Group's business that have (or may have) the most impact on the financial performance of the business and Stanford's key strategies and plans for those aspects of its business.

CURRENT AND FUTURE ASPECTS OF STANFORD'S BUSINESS THAT HAVE, OR MAY HAVE, THE MOST IMPACT ON THE BUSINESS' FINANCIAL PERFORMANCE

Availability of land suited for development as a Residential Centre Complex which meet the Development Criteria and can be acquired cost effectively

The Development Criteria (included in Schedule 1) sets out factors that a proposed property must meet in order for a Residential Centre Complex to be developed cost efficiently. Location is likely to influence tenancy demand and occupancy rates, which will affect whether the development can attract the desired sale price.

Development costs

For each Development to be financially feasible, it is important to undertake the construction of each development within the budget set out in each Investment Proposal.

KEY STRATEGIES AND PLANS

Stanford's Board considers that there are a number of suitable locations in and around major city centres that are located near infrastructure or employment hubs which provides for tenants seeking this type of accommodation. The immediate strategy is to focus on the Auckland Region, but subsequently to look for suitable land in other major cities.

If the Board considers a development site has potential, Stanford will commission a third party to prepare a detailed investment proposal (**Investment Proposal**) and undertake due diligence to ensure the land is suitable for Stanford's model. The Investment Proposal will detail all costs and expenses associated with the development and provide projections for the potential return to Stanford. Each Investment Proposal is assessed against the Development Criteria (which includes zoning and engineering factors). The Stanford Board has commissioned an Investment Proposal for the Swanson Project and is currently evaluating the suitability of the proposed project.

Stanford will use its own contacts and third party advisors, as well as drawing from the experience of property development managers, to identify suitable sites and develop the feasibility model.

Stanford has a number of strategies for reducing the costs for developing each Residential Complex Centre, including the following:

- Developments are constructed using standardised base designs and are undertaken on a relatively modular basis, so design costs are relatively low and controlled.
- Projects are competitively tendered and contracts will only be granted to contractors who can demonstrate their experience in delivering projects predominantly on time and on budget.
- Tenders will be on the basis of a fixed price, industry standard NZS3910.

Cost overruns and delays during construction period

Delays during the construction period:

- Increase the costs incurred in financing the development, as interest and fees charged by funders may be payable for an additional period of time.
- Will delay the timing of the sale of the Development.
- May lead to unplanned increases in construction costs, which may adversely affect the financial feasibility of a Development.

If there is a significant increase in construction costs, there is a risk that the Stanford Subsidiary may not be able to fund the completion of the Development.

Level of occupancy rates for developed accommodation

Constructed complexes which can demonstrate strong occupancy rates are more likely to attract higher prices upon sale of the development (whether each complex is disposed of as a whole, or the units are sold individually).

In order to reduce unplanned increases in construction costs and delays, Stanford has adopted the following processes:

- Stanford will appoint an experienced property development manager, who will have overall responsibility for management of a project, deal day-to-day with the consultants and report to the Board at least monthly. Clarke Group has been appointed as development manager for the Swanson Project.
- Stanford has employed a qualified chartered accountant to monitor costs.
- Robust reporting procedures, including monthly updates to Stanford's Board.
- Bonds or other security may be taken from the contractor to minimise disruption if the contractor becomes insolvent.
- Expert consultants will be used to form the project management team to manage the project.
- An independent Quantity Surveyor will be appointed by Stanford (or by the lender) to monitor and report on development costs and programme.
- Liquidated damages will be enforced against the contractor (where available).
- If the Stanford Subsidiary cannot obtain sufficient funds to complete the Development and Stanford does not wish to contribute further capital to the Development, the Development could be sold on an uncompleted basis to another developer.

Before a site is acquired by Stanford, it must satisfy the Development Criteria, which includes an assessment of whether the area demonstrates rental accommodation demand.

Projects must be located near transport hubs, town centres, public or private hospitals and/or tertiary education facilities, which provide the workers and residents who may wish to utilise this type of accommodation.

In terms of future prospects, research carried out conducted by professional consultants indicate positive results of the Auckland Unitary Plan's introduction to the Residential Centre Complex development model.

In the long-term, Stanford may launch the Residential Centre Complex model in other areas of New Zealand where growing housing demand can be demonstrated.

CURRENT AND FUTURE ASPECTS OF STANFORD'S BUSINESS THAT HAVE, OR MAY HAVE, THE MOST IMPACT ON THE BUSINESS' FINANCIAL PERFORMANCE

Obtaining debt financing on commercial terms which allow Stanford Group to undertake developments profitably

As well as the investors' contribution, debt financing will be taken to fund the development.

A rise in the costs of borrowing (including increases in interest rates and fees) will reduce Stanford's profits and returns.

Attractive rental rates for completed developments

There are two principles associated with rental rates:

- Rates must be set at a level that is attractive to potential tenants.
- Rates must be set high enough so that, combined with solid occupancy rates, the development generates an income stream which is attractive to potential purchasers of the development

Sale price for completed developments

The price realised for the completed developments (less acquisition and development costs) will impact on the returns payable to Stanford's investors.

KEY STRATEGIES AND PLANS

Wherever possible, Stanford will seek to fix the interest rates for the duration of the development if it is economically prudent.

Stanford will seek competitive proposals from a number of lenders before it obtains debt finance. Stanford will only undertake a development if the costs of lending make the development economically viable.

Stanford may also refinance each development if more advantageous terms become available.

Each studio will be fully furnished, with private ensuite, security features and access to communal kitchen and laundry facilities.

Stanford believes that these features, in combination with the location of each complex, can attract tenants who are willing to pay rent at rates which are higher than shared flat rates, but less than high-end hotel accommodation rates.

Each complex will be actively maintained by the appointed property manager, who will assist Stanford with advertising, marketing and securing tenants for the completed units and deal with day-to-day property management issues.

Stanford intends to attract its desired sale price for each development by creating a steady rental income stream through attaining targeted occupancy levels and setting market rental rates.

The intention is for Stanford to sell the completed units, rather than holding the units as a longer term investment. The Stanford Board, in conjunction with the development manager and selected real estate agents and valuers, will develop a strategy to market and sell down the property.

While the sale price may be subject to property market fluctuations, the Board have a number of strategies open to them:

- Sell the developed properties in one lot
- Sell the developed properties on a unit-by-unit basis
- Hold some or all of the properties if the price likely to be realised is not attractive to the Board and wait until market conditions improve while receiving the rental returns.

Please also see Section 2.13 ("Material Interests of directors of Stanford Group") for more details of how sale proceeds from the disposal of a Residential Complex Development will be applied.

2.4 Disclosures relating to relevant parties

Austen Clarke is a director and a relevant party of Stanford. Austen was adjudicated bankrupt on the 15th March 2010. The bankruptcy resulted from a failed apartment development in Hamilton which was undertaken by Regency House Limited (company number 1870081, now de-registered) (RHL) in or around 2007, at the time of the global financial crisis. Austen was a director of RHL and provided personal guarantees in relation to the RHL project. Due to the security arrangements for the RHL development, the following former companies were also subject to "insolvency events":

- Knighton Studios (2008) Limited (company number 2151483) (now de-registered) **(KS2008)**
- Clarke Group Management Limited (company number 1683981) (now de-registered) **(CG)**. Austen was also a director of KS2008 and CG at the time. Please be aware that CG has never had any dealings with Stanford and is not the same company as the "Clarke Group Management Limited" mentioned elsewhere in this PDS.

Austen has since come out of bankruptcy.

Other than as disclosed above, as at the date of this Product Disclosure Statement, no member of the Stanford Group, nor any other relevant party of Stanford, has:

- (a) at any time been subject to an insolvency event or been convicted of a crime involving dishonesty; or
- (b) in the 10-year period preceding the date of the PDS, been the subject of a successful relevant proceeding or action; or
- (c) any relevant proceeding or action pending.

2.5 Stanford Board of Directors

Stanford's Board currently comprises the following directors:

Dene Biddlecombe

Chairperson and Independent Director

Dene Biddlecombe is a Fellow of the Chartered Accountants Australia New Zealand and a Chartered Member of the NZ Institute of Directors. Dene has extensive experience in governance and senior management roles in the public and private sectors. He is currently Chairman of NZAX listed Lateral Corporation and holds governance roles at numerous other entities. He was the CEO of NZAX listed Pulse Utilities New Zealand Ltd and NZX-listed Horizon Energy Distribution Ltd and formerly CFO for NIWA, with responsibility for their research and commercial activities in the United States. Dene has an MBA from Otago University in Marketing and Corporate Strategy.

Dominique Dowding

Independent director

Dominique has over 30 years experience in governance, senior management and marketing roles. As current CEO of the Auckland Trotting Club Inc and Alexandra Park Function Centre Limited, she has headed multiple development projects, including a lifestyle village development and a commercial building for The Blues. She is also currently the Managing Director of Dowding & Associates Limited, a management consultancy company with experience advising in investment, property, technology and digital media. Dominique has previously held independent directorships with entities such as NZCU South-Credit Union and Christchurch City Facilities Limited.

Austen Clarke

Executive Director (Non-Independent)

Austen Clarke, the founder, originally started his property development career in Hamilton, New Zealand in 2001. Working with many respected joint-venture partners and important stakeholders such as Auckland Council and lending institutions, Austen has expertise in project management, strategy, contract negotiation, and finance. Austen received an MBA with distinction, from the University of Waikato in 2013.

Please see the disclosures in Section 2.4 in relation to Austen Clarke.

2.6 Stanford Senior Management

Stanford's Senior Management team currently comprises the following individuals:

Jasim Din Manager

Jasim formerly worked as a Senior Manager at Coopers & Lybrand. As a Chartered Accountant, he has held various senior roles as Finance Manager and Financial Controller. He was the Finance Manager at Pet Doctors Limited, where he led a team of accountants for Pet Doctors group clinics (25 nationwide). At Pet Doctors, Jasim supervised the production of external and internal financial reports and the development of financial controls. He also produced and implemented financial policies and procedures. He has worked in New Zealand, Australia and Fiji.

John Cilliers Board Secretary

John Cilliers is a qualified chartered accountant experienced in executive management. John was formerly the CFO of Pulse Energy Limited, an NZAX listed electricity retailer, and the 2012 Deloitte Fast 50 fastest growing company in New Zealand. He specialises in business acquisitions, commercialisation initiatives and the implementation and improvement of financial management and reporting systems to support organisational growth.

2.7 Substantial Shareholdings

- (a) The following table sets out details of each shareholder who, as at 9 March 2017, has "relevant interests" (as defined in the Financial Markets Conduct Act) in 5% or more of a class of equity securities in Stanford:

Name	Legal ownership or other nature of the interest	Number of shares of each Class held	% of each class of shares issued by Stanford
Stanford Group and Investments Limited	Legal owner	8,571,429 Class B Ordinary Shares	100% of Class B Ordinary Shares
		No Class A Shares	0% of Class A Shares

- (b) The following table sets out details of each person who, immediately after the issue of the maximum number of Class A Shares available under the Offer, is likely to have "relevant interests" (as defined in the Financial Markets Conduct Act) in 5% or more of a class of equity securities in Stanford:

Name	Legal ownership or other nature of the interest	Number of shares of each Class held	% of each class of shares issued by Stanford
Stanford Group and Investments Limited	Legal owner	8,571,429 Class B Ordinary Shares	100% of Class B Ordinary Shares
(Please also see Section 2.8 ("Relevant Interests held by Directors and Senior Managers") for disclosures relating to Austen Clarke in relation to the Class B Shares listed in this Section).		No Class A Shares	0% of Class A Shares

2.8 Relevant Interests held by Directors and Senior Managers

The following table sets out details of the “relevant interests” held by each director, proposed director, senior manager and/or proposed senior manager of Stanford:

Name	Position	Legal ownership of other nature of the interest	Number of shares in which individual has a relevant interest as at 9 March 2017	% of shares in which individual has a relevant interest as at 9 March 2017	Number of shares in which individual has a relevant interest immediately after the issue	% of shares in which individual has a relevant interest as at immediately after the issue
Austen Clarke	Director	Stanford Group and Investments Limited is the legal and beneficial owner of all Class B Ordinary Shares issued by Stanford as at 9 March 2017. All of the shares in Stanford Group and Investments Limited are held by Stanford Trustees Limited as the sole trustee of the Stanford Trust. Austen’s family trust is a discretionary beneficiary of the Stanford Trust.	No Class A Shares 8,571,429 Class B Ordinary Shares	Stanford Group and Investments Limited owns 100% of the Class B Ordinary Shares issued by Stanford as at 9 March 2017.	No Class A Shares 8,571,429 Class B Ordinary Shares	Immediately after the issue of Class A Shares: <ul style="list-style-type: none"> • 100% of the Class B Ordinary Shares • Between 46.15% to 30% of the Ordinary Shares issued in Stanford
Dene Biddecombe	Chairperson and Independent Director	None	None	None	None	None
Dominique Dowding	Independent Director	None	None	None	None	None
Jasim Din	Manager	None	None	None	None	None
John Cilliers	Board Secretary	None	None	None	None	None

2.9 Options to acquire securities of issuer

As at the date of this PDS, no options to acquire equity securities in Stanford have been granted, or are proposed to be granted, to any person by or on behalf of Stanford.

2.10 Other Equity Securities of Issuer

Under Stanford's Constitution, Stanford cannot issue other classes of equity securities in Stanford that would rank equally with, or in priority to, Class A Shares without a special resolution of the holders of Class A Shares.

On the Offer Opening Date, Stanford Group and Investments Limited (**SGIL**) holds all other shares issued in Stanford, being 8,571,429 Class B Ordinary Shares (**Class B Shares**), which have the following rights:

- Class A Shares and Class B Shares are both "Ordinary" class shares in Stanford. As Ordinary Shares, Class B Shares and Class A Shares have the same voting rights and pre-emptive rights on the issue of Shares.
- Class B Shares rank behind Class A Shares in priority for the payment of dividends. In the event that Stanford is placed into liquidation or wound up, Class B Shares rank behind Class A Shares in priority. Please see Section 6.1 ("Key Features of Class A Shares") and Section 6.2 ("Dividend Policy") for more details.
- SGIL is not permitted to sell or transfer any of the Class B Shares that it holds in Stanford until the later of: (a) the date that it has paid all subscription monies owing for its Class B Shares to Stanford; and (b) 24 months after the First Allotment Date.

2.11 Director Remuneration and Benefits

Prior to the date of the PDS, Stanford has not completed any accounting period. For the first accounting period (ending on 31 March 2017), subject to at least the Minimum Amount being raised under the Offer, Stanford will pay Dene Biddlecombe approximately \$27,730 in relation to his directorship of Stanford.

In the following accounting period (ending on 31 March 2018), Stanford expects that the directors of Stanford will receive the following remuneration and/or benefits:

Name	Total remuneration and benefits in their capacity as directors of Stanford and its subsidiaries in the next accounting period
Austen Clarke	\$40,000 to \$70,000 per annum
Dominique Dowding	\$40,000 to \$70,000 per annum
Dene Biddlecombe	\$60,000 to \$90,000 per annum
Total	\$140,000 to \$230,000 The board of each subsidiary established by Stanford must mirror the board of Stanford. The amount of director fees payable to each director will depend on the number of subsidiaries which are established to undertake Residential Centre Complex Developments in such period. Each director appointed to a subsidiary will receive additional fees of \$10,000 per annum for providing services as a director of that subsidiary.

These amounts are the total value of the remuneration and other benefits which those directors will receive from the Stanford Group in such accounting period.

2.12 Employee Remuneration

At the date of this PDS, no current or former employees of Stanford have received remuneration and other benefits to the value of \$100,000 per annum or more in their capacity as employees of Stanford.

It is not expected that remuneration or benefits for employees of Stanford will be materially different in the next accounting period.

2.13 Material agreements for Stanford Group

To assist the Stanford Group with developing Residential Centre Complexes, Stanford and Henderson Residences has (or intends to) enter into a Right of First Refusal Agreement and a number of Swanson Project agreements with Clarke Group and/or CGPIL.

Austen Clarke (the founding director of Stanford) is the sole shareholder and director of each of Clarke Group and CGPIL and is materially interested in those agreements.

The key terms of these agreements are summarised below. Copies of the agreements can be found at the Offer Register at <https://www.companiesoffice.govt.nz/disclose> under the offer number (OFR11862).

(a) Right of First Refusal Agreement

KEY TERMS

- Entered into between Stanford and Clarke Group on 9 March 2017.
- Clarke Group provides Stanford with rights of first refusal in relation to opportunities sourced by Clarke Group to develop Residential Centre Complexes on potentially suitable properties. Stanford can choose to suspend those rights for a period of time if it has insufficient capital to commit funds to a potential project.
- Rights provided to Clarke Group are non-exclusive. Stanford may contract with other suitably qualified development and/or property managers and advisers.
- As this is a relationship document, no fees are chargeable under the ROFR Agreement. Fees for projects (which are negotiated on a case-by-case basis) will be agreed and recorded in the management agreements for each Residential Centre Complex development
- Stanford may terminate the ROFR Agreement at any time by providing 20 working days' written notice to Clarke Group.
- Subject to Stanford's right of termination, Clarke Group are locked-in for the first two years (to allow Stanford to benefit from the rights of first refusal). After two years, Clarke Group may also terminate the ROFR Agreement on 20 working days' written notice.

(b) Swanson Project Agreements

The diagram on page 27 shows how the material contracts which have been entered into (or are proposed to be entered into) for the Swanson Project

NAME OF SWANSON PROJECT AGREEMENT	KEY TERMS
Sale and Purchase Agreement for Swanson Road Site	<ul style="list-style-type: none"> • Clarke Group Property Investments Limited (CGPIL) entered into a Sale and Purchase Agreement for the Swanson Road Site with Henderson Investments Limited (Swanson SPA) on 14 April 2016. • The purchase price for the site is \$5,000,000 (plus GST). • The deposit is 10% of the purchase price. • The Swanson SPA is conditional upon CGPIL providing notice by 15 May 2017 (or such later date as is agreed between CGPIL and the vendor) that CGPIL is satisfied with the results of its due diligence on the Swanson Road Site
Deed of Nomination	<ul style="list-style-type: none"> • Entered into between Henderson Residences and CGPIL on 9 March 2017. • Henderson Residences may exercise an option to be nominated by CGPIL as the purchaser of the Swanson Road Site under the Swanson SPA. • Under the Deed of Nomination between CGPIL and Henderson Residences, if Henderson Residences elects to provide a written notice to CGPIL, CGPIL must nominate Henderson Residences as the purchaser for the Swanson Road Site (with effect from the date of the written notice from Henderson Residences). • Henderson Residences will reimburse CGPIL for monies (including interest and GST) paid by CGPIL as the purchaser under the Swanson SPA.

NAME OF TEMPLATE AGREEMENT	KEY TERMS
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Equity Subscription Agreement

- Entered into between Henderson Residences and Stanford on 9 March 2017.
- Under the Equity Subscription Agreement between Stanford and Henderson Residences, Stanford will subscribe for 3,850,000 Ordinary Shares in Henderson Residences for the subscription price of \$3,850,000, to help fund the acquisition and development of the Swanson Road Site.
- The Equity Subscription Agreement for the Swanson Project is conditional upon the Minimum Amount being raised under the Offer and the Swanson SPA becoming unconditional.

Development Management Agreement

- Entered into between Stanford, Henderson Residences and Clarke Group on 9 March 2017.
- The Development Management Agreement is conditional upon settlement of the purchase of the Swanson Site taking place under the Swanson SPA and the Minimum Amount Condition being satisfied.
- Clarke Group is appointed as the development manager to project manage the Swanson Project.
- Clarke Group will receive an Establishment Fee of \$400,000 (plus GST), a project management fee of 2% (plus GST) of total "Development Costs" under the budget to be approved by Stanford and an additional Milestone Fee of \$500,000 (plus GST), subject to obtaining all resource consents necessary for the project.
- "Development Costs" means all expenses and fees incurred in the course of developing a Residential Centre Complex. This includes (without limitation) the costs of land acquisition, designing and obtaining consents for the development, construction costs (including fees for contractors and consultants), project management fees, marketing and leasing costs, regulatory/statutory compliance fees and payments of capitalised interest for debt financing.
- Clarke Group is also entitled to be reimbursed for third party invoices and approved disbursements (for example, travel).

NAME OF SWANSON PROJECT AGREEMENT	KEY TERMS
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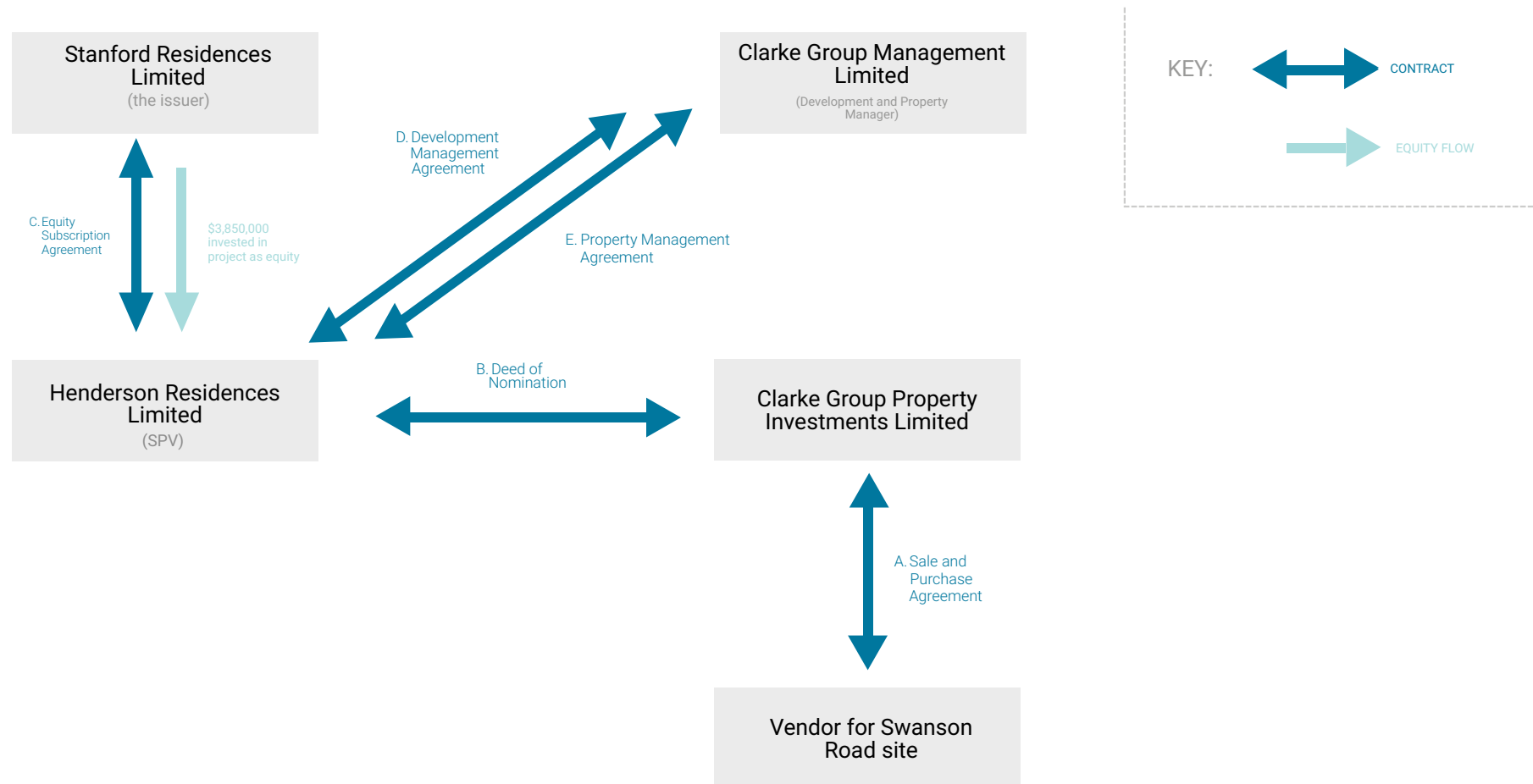
- Clarke Group is entitled to 50% of the profits from net rental income and 50% of the profits from the net sale proceeds for the complex. These are calculated as follows:
 - (i) Rental income (including rent and income from ancillary streams such as laundry, parking and internet charges) received by Henderson Residences (after deductions under the property management agreement) will be applied first to pay operating costs and debt repayment obligations of Henderson Residences and to make provision for working capital. The remainder will be split between Stanford and Clarke Group on a 50/50 basis.
 - (ii) Sale proceeds (from the sale of units in the complex or the complex as a whole) will be applied as follows:
 - First, to make provision for tax obligations and pay funder debt and sale costs for the complex;
 - Second, to pay development costs and operating costs of Henderson Residences;
 - Third, to pay to Stanford (in aggregate) the amount of equity contribution contributed by Stanford to Henderson Residences under the Equity Subscription Agreement; and
 - Fourth, the remainder will be split between Stanford and Clarke Group (as the development manager) on a 50/50 basis.
- The Agreement will only endure for the development period of the complex, which is usually 18-24 months. The Agreement can be terminated by Stanford on two weeks' notice from Stanford at any time after 30 months. There are also termination rights for material breach of the agreement, subject to the parties going through a dispute resolution process.

NAME OF TEMPLATE AGREEMENT	KEY TERMS
Development Management Agreement	<ul style="list-style-type: none"> The development manager has no automatic entitlement to any profit share if the agreement is terminated by Stanford prior to the sale of a completed development. If the Development Management Agreement is terminated, the parties can agree what would be appropriate given the stage of the development and the breach (if any) and Stanford may pay a "reasonable proportion" of the profit share that would have been payable to the development manager (had the agreement not been terminated). If there is a dispute, then the parties must submit the matter to mediation. The agreement may not be assigned by Clarke Group without Henderson Residences' prior approval.
Property Management Agreement	<ul style="list-style-type: none"> Proposed to v be entered into between Henderson Residences and Clarke Group once the Swanson complex has been completed. The property manager's responsibilities include managing tenants (including negotiating leases for the units), managing accounts and collecting rent and managing the building (including supervising maintenance works and carrying out inspections). In the event of non performance, Henderson Residences may terminate the agreement for breach after 20 working days The following fees are payable by Henderson Residences to the Property Manager: <ul style="list-style-type: none"> (i) Property Management Fee: For the Swanson Project, this will be 8% (plus GST) of gross rental income per annum (including rent, laundry, internet and parking charges and any other income generated from the complex) received from tenants prior to the sale of the complex. (i) Additional Fees: The Property Manager will charge \$50 per hour for the performance of additional services agreed between the parties (excluding services already specified in agreement).

In the event that Stanford wishes to engage Clarke Group or a third party as a development manager or property manager for a future project, it is intended that the Swanson Project agreements will be used as a starting point for negotiations for those future projects. The development manager and property manager fees, profit share and Stanford's equity contribution may vary from project to project. For a summary of all estimated related party fees and profit share, please also see the Related Party Fee Table set out at Section 7.3.

No agreements are available for debt financing arrangements in relation to the Swanson Project or the Stanford Group, as these are likely to be in the lender's standard form. However, please see Section 2.2(c) ("How will each Residential Centre Complex development be structured?"), which summarises the debt financing and security arrangement terms which the Stanford Board would be willing to accept from third party lenders.

Structure of Swanson Project Agreements



2.14 Other Material Governance Disclosures

(a) **Special Powers given to others**

The constitution for Stanford does not give any person the right to exercise a power that would usually be exercised by the shareholders by resolution, and as at the date of this PDS, Stanford is not a party to any agreement which would have that effect.

(b) **Rights of shareholders to control composition of the Board**

- **Appointment to the Stanford Board:** The constitution for Stanford provides for a minimum of 3 and a maximum of 5 directors on the Stanford Board. Directors are appointed/removed by an Ordinary Resolution of the shareholders of Stanford. At all times, at least one director must be an independent director (with a preference for two independent directors).
- **Appointment to the board of a Stanford Subsidiary:** The board of Stanford each Subsidiary must mirror the board of Stanford. Any resolution to appoint or remove directors to the board of the subsidiary requires approval by an Ordinary Resolution of the shareholders of Stanford, which has been approved in accordance with Stanford's constitution. Any amendment to the director appointment provisions of the subsidiary's constitution also requires an Ordinary Resolution of Stanford's shareholders.
- **Rights to act for other's interests:** The constitution of Stanford does not give the Board or a Director of Stanford the right to act in a manner that the Board or the Director believes is in the best interests of any person other than Stanford. In addition, any Director who is interested in a transaction to be entered into by Stanford or a Stanford Subsidiary must not vote on the matter, sign any documents nor do any thing in their capacity as a Stanford Group director in relation to the transaction. Stanford's "Conflicts of Interest Policy" is set out in its Board Charter, which is available on the Offer Register.



This development was undertaken by Clarke Group and is included for illustrative purposes only. Stanford was not involved in carrying out this development and has no financial interest or benefit in it. Appendix 2 sets out further examples of developments carried out by Clarke Group, together with important investor disclosures.

3 Purpose of the Offer



3.1 The purpose of the Offer is to raise capital in order for Stanford to acquire strategically located land and build specialised studios on that real estate in accordance with the Residential Centre Complex model.

The Minimum Amount of \$10,000,000 must be raised before the Class A Shares are issued. Subject to the Minimum Amount being raised, the money being raised under the Offer will be utilised as follows:

Use of monies raised by Stanford	How each use relates to Stanford's strategies and plans for its business	Estimated amount (assuming that at least the Minimum Amount is raised)
Swanson Project Costs	Stanford has allocated \$3,850,000 as an initial equity contribution to Henderson Residences, to meet costs for the Swanson Project. Approximately \$2,500,000 is allocated for land acquisition costs, with the remainder being used for development costs.	\$3,850,000
Offer costs	Stanford has estimated the total costs of the offer to be between \$650,000 to \$950,000, including the following expenses: <ul style="list-style-type: none"> • Brokerage fees - \$300,000 to \$600,000 (this sum is 3% of the amount raised under the Offer). • Marketing and promotion - \$20,000 • Legal, accounting and other expenses - \$330,000 	\$650,000 to \$950,000
Other costs (further projects and overheads)	Stanford generates returns by acquiring land to develop Residential Centre Complexes, completing developments, letting units in each completed complex and selling those complexes. After meeting Swanson Project and Offer Costs, the balance of funds raised will be used for project costs for further developments, as well as the overhead costs of Stanford. <p>Overhead costs include contributions to rental payments for premises, IT and software costs, accounting and legal advice, staffing, insurance, marketing and promotion and costs for preliminary due diligence. Overhead costs are estimated at \$1,600,000 and are not expected to vary based on the number of projects.</p> <p>Project costs vary from project to project. Stanford's business plan anticipates that between \$3,900,000 to \$13,600,000 will be allocated to further projects.</p>	\$5,500,000 to \$15,200,000
Total		\$10,000,000 to \$20,000,000

The use of money raised under this Offer will change depending on the amount raised. The Offer is not underwritten.

4 Key Dates and Offer Process



Offer Opening date	23 March 2017
Offer Closing date	<p>14 July 2017, unless the Offer is fully subscribed or closed earlier.</p> <p>The Stanford Board reserves the right to extend the Offer in accordance with the Financial Markets Conduct Act.</p>
Date on which Class A Shares will be issued	<p>No Class A Shares will be issued until Stanford has received Approved Applications for the Minimum Number of Class A Shares (Minimum Amount Condition).</p> <p>The first tranche of Class A Shares will be issued on the First Allotment Date, which is the later of:</p> <ul style="list-style-type: none"> • The date that the Minimum Amount Condition is satisfied; and • 1 April 2017. <p>Between the First Allotment Date and the date that is five working days after the Offer Closing Date (Last Allotment Date), Class A Shares will be allotted (in one or more tranches) to Approved Applicants once Stanford has received their Application Monies in cleared funds and their Application has been approved by Stanford.</p>

5 Terms of the Offer



5.1 Terms of the Offer

The key terms of the Offer are set out in the table at Section 1.4 (*"Key terms of the Offer"*), the table below and the *"Application Form"* section.

Description of the equity securities	Fully paid Class A Preference Ordinary Shares
Price	<ul style="list-style-type: none">NZ \$1 for each Class A Share, which must be paid at the time of Application.The issue price was set by the board of Stanford, on the basis that Stanford is a new company with no net assets (other than conditional contracts). No independent or objective mechanism was used to set the price of the Class A Shares.
Offer Opening Date, Offer Closing Date and Allotment Process for Class A Shares	Please see Section 4 (<i>"Key Dates"</i>).
Minimum and maximum application amounts	Each Applicant may apply for a minimum number of 10,000 Class A Shares (NZ \$10,000) and together with their "Associates" (as defined in the constitution of Stanford), a maximum number of 1,000,000 Class A Shares (NZ \$1,000,000). Applications for more than 10,000 Class A Shares must be in multiples of 10,000 Class A Shares.
What is the minimum and maximum number of Class A Shares being offered?	Minimum: 10,000,000 Class A Shares Maximum: 20,000,000 Class A Shares
Minimum Amount Condition	<p>No Class A Shares will be issued until Stanford has received Approved Applications for at least 10,000,000 Class A Shares (Minimum Amount Condition).</p> <p>If the Minimum Amount Condition is not satisfied by the Offer Closing Date, then Stanford may elect to:</p> <ul style="list-style-type: none">Refund all Applicants; orExtend the Offer Closing Date. <p>If the Offer is extended and you have already applied for Class A Shares, Stanford will notify you and you will have one month to confirm whether you still wish to acquire Class A Shares under the Offer.</p> <p>If you do not give Stanford your confirmation within one month or you wish to have your monies refunded, you will be refunded your Application Monies as soon as is reasonably practicable. Please see the "Refunds" section below for more information.</p>

Rights of Class A Shares and constitution of Stanford

- Please see Section 6 ("*Key Features of Class A Shares*") for a summary of the terms of issue for the Class A Shares, including voting rights, the rights to receive dividends (including the Class A Preferential Dividend), rights to a preferential liquidation preference and transfer and shareholding restrictions.
- Stanford's constitution sets out the terms of the Class A Shares. A copy of Stanford's constitution can be found on the Offer Register at <https://www.companiesoffice.govt.nz/disclose> under the offer number (OFR11862)..

Further payments or fees or charges

There are no calls payable on Class A Shares. No brokerage or other commission is payable by you under the Offer.

If you sell your Class A Shares, you may be required to pay brokerage or other sale expenses. You may also be liable for tax on the sale of your Class A Shares.

Withdrawal of Offer

The Offer may be withdrawn by Stanford at any time before the allotment of any Class A Shares, at Stanford's sole discretion. Please also see the "Refunds" section below for more information.

Further information on refunds

Refunds will be paid in the manner you elect any future dividend payments to be paid. In the event that interest has accrued on any Application Monies and those Application Monies are refunded, such interest (less RWT) will also be refunded to Applicants along with their Application Monies.

Money received in respect of Applications which are declined in whole or in part will be refunded in whole or in part (as the case may be). Refunds will be paid to unsuccessful Applicants (as soon as practicable):

- where Stanford receives Applications for more than the Maximum Number of Class A Shares, after the Maximum Number of Class A Shares has been allocated under the Offer; and/or
- after an Application has been declined (in whole or in part).

Any Applicant who has been refunded their Application Monies will have no right to be issued any Class A Shares.

If the Offer does not proceed for any reason, all Application Monies will be refunded as soon as practicable after announcement of the decision not to proceed (and in any event, within one month of the date of that announcement).

Powers reserved to Stanford with respect to Applications and the Offer

In addition to the above, Stanford also reserves the right, at its sole discretion, to:

- Close the Offer early
 - Approve Applications
 - Reject all or part of any Application, without giving any reason
 - Allocate Class A Shares to an Applicant, provided that the number of Class A Shares allocated to an Applicant shall not exceed the number of Class A Shares applied for and paid for by that Applicant
 - Exercise rights with respect to approving or rectifying incorrectly completed Application Forms, as set out in the "Application Form" section.
-

6 Key Features of the Class A Shares



6.1 Key Features of Class A Shares

The key features of Class A Shares are described at Section 1.4 (*"Key Terms of the Offer"*), Section 5 (*"Terms of the Offer"*) and this section.

Class A Shares provide the following rights:

- The same voting rights as other Ordinary Shares in Stanford.
- The usual rights to attend shareholder meetings and receive shareholder information which apply to ordinary shares in a company generally.
- Subject to the factors set out at Section 6.2(a) (*"Factors Affecting Distributions by Stanford"*), Stanford intends to pay on a quarterly basis a preferred dividend (**Class A Preferential Dividend**) to the holders of Class A Shares at the targeted rate of 9% per annum (before tax) on subscription monies for Class A Shares, beginning to accrue from the seventh month following the allotment of a parcel of Class A Shares under the Offer (**9% Targeted Preferred Return**). Subject to solvency and working capital requirements, Stanford intends to declare quarterly dividends from the tenth month following the First Allotment Date. If insufficient funds are available to meet the 9% Targeted Preferred Return, the Board may declare a dividend for Class A Shares which is less than the targeted rate. The holder of Class B Shares will not be entitled to receive the Class A Preferential Dividend.
- No dividends will be declared for other classes of shares in Stanford (or collectively, on all classes of Ordinary Shares) unless the Class A Shareholders have been paid their 9% Targeted Preferred Return in full.
- In addition to the 9% Targeted Preferred Return, as Ordinary Shares, the holders of Class A Shares will be entitled to receive a Special Dividend (if declared on all Ordinary Shares in the Board's discretion). Further details are described in the Dividend Policy set out at Section 6.2 (*"Dividend Policy"*).
- If Stanford is placed into liquidation or wound up and there are surplus funds after the payment of Stanford's creditors, the surplus funds shall be applied on a pro rata basis to holders of Class A Shares in proportion to their initial subscription monies, before any distribution or payment is made to the holders of other classes of shares in Stanford (**Class A Liquidation Preference**).

Following the completion of the audit of Stanford's financial statements for its first accounting period, the holders of Class A Shares may sell their Class A Shares,

provided that the Board may refuse to approve the transfer if required by law, or if such transfer would result in any one Class A Shareholder (together with their associates) owning more than 10% of the Ordinary Shares in Stanford.

6.2 Dividends and Dividend Policy

No dividends have been declared for any class of shares in Stanford since it was incorporated in July 2016.

Stanford's dividend policy is set out below. Additional information on forecasted dividends is set out at Section 7 (*"Stanford's Financial Information"*).

Dividends are not guaranteed. No assurances are provided by Stanford or any other person about the payment of any dividend and the level of imputation credits on any such dividend. Dividends are declared at the discretion of the directors and will be declared only after meeting appropriate solvency requirements.

(a) Factors affecting distributions by Stanford

Dividends and other distributions with respect to shares in Stanford are made at the discretion of the Board of Directors. These are dependent on a number of factors, including the general business environment, the financial condition of Stanford, future funding requirements, taxation considerations (including the level of imputation credits available), any contractual, legal or regulatory restrictions on the payment of dividends by Stanford and any other factors which the Board considers relevant. Dividends will only be declared if Stanford meets the requirements of the Companies Act (including appropriate solvency requirements).

Prior to declaring any dividend, the Board will assess projected cash flow and determine whether it is desirable to retain sufficient amounts to meet the ongoing needs of the Company, including (at the Board's discretion) retaining sums to meet any upcoming preferential dividend payments to Class A Shareholders.

(b) Preferential dividend on Class A Shares

Section 6.1 describes the right of holders of Class A Shareholders to receive the Class A Preferential Dividend.

While Stanford intends to pay this Class A Preferential Dividend from the rental income and sale proceeds derived from completed

and tenanted developments, the first Residential Centre Complex development is projected to be completed on around the 24th month and sold on or around the 30th month after the First Allotment Date (assuming that the Minimum Amount Condition is satisfied).

In order for Stanford to have sufficient capital to pay the Class A Preferential Dividend between months 7 to 30 following the date that the first tranche of Class A Shares is allotted, the founder of Stanford (through SGIL) has agreed to provide an initial \$900,000 equity contribution to Stanford within the first 12 months following the First Allotment Date (subject to the Minimum Amount being raised). Depending on the amount of capital raised under the Offer, SGIL shall provide a further equity contribution of between \$900,000 and \$2,700,000 between 12 to 30 months following the First Allotment Date. Please see Section 7.2, assumption (i) for further details of the payment terms for this equity contribution.

Prior to the sale of the first completed complex, Stanford intends to use the equity contributed by SGIL and rental income (see below), as well as interest accrued on monies held by Stanford, to meet its operating expenses and pay the 9% Targeted Preferred Return.

Once the Swanson Project is completed, Stanford estimates that from the 25th month, provided that the development is undertaken within estimated timeframes, Stanford will also receive rental income from the tenanted complex (less fees payable to the appointed property manager under the applicable property management agreement), which can be used to pay the 9% Targeted Preferred Return. Stanford intends to hold each complex (once completed) and receive rental income from it for a number of months before the complexes (or units in the complex) are sold (estimated at the 30th month).

Please see the summary of the Development Agreement for the Swanson Project at Section 2.13(b) ("*Swanson Project Agreements*"). The summary describes how the proceeds from the sale from the Swanson Project will be applied. Stanford intends to use similar arrangements for applying sale proceeds (if any) for future projects, although the profit share proportions for a particular project may be different from the profit share agreed with Clarke Group for the Swanson Project.

Provided that a Residential Centre Complex has been sold profitably, Stanford will receive an amount equal to its equity contribution to the applicable Stanford Subsidiary, and after payment of the profit share

payable to the development manager, Stanford's share of profits from the disposal of the Complex (**Received Sale Profits**).

Stanford will use any Received Sale Profits to:

- Meet projected working capital requirements for further development projects;
- Fund future payments of the 9% Targeted Preferred Return; and
- Declare a "Special dividend on Ordinary Shares" upon the terms described in Section 6.2(c) below.

(c) **Special dividend on Ordinary Shares upon disposal of a Residential Centre Complex**

Provided that the Class A Shareholders have been paid their 9% Targeted Preferred Return in full and subject to the factors set out at Section 6.2(a) ("*Factors affecting distributions by Stanford*"), the Board may, at its discretion, elect to distribute a portion of Received Sale Profits to the Ordinary Shareholders of Stanford, by declaring a special dividend payable to the holders of all classes of Ordinary Shares in the Company. If declared, this special dividend shall be amongst holders of Class A and Class B Shares in proportion to the number of Ordinary Shares held by each shareholder. Class A and Class B Shares are the only classes of Ordinary Shares issued in Stanford as at the date of this PDS.

Please be aware that the Prospective Financial Information on the Offer Register and set out at Section 7 assume that no Special Dividends will be declared in the first 36 months following the First Allotment Date.


(d) **Liquidation or wind-up of Stanford**

If Stanford is placed into liquidation or wound up and there are surplus funds after the payment of Stanford's creditors, the surplus funds shall be applied in the following order of priority:

- First, on a pro rata basis to holders of Class A Shares in proportion to their initial subscription monies;

- Second, to the holder of Class B Shares until the holder has been paid an amount equal to all subscription monies received by Stanford for the issue of Class B Shares (as described at Section 7.2(i)); and
- Third, to the holders of all Ordinary Shares on a pro-rata basis.

No liquidation preference monies will be paid to the Class B Shareholder in relation to the 1,000,000 Ordinary Shares issued (and subsequently converted to Class B Shares) when Stanford was incorporated, as those shares were issued to SGIL for nil consideration.



This development was undertaken by Clarke Group and is included for illustrative purposes only. Stanford was not involved in carrying out this development and has no financial interest or benefit in it. Appendix 2 sets out further examples of developments carried out by Clarke Group, together with important investor disclosures.

7 Stanford's Financial Information

An aerial photograph of a residential development. The development features several modern, two-story houses with light-colored siding and dark roofs. A central parking lot is visible, with several cars parked. The houses are surrounded by green lawns and some landscaping. In the foreground, a street with a sidewalk and parked cars is visible. The overall scene is a suburban residential area.

This development was undertaken by Clarke Group and is included for illustrative purposes only. Stanford was not involved in carrying out this development and has no financial interest or benefit in it. Appendix 2 sets out further examples of developments carried out by Clarke Group, together with important investor disclosures.

The tables set out below provide key financial information about Stanford Group. Full prospective financial statements are available on the Offer Register at <https://www.companiesoffice.govt.nz/disclose> under the offer number (OFR11862). If you do not understand this financial information, you can seek advice from a financial adviser or an accountant.

7.1 Selected financial information and assumptions

NZ\$	Year 2018	Year 2019	Year 2020
Total Revenue	110,821	99,953	61,454,091
EBITDA	(550,679)	(468,047)	6,117,691
Net Profit/(loss) After Tax	(407,689)	(336,994)	4,404,737
Dividends (A class)	780,000	1,800,000	1,807,500
Dividends (B class)	-	-	-
Total Assets	33,467,779	49,942,766	21,922,554
Cash and cash equivalents	8,690,667	11,081,737	21,922,554
Total Liabilities	12,005,468	30,617,449	-
Total Debt	11,380,468	29,162,449	-
Net cashflow from operating activities	(21,859,800)	(15,990,912)	41,510,766

This Prospective Financial Information (**PFI**) has been prepared based on the principal assumptions set out below. You should read the PFI in the context of the assumptions, and in conjunction with the other information in this PDS and on the Offer Register, including (without limitation) the risks set out at Section 8 ("*Risks to Stanford's Business and Plans*") and the Sensitivity Analysis set out in the Prospective Financial Statements registered on the Offer Register at <https://www.companiesoffice.govt.nz/disclose> under the offer number (OFR11862).

The PFI is based on the Board's assessment of events and conditions existing at the date of this PDS and the accounting policies and assumptions set out in the prospective financial statements on the Offer Register.

Prospective financial information is inherently uncertain. It is a prediction of future events which cannot be assured. It involves risks and uncertainties, many of which are beyond the control of Stanford. The Board believes that the PFI has been prepared with due care and attention and considers the assumptions, when taken as a whole, to be reasonable at the time of preparing this PDS. Actual results are likely to vary from the information presented and the variances may be material.

The PFI are based on one or more hypothetical but realistic assumptions. The actual results may differ from the PFI if there are fluctuations in the various factors contributing to Stanford's performance, position and cash flows. The resulting variance may be material. Neither Stanford, any subsidiary of Stanford, the directors of Stanford, nor any other person give a guarantee or assurance that the PFI presented will be achieved.

The PFI for Stanford were prepared and authorised by the directors for use in this Product Disclosure Statement and the Offer Register Entry for the Offer and not for any other purpose.

7.2 Principle Assumptions

- PFI has been prepared for the financial years ending on 31 March 2018, 31 March 2019 and 31 March 2020.
- The Offer is conditional upon a minimum amount of \$10,000,000 (**Minimum Amount**) being raised (being 10,000,000 Class A Shares at \$1 each). The maximum amount that can be raised under the Offer is \$20,000,000 (**Maximum Amount**) (being 20,000,000 Class A Shares at \$1 each).
- Stanford intends to commence operations in April 2017, with the first tranche of investor funds being raised in that month. The issue of Class A Shares is forecasted to be raised in the following timeframes: \$10,000,000 in April 2017 and \$10,000,000 in the period from 30 April until the Offer Closing Date.
- The PFI has been prepared on the basis that Stanford will undertake the Swanson Project and two Residential Centre Complex developments of similar size and scale to the Swanson Project (each an **Assumed Project**) using the capital raised. This is subject to:

- (i) Stanford being able to locate two other properties of similar size and scale to the Swanson Project, which are suitable for development as Residential Centre Complexes;
 - (ii) The Stanford Group undertaking the Swanson Project and two Assumed Projects within the timeframes set out at paragraph 7.2(k); and
 - (iii) Stanford being able to locate three properties which are suitable for development as Residential Centre Complexes and develop those properties within the timeframes set out at paragraph 7.2(k); and
 - (iv) the Maximum Amount being raised under the Offer.
- (e) As set out at Section 2.2(a) ("*Business Plan*"), the number of projects actually undertaken and their size and scope may vary.
- (f) Please see the sensitivity analysis in the Prospective Financial Statements (on the Offer Register) for information on the impact on the PFI if Stanford fails to raise the Maximum Amount under the Offer.
- (g) The PFI has been prepared on the basis that Stanford intends to establish three Special Purpose Vehicle (SPV) companies in total, one to carry out the development of each Residential Centre Complex. The SPVs will account for the transactions related to the development of the Residential Centre Complexes and Stanford will own 100% of the SPVs. As at the date of registration of the Product Disclosure Statement, the Company has established one SPV (Henderson Residences) to undertake the Swanson Project. For the purpose of the PFI, it is intended that there will be two further SPVs formed, with each SPV modelled under the same financial forecast as Henderson Residences.
- (h) Please see Section 3 for information about estimated Offer costs.
- (i) Upon incorporation of the Company, Stanford Group and Investments Limited (**SGIL**) were issued 1,000,000 shares in the Company. These were converted to Class B Shares. Prior to commencement of the Offer, the Company issued a further 7,571,429 Class B Shares to Stanford Group and Investments Limited. Subject to a minimum of 10,000,000 Class A Shares being issued under the Offer, SGIL shall be obliged to pay for its Class B Shares the base price of \$900,000 (payable within 12 months of the First Allotment Date) and an overage payment linked to the amount raised under the Offer. The overage amount is calculated on the basis of the following formula:

$$\text{Overage} = (A - 5,000,000) \times \text{NZD}0.18$$

where A = the number of Class A Shares issued under the Offer

For example:

- (i) If the Minimum Raise is achieved and 10 million Class A Shares are issued, SGIL pays the base price of \$900,000 and an additional overage amount of \$900,000, for a total consideration of \$1,800,000.
- (ii) If 15 million Class A Shares are issued, SGIL pays the base price of \$900,000 and an additional overage amount of \$1,800,000, for a total consideration of \$2,700,000.
- (iii) If 20 million Class A Shares are issued, SGIL pays the base price of \$900,000 and an additional overage amount of \$2,700,000, for a total consideration of \$3,600,000.

As Class A Shares are allotted under the Offer, SGIL becomes obligated to pay the Overage Amount calculated by reference to that parcel of Class A Shares. For example, if 10,000,000 Class A Shares are allotted on the First Allotment Date, SGIL's obligation to pay an additional \$900,000 in Overage begins to accrue from that date. The total amount of Overage payable by SGIL shall be calculated after the Offer closes. SGIL's payment obligations are deferred until the period between 12 to 30 months following the First Allotment Date, where upon written demand from Stanford, SGIL must pay the Overage Amounts to Stanford in one or more tranches. This is recorded as a loan to SGIL in the years ending 2018 and 2019. For the purposes of the accruals rules, the total price payable for the Class B Shares by SGIL includes the deemed interest component. A copy of the subscription agreement for the Class B Shares is available on the Offer Register.

- (j) Stanford intends to pay on a quarterly basis a preferred dividend to the holders of Class A Shares at the targeted rate of 9% per annum (before tax) on subscription monies for Class A Shares, beginning to accrue from the seventh month following the allotment of a parcel of Class A Shares under the Offer (**9% Targeted Preferred Return**). The forecast has been prepared on the basis that subject to solvency and working capital requirements, Stanford intends to declare Class A Preferential dividends on a quarterly basis from the 10th month following the First Allotment Date. Hence, the gross dividend yield is forecast to be 9% (annualised) on Class A Preference Shares only, with no dividends declared for Class B Shares in the initial three year period. The dividend value reflected in the financial reports is based on the assumption that all Class A Shares will be issued and the Maximum Amount of funds will be raised. It is intended that

Class A dividends paid will have imputation credits attached at 28% of the gross dividend.

- (k) Stanford estimates that each SPV will commence trading within the first 12 months of the Company completing the capital raise under the Offer. The PFI has been prepared on the basis that:

- (i) Trading for the first SPV is expected to commence in April 2017, the second in June 2017 and the third in August 2017.
- (ii) Each development property purchased by an SPV is expected to have a development period of 24 months to completion.
- (iii) It is estimated that rent will be received for each property from the 25th month onwards, and for a period of 5 months. Accordingly, it is estimated that rent will be received from April 2019, June 2019 and August 2019, respectively. It is estimated that each project will be sold in the 30th month.
- (iv) The developments undertaken by the SPV's are intended to be sold in the following timeframes: the first in September 2019, the second in November 2019, and the third in January 2020.

Please see Section 8 ("Risks") and the Sensitivity Analysis in the Prospective Financial Statements for information on the potential consequences if these timeframes are not met.

- (l) It is estimated that the site for the Swanson Project (at 14-20 Swanson Road) can accommodate a minimum of 100 studios. The forecast has been prepared on the basis that the other two Assumed Projects will be similar in size and purchase price to the Swanson Road property, so the baseline figure for the quantity of studios constructed and let per SPV is 100. The development costs, property sale income, and rental incomes for each Assumed Project have been calculated based on 100 studios per SPV.
- (m) *Related Party Fees and Profit Share*: This relates to fees and profit share paid to Clarke Group under development management agreements and property management agreements with Stanford and the applicable SPV. For a summary of all estimated related party fees and profit share, please also see the Related Party Fee Table set out at Section 7.3.
- (n) As at the date of the Product Disclosure Statement, Clarke Group has entered into a Development Management Agreement with Henderson Residences and Stanford for the development of 14-20 Swanson Road (**Henderson DMA**). The Henderson

DMA is available on the Offer Register. The financial forecast has been prepared on the basis that Clarke Group will enter into two other development management agreements (with each of the two other SPVs which Stanford intends to establish). The fee and profit share structure under the Henderson DMA has been used as the baseline for the two other development management agreements. Please be aware that the contractual parties may negotiate different fees and profit share for the remaining two projects. Stanford and the applicable SPV may also elect to enter into a development management agreement with a third party, rather than contracting with Clarke Group.

- (o) The Henderson DMA sets out related party fees and profit share payable to Clarke Group by the SPV or Stanford. The fees and profit share are characterised as payments to related entities, as Austen Clarke is the director of both Stanford Residences Limited and Clarke Group, and is the sole shareholder of Clarke Group. Fees under the Henderson DMA include
 - (i) an Establishment Fee of \$400,000 (payable upon commencement of the development);
 - (ii) a Project Management Fee of \$314,093 (based on 2% of estimated budgeted Development Costs, payable in 24 monthly instalments from the Commencement Date of the project); and
 - (iii) a Milestone Fee of \$500,000 payable to Clarke Group once all resource consents have been obtained for the development (which for the purposes of the forecast is estimated to take place 12 months after the commencement of the project).

The Henderson DMA also sets out the profit split of net rental income (including rent and income from ancillary streams, such as internet, parking and laundry charges) received by Stanford (after deduction of property management fees), and net proceeds from the sale of completed properties for each SPV. The agreed profit split for the Henderson DMA is 50% to Clarke Group and 50% to Stanford. The Establishment Fee, Project Management Fee and Milestone Fee listed above are included in the overall project development costs, which are deducted prior to calculating profit. The profit share is paid by Stanford to Clarke Group and is also characterised as a payment to a related entity. Please see below for the estimated profit share per development.

- (p) Administration expenses include directors' fees of \$690,000 over the 36 month forecasted period.

- (q) The cost of initial land purchases for the Swanson Project and the two other Assumed Projects are budgeted at \$5,000,000 per site. Total Development Costs are estimated to be \$15,704,654 per site. A definition of Development Costs is set out in the glossary to this PDS.
- (r) It is budgeted that each SPV will require \$11,854,000 of bank funding to get to a completed stage. Debt financing for each separate development will be obtained by the SPV and not at the group level. It is intended that the bank funding will be progressively drawn down over the 24-month development period. The bank funding will be initially used to settle land, and pay for consultants to attain council resource and building consents. The timeline has been projected to be 12 months to purchase land and achieve consents. The remaining bank loans will be drawn during the construction phase.
- (s) The interest rate on bank borrowings has been assumed to commence at 6% on a fixed basis. The interest expense and interest paid cash flow is dependent on the balance of the funding facility. The assumption is subject to the risk of interest rate variation.
- (t) The following has been assumed in relation to the funding facility:
 - (i) no principal repayments are expected during the term of the funding facility;
 - (ii) no recourse to Class A Shareholders; and
 - (iii) capital expenditure will be funded by the funding facility to the extent that free cash flows are not available to fund such expenditure.

The loan will be secured by a first registered mortgage over the development land and if required, a personal guarantee may be given to the lender by Austen Clarke (subject to the terms of the borrowing and security arrangements being on commercially usual and reasonable terms).

- (u) Interest income has been budgeted to be 1.5% after RWT deducted, and calculated on the monthly bank balance.
- (v) Property Rental Income and expenditure are budgeted using a forecasted rental rate of \$330 (including GST) per week for each studio and an occupancy rate of 96%, allowing for 2 weeks vacancy per year. On that basis (and taking into account ancillary income streams from carpark, laundry and internet charges), each SPV's property rental income (less expenditure) is budgeted to equal a

net profit of \$600,000 per year. Expenditure includes insurance, rates, repairs and maintenance, power and gas, cleaning and upkeep, rubbish collection, phone internet security and finance interest. Rent and other income generated by the property will be collected by a property management company, and after deducting a property management fee (projected at 8% of gross income, excluding GST), the remainder will be distributed to Stanford on a monthly basis. For Henderson Residences Limited and each SPV, net rental profit for the estimated 5 month period between completion of a complex and the sale of that complex is budgeted to equal \$250,000 per SPV. This net rental profit is shared between Stanford and the appointed development manager in accordance with the agreed profit share. The financials reflect the 50% rental profit share going to Clarke Group (assuming it is appointed the development manager) being \$125,000 per SPV, with Stanford retaining the remaining 50%.

- (w) The properties are valued using an income capitalisation approach, which allows a valuer to estimate the value of a property by taking the net operating income of the rent collected and dividing it by the capitalisation rate. The forecasted capitalisation rates are 6% for a dwelling made up of 3 studios, and 7% for a dwelling made up of 7 studios. Using these capitalisation rates and on the basis that the Swanson Project is planned to comprise ten dwellings made up of 3 studios and ten dwellings made up of 7 studios, assuming each Assumed Project has the same configuration as the Swanson Project, the forecasted valuation of each SPV is \$19,761,165.

Please refer to the Prospective Financial Statements lodged on the Offer Register for further information on how the forecasted valuation is calculated.

- (x) Property sale income is based on the assumption that each development will be sold for \$19,761,165 (based on the valuation figure calculated on the basis set out at paragraph 7.2(w)). It has been assumed that the land purchase and property sale transaction will meet the criteria to be zero rated for GST purposes. It is estimated that this will result in a net profit before tax of \$4,056,000 for each SPV. The financials reflect the 50% profit share going to Clarke Group (being \$2,028,000 per development), with Stanford retaining the remaining 50%.
- (y) The PFI has been prepared on the assumptions that there will be no material changes in the economic environment, legal requirements or the current tax regulations.

7.3 Related Party Fee Table

For ease of reference, please see below a table showing estimated related party fees payable to Clarke Group for the Swanson Project (on the basis that Clarke Group has been appointed as development manager and Stanford intends to appoint Clarke Group as property manager). The amounts are calculated based on the assumptions set out in Section 7.2 and the Prospective Financial Statements and must be read together with those assumptions and the notes in Section 7.1.

Fee:	Swanson Agreement	Assumptions for estimate and timeframes	Payable to:	Estimated amounts for Swanson Project
Establishment Fee	Development Management Agreement	Please see Section 7.2(o)	Clarke Group	\$400,000
Project Management fee	Development Management Agreement	Please see Section 7.2(o)	Clarke Group	2 percent of total Development Costs under budget approved by Stanford Estimated at \$314,093
Milestone Fee	Development Management Agreement	Please see Section 7.2(o)	Clarke Group	\$500,000
Profit Share (Sale Proceeds)	Development Management Agreement	Please see Section 7.2(x)	Clarke Group	Estimated at \$2,028,000
Profit Share (Rental Income)	Development Management Agreement	Please see Section 7.2(v)	Clarke Group	Estimated at \$125,000
Property Management Fee	Property Management Agreement	Please see Section 7.2(v)	Clarke Group	Estimated at \$127,345
Total				\$3,494,438

The PFI assumes that Clarke Group or a third party will be appointed as a development manager and/or property manager for the two additional Assumed Projects which Stanford intends to undertake and that the terms of appointment and fee structure will be the same as that for the Swanson Project. If Clarke Group is appointed on the same basis for the other one or two Assumed Projects, then the total amount of related party fees and profit share payable to Clarke Group will be the total fees for the Swanson Project multiplied by the total number of projects Clarke Group are appointed for, estimated at approximately \$10,483,314.

8 Risks to Stanford's Business and Plans



8.1 Risks

This section describes circumstances that Stanford is aware of that exist or are likely to arise that significantly increase the risk to Stanford's financial position, financial performance or stated plans.

Swanson site – acquisition risk

(a) Our assessment of nature and potential magnitude of the risk

Stanford Group has secured an option to acquire the Swanson Site under a conditional sale and purchase agreement (**Swanson SPA**). The purchaser must notify the vendor that the due diligence condition under the agreement has been satisfied by 15 May 2017, or the Swanson SPA will expire. If Stanford has not received Approved Applications for at least 10,000,000 Class A Shares (the Minimum Amount) by that date and it is not in a position to exercise its option or make the contract unconditional, then Stanford Group may not be able to carry out the Swanson Project.

(b) Stanford's mitigation strategies

If the Minimum Amount has not been raised by the condition satisfaction date set out above, Stanford intends to seek to negotiate an extension of the condition date from the vendor. Whether the vendor will agree to an extension will depend upon the amount of Application monies received under the Offer at the time.

If an extension is not possible and the option lapses, Stanford plans to replace the Swanson Project with another development. Depending on how long it takes to find a replacement project, this may impact on Stanford Group's timeframes for completing, letting and selling its first development, which may impact on the ability of Stanford to pay the 9% Targeted Preferred Return to the Class A Shareholders after the first 30 months following the Offer Opening Date.

Bespoke accommodation offering

(a) Our assessment of nature and potential magnitude of the risk

Stanford has been established to develop Residential Centre Complexes, which are a bespoke type of development. If there is a decrease in market demand for this type of accommodation, this will impact occupancy rates, which will reduce rental income from each development and potentially sale prices for each complex. Stanford's ability to pay the 9% Targeted Preferred Return after the first 30 months following the First Allotment Date depends primarily upon the profitable sale of completed developments and to a lesser extent, the level of rental income received for completed complexes. A reduction in returns from each development may adversely impact Stanford's ability to pay the 9% Targeted Preferred Return after the initial 30 month period, as well as restricting Stanford's ability to undertake further developments.

(b) Stanford's mitigation strategies

Stanford plans to design and develop well presented, comfortably furnished accommodation which is suitable for meeting the short to medium term letting needs of its targeted tenant demographic and is strategically located to increase the appeal of this accommodation to the targeted demographic. Please see Section 2.3 ("Current and Future Aspects of Stanford's Business and Strategies") for further details on Stanford's strategies to achieve these objectives.

Risk of change in regulatory regime

(a) Our assessment of nature and potential magnitude of the risk

Stanford's primary strategy for minimising land acquisition costs is to acquire residential zoned land (rather than apartment zoned land, which is generally more expensive) to develop into Residential Centre Complexes. The high intensity nature of these complexes is atypical of developments on residential zoned land, which brings a degree of uncertainty into the process for obtaining resource and building consents.

While Auckland Council have granted consents for developments undertaken by Clarke Group within the last 1 to 2 years which are

similar to the complexes that Stanford wishes to build, Council could change its policy on granting consents for these types of high-intensity developments, or impose more restrictions under the consents it grants. If there is an adverse change in the resource consent approval process, it may take longer or cost more to undertake these developments, or in a worst case scenario, Stanford may be unable to carry out this type of development on residential zoned land.

(b) Stanford's mitigation strategies

Stanford has engaged Clarke Group to assist with applying for consents for the Swanson Project. Clarke Group has successfully obtained consents for a similar type of development in the Henderson area and has experience in engaging with Auckland Council in managing compliance issues for these types of complexes. Stanford's board will continue to monitor the regulatory situation and factor any adverse changes into the planned timeframes and budgets for undertaking developments. If it becomes economically unviable, Stanford may choose not to undertake a particular development.

Bank Financing Risk

(a) Our assessment of nature and potential magnitude of the risk

No debt financing has been obtained by any member of Stanford Group as at the date of this PDS. It is a critical part of Stanford's business plan that each subsidiary in the group can secure debt on terms which are commercially acceptable to Stanford (as described at Section 2.2(c) (*"How will each Residential Centre Complex development be structured?"*)), to undertake the purchase and development of land.

If Stanford Group members cannot obtain sufficient amounts of debt on terms commercially acceptable to them, the Stanford Group will not be able to undertake some or all of the planned developments, which will negatively impact on the ability to deliver the 9% Targeted Preferred Returns to shareholders in the longer term. Where the mitigation strategies set out below fail and Stanford is unable to obtain debt financing for one or more projects, Stanford may resolve to wind up the applicable SPV and/or recommend to its shareholders that Stanford itself be wound up.

(b) Stanford's mitigation strategies

The Board has considered this risk and considered that in the current economic climate, it is likely that Stanford Group will be able to obtain debt financing on terms acceptable to Stanford. Although Stanford is a new business, its directors are experienced in undertaking property developments and dealing with banks. Stanford has also engaged experienced advisers (including Clarke Group) to assist with obtaining bank funding. Further, to provide comfort to the banks, the Board has committed to maintain certain lending criteria, including not exceeding maximum borrowing levels of 65% LVR for each project (on a completion value basis), which means Stanford is not seeking to obtain unusually high levels of debt. Austen Clarke, as a director (and without requiring any commission or fees to do so) has also agreed in principle to provide personal guarantees in relation to Stanford Group borrowing should a bank require one, provided that the terms of the proposed personal guarantee are commercially usual and reasonable.

In the event that Stanford Group cannot secure debt financing at target levels, it may opt to obtain less debt funding than budgeted for and make higher equity contributions to a particular development. This strategy may reduce the number of developments which Stanford can undertake and may reduce the ability of Stanford to pay returns to Class A Shareholders in the long term.

New property development business risk

(a) Our assessment of nature and potential magnitude of the risk

Stanford is a newly formed company which has been established to buy and develop land. Its business plan is subject to a number of property development risks. Primarily, these include unforeseen delays (which may affect the timeframes in which each completed complex can be completed, tenanted and sold), or that development costs may escalate above those budgeted (for example and without limitation, due to increases in the cost of acquiring suitable properties, construction delays, contractor insolvency or an increase in finance costs). Another key risk is that an adverse change in property market conditions at the time of sale could make it difficult to find purchasers who are willing to pay Stanford's targeted prices for the developments. An escalation in costs or a downturn in property market conditions will affect the profitability of a development.

As a new business with no previous track record of undertaking developments, Stanford Group will be reliant on its Board and third party advice to manage these development risks. In the event that any contracted third parties fail to perform, this may impact on Stanford's ability to source, undertake and sell developments at a profit. In particular, if Stanford is unable to complete its first complex and sell it profitably within the estimated 30 month development period, Stanford's ability to pay the 9% Targeted Preferred Return after the first 30 months may be negatively impacted. The magnitude of the impact depends on whether the other projects it intends to undertake have been completed (as scheduled) and if sold, the extent to which Stanford has received a portion of profits from those projects.

(b) Stanford's mitigation strategies

Stanford can draw on the experience of its Board: Austen Clarke has undertaken similar developments through the Clarke Group and Dene Biddlecombe and Dominique Dowding have experience in undertaking complex, large scale property developments in prior roles with other organisations.

Stanford has also secured a Right of First Refusal from Clarke Group, which requires Clarke Group to refer potential opportunities for developing Residential Centre Complexes to Stanford. Stanford may, subject to the terms being commercial acceptable to Stanford, contract with Clarke Group on individual projects to draw on its development and property management experience. Stanford will contract with expert external consultants, such as quantity surveyors, as necessary to obtain advice.

Stanford Group has, through its subsidiary, Henderson Residences, secured an option to purchase the Swanson site under a conditional agreement, and secured the services of Clarke Group to be the development manager for the Swanson Project.

If this first development is successful, this will establish a track record for the Stanford Group.

Please also refer to Section 2.3 ("Current and Future Aspects of Stanford's Business and Strategies") for details of the mitigation strategies which Stanford will adopt to deal with specific development risks.

SGIL defaults on its payment obligations

(a) Our assessment of nature and potential magnitude of the risk

Subject to satisfaction of the Minimum Amount Condition, SGIL is required to pay subscription monies for its Class B Shares, as further described at Section 7.2(i). There is a risk that SGIL may default on those payment obligations. If SGIL does not pay its subscription monies for Class B Shares, then Stanford may have insufficient funds to pay the 9% Targeted Preferred Return until such time as the Stanford Group completes, tenants and sells its first development. The Board considers this is low risk, since Austen Clarke is a director of Stanford and also the sole director of SGIL. There is also a binding subscription agreement between Stanford and SGIL, requiring SGIL to pay the monies. Further, under the Constitution, SGIL is not permitted to transfer its Class B Shares until all subscription monies for those shares have been paid to Stanford. Copies of the subscription agreement and Stanford's constitution are available on the Offer Register.

(b) Stanford's mitigation strategies

In the event that SGIL defaults on its payment obligations, Stanford may sue upon the subscription agreement.

9 Tax



Tax can have significant consequences for investments and can affect the return on your Class A Shares. If you have a query relating to the tax consequences of the investment, you should obtain professional advice on those consequences. No tax, accounting or legal advice is being given by Stanford, the directors of Stanford or any other person.

This development was undertaken by Clarke Group and is included for illustrative purposes only. Stanford was not involved in carrying out this development and has no financial interest or benefit in it. Appendix 2 sets out further examples of developments carried out by Clarke Group, together with important investor disclosures.

10 Where to find more information

This development was undertaken by Clarke Group and is included for illustrative purposes only. Stanford was not involved in carrying out this development and has no financial interest or benefit in it. Appendix 2 sets out further examples of developments carried out by Clarke Group, together with important investor disclosures.

Further information relating to Stanford and Class A Shares (for example, a copy of Stanford's Constitution and the Prospective Financial Statements described in Section 7) is available on the Offer Register, at the following URL link: <https://www.companiesoffice.govt.nz/disclose> under the offer number (OFR11862).

A copy of information on the Offer Register is available on request to the Registrar.

Further information relating to Stanford is also available on the public register at the Companies Office. The relevant page on the Companies Office website can be addressed at the URL link below: <https://www.companiesoffice.govt.nz/companies/app/ui/pages/companies/6069591>

Further information about Stanford is also available, free of charge, on its webpage at the following URL link: <http://stanfordresidences.co.nz/>

11 How to Apply

11.1 Instructions

- (a) You should read this PDS and other information on the Offer Register at <https://www.companiesoffice.govt.nz/disclose> under the offer number (OFR11862), carefully before applying for Class A Shares.
- (b) Applications for Class A Shares must be made on the Application Form set out in the back of this PDS, in accordance with the instructions set out at the Application Instructions section and in the Application Form itself.

11.2 Privacy Policy

- (i) If you apply for Class A Shares, in your Application Form you will be asked to provide personal information to Stanford, the Share Registrar and their respective agents, who will collect and hold the personal information provided by you in your Application. If you do not provide the personal information requested, Stanford may be unable to process your Application for Class A Shares.
- (ii) Your personal information will be used and disclosed for the following purposes (**Purposes**):
 - For assessing, processing and corresponding with you about your Application;
 - For managing your investment;
 - In connection with your holding of Class A Shares;
 - To provide you with newsletters and information about Stanford and other products and services which Stanford considers may be of interest to you;
 - To comply with our regulatory and legal obligations; and
 - To conduct an audit or review of the activities contemplated above.

- (iii) By signing the Application Form, you authorise Stanford to disclose your information to the Share Registrar, to Stanford and the Share Registrar's respective related entities, to agents, contractors or third party service providers who perform services on behalf of Stanford and/or the Share Registrar, to Stanford's professional advisers, to regulatory bodies or law enforcement agencies, as required by law and where requested, by a party wishing to acquire an interest in Stanford.

- (iv) Stanford takes reasonable steps to ensure your personal information is:

- protected against loss, damage, misuse and authorised unauthorised access; and
- accurate, up to date, complete, relevant and not misleading.

- (v) Personal information provided by you will be held by Stanford at its address, as shown in Section 12 ("*Contact Information*"), or at such other place as is notified upon request. You have a right to access and correct any personal information about you held by Stanford under the Privacy Act 1993. Please contact Stanford's privacy officer (details set out at Section 12 ("*Contact Information*")).

- (vi) Stanford reserves the right to amend its Privacy Policy from time to time.

12 Contact Information



The Issuer

Stanford Residences Limited

Email:

info@stanfordresidences.co.nz

Address:

Level 3, 60 Parnell Road
Parnell, Auckland, 1052

Business phone number:

0800 500 600

Privacy Officer:

jasim@stanfordresidences.co.nz

Accountant to the Issuer

BHW Accountancy and Advisory

Email:

info@bhw.co.nz

Address:

Level 3, 27 Bath St,
Parnell, Auckland, 1052

**Share registrar**

Computershare Investor Services Limited

Email for enquiries in relation to offer:

Stanford@computershare.co.nz

Address:

Level 2, 159 Hurstmere Road
Takapuna, Auckland 0622

Business phone number:

(09) 488 8700

Auditors to the Issuer

BDO Auckland CBD

Email:

info@bdo.co.nz

Address:

Level 4, Building A, BDO Centre,
4 Graham Street, Auckland, 1010

Business phone number:

(09) 379 2950

**Legal advisors to the Issuer**

Meredith Connell

Email:

enquiries@mc.co.nz

Address:

Level 5, 4 Graham Street,
Auckland 1010

Business phone number:

(09) 336 7500



Glossary

TERM	DEFINITION
Applicant	An investor whose application for Class A Shares has been received by the Registrar prior to the Closing Date
Approved Applicant	An Applicant that has had their Application approved by Stanford
Application	An application to subscribe for Class A Shares under the Offer
Application Form	The Application Form set out at the back of this PDS, to subscribe for Class A Shares under the Offer
Application Monies	The amount payable under an Application in connection with the Class A Shares which an Applicant wishes to apply for
CGPIL	Clarke Group Property Investments Limited, which is an associated company of Austen Clarke (a director of Stanford)
Clarke Group	Clarke Group Management Limited
Class A Liquidation Preference	The liquidation preference for Class A Shares described at Section 6.1 (<i>"Key Features of Class A Shares"</i>)
Class A Preferential Dividend	The intended preferential dividend for Class A Shares described at Section 6.1 (<i>"Key Features of Class A Shares"</i>)
Class A Shares	Class A Preference Ordinary Shares in Stanford Residences Limited, with the rights set out at Section 6.1 (<i>"Key Features of Class A Shares"</i>)

TERM	DEFINITION
Class B Shares	Class B Ordinary Shares, with the rights set out at Section 2.10 (<i>"Other Equity Securities of the Issuer"</i>). As at the date of this PDS, all Class B Shares are held by SGIL.
Constitution	Stanford's constitution
Development Costs	Development Costs means all expenses and fees incurred in the course of developing a Residential Centre Complex. This includes (without limitation) the costs of land acquisition, designing and obtaining consents for the development, construction costs (including fees for contractors and consultants), project management fees, marketing and leasing costs, regulatory/statutory compliance fees and payments of capitalised interest for debt financing.
Development Criteria	The criteria which a project must satisfy in order to qualify as a project to be considered by the Stanford Board.
Development Management Agreement	A tri-partite development agreement, which is entered into upon the request of a Stanford Subsidiary between Stanford, that subsidiary and the property development manager in relation to each Residential Centre Complex development.
First Allotment Date	The date that the first tranche of Class A Shares is issued under the Offer.
FMA	Financial Markets Authority
Henderson Residences	Henderson Residences Limited, a wholly owned subsidiary of Stanford which was established for the purposes of carrying out the proposed Swanson Project

TERM	DEFINITION
Maximum Amount / Maximum Raise	\$20,000,000
Maximum Number	20,000,000
Minimum Amount / Minimum Raise	\$10,000,000
Minimum Amount Condition	No Class A Shares will be issued until Stanford has received Approved Applications for the Minimum Number of Class A Shares
Minimum Number	10,000,000
NZD or NZ\$ or \$	New Zealand Dollar(s)
Offer	The offer of Class A Shares under this PDS
Offer Register entry	More information about the Offer is available on the Offer Register at https://www.companiesoffice.govt.nz/disclose under the offer number (OFR11862)
Ordinary Resolution	A resolution that has been approved by not less than 50% of the shareholders of Stanford entitled to vote and voting on the resolution
Ordinary Shares	Class A Shares and Class B Shares in Stanford
PDS	This Product Disclosure Statement
PFI	Prospective Financial Information
Privacy Policy	Stanford's privacy policy, which is set out at Section 11.2 ("Privacy Policy")

TERM	DEFINITION
Received Sale Profits	Portion of profits received by Stanford from the disposal of a Residential Centre Complex undertaken by a Stanford Subsidiary
RWT	Resident Withholding Tax
SGIL	Stanford Group and Investments Limited, the sole holder of Class B Ordinary Shares in Stanford
Share Registrar	Computershare Investor Services Limited
SPV	Special Purpose Vehicle
Stanford	Stanford Residences Limited
Stanford Board	The Board of Directors of Stanford
Stanford Group	Stanford and each subsidiary of Stanford
Stanford Subsidiary	Any wholly owned subsidiary of Stanford
Swanson Project	The first proposed Residential Centre Complex to be developed by Stanford Group, further described at Section 2.2(d) ("Proposed Swanson Road Development")
Swanson SPA	Sale and purchase agreement for the Swanson Road site
9% Targeted Preferred Return	A preferred return at the targeted rate of 9% per annum (before tax) on subscription monies for Class A Shares, beginning to accrue from the seventh month after a parcel of Class A Shares is allotted under the Offer.

Appendix 1:

Development Criteria for Residential Centre Complexes

The Stanford Board must consider each Investment Proposal for a proposed site (including the due diligence results included in each Investment Proposal) and assess whether it would be feasible for Stanford to undertake a Residential Centre Complex development on that site.

The factors which the Stanford Board must consider when evaluating the Investment Proposal include (without limitation) the following:

1. Location of the development. At a minimum, the site must be near one of the following key infrastructure:
 - (a) Public transport hub (eg. train station or major bus terminal)
 - (b) Health facility (eg. hospital)
 - (c) Education facility (eg. university or polytechnic campus)
 - (d) Town centre
2. Planning issues relating to the site:
 - (a) Zoning requirements
 - (b) Capacity for parking and traffic

3. Engineering issues relating to the site:

- (a) Sufficiency of stormwater, wastewater and fresh water supplies
- (b) Sufficiency of public or private line extensions
- (c) Whether any connections require neighbours' consent or council's right of entry
- (d) Geotechnical issues
- (e) Contamination issues
- (f) Flood risk

4. Architectural issues relating to the site:

- (a) Draft architectural plan of bulk and location of structures on the site
- (b) Urban design requirements

5. Financial feasibility of the proposed development

6. Compliance with all legal or regulatory obligations applicable to the proposed development

Appendix 2:

Examples of developments similar to Residential Centre Complexes

This Appendix contains six examples of completed developments undertaken by Clarke Group, which share many features of the Residential Centre Complexes described in this PDS.

These examples have been included for the purpose of illustrating what Stanford's completed Residential Centre Complexes might look like. Please be aware that the size and scale of Stanford's proposed developments may vary from the examples in this Appendix (for example, it is intended that the Swanson Project will include 100 studios).

The developments included in this Appendix are not Stanford developments and Stanford has not derived any financial benefits from these developments, nor held any financial interests in them.

The six developments featured in this Appendix were completed between 2013 to 2016. Stanford Group intends to commence undertaking its developments in 2017. There may be material differences between the economic and market conditions that existed at the time of the Clarke Group developments were undertaken and the conditions that exist at the time that Stanford Group actually undertake their developments. Without limitation, there may be differences in:

- Acquisition costs for each development site (due to changes in the Auckland property market over time)
- Financing costs (due to fluctuation in interest rates and other debt market conditions)
- The amount of debt financing and capital investment required and the loan to value ratio for each Clarke Group project, compared to Stanford Group projects
- Actual development costs
- The amount of fees payable to Clarke Group under management agreements for each development
- The legal and capital investment structure for undertaking each development (for example, these developments may have been undertaken by way of joint venture)
- Tenancy demand and correspondingly, occupation rates and rental rates payable

Developments undertaken by Stanford may achieve lesser or greater returns than the returns achieved by the developments illustrated below. Please refer to the risks and assumptions set out in the Product Disclosure Statement in relation to Stanford's business.

(i) Rosella Studios
64a Rosella Road, Manukau



This complex comprises 46 studios consisting of 7- and 8-apartment dwellings, each on their own unit title. The complex borders the Middlemore Hospital grounds. Completed in 2015, it serves the accommodation needs of Middlemore Hospital staff, who can access the site through a secure gate connecting the two properties.

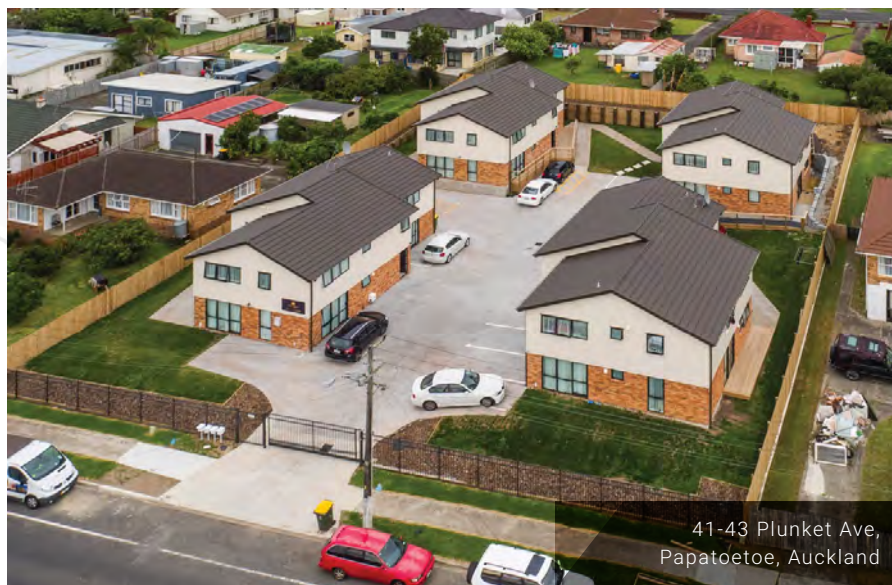
(ii) Middlemore Studios
59 – 61 Gray Ave, Manukau



This complex contains 32 apartments within four 8-apartment dwellings, each on their own fee simple title. The complex is located approximately 400m from Middlemore Hospital. Completed in 2013, it was built to service the accommodation needs of Middlemore Hospital staff wishing to live nearby. Also within walking distance are shops, takeaway restaurants and the Middlemore Hospital train station.

(iii) Plunket Studios

41 – 43 Plunket Ave, Manukau



41-43 Plunket Ave,
Papatoetoe, Auckland

This site contains 36 studios within four 9-bedroom dwellings, each on their own fee simple title. Completed in 2015, it was built to attract tenants working at the nearby Manukau town centre, or studying at one of the several tertiary institutions in the area. Located nearby are shops, restaurants and bus stops as well as the Puhinui train station, all within walking distance.

(iv) Puhinui Road

257 Puhinui Rd, Manukau



59-61 Gray Ave,
Mangere East, Auckland

Completed in 2015, the complex contains 16 studios within two 8-bedroom dwellings, each on their own unit title. As it lies between the Manukau town centre and Auckland International Airport, it was built to cater specifically to airport staff. Located nearby are shops, restaurants and bus stops as well as the Puhinui train station, all within walking distance.

SouthMall

ALFRISTON RD

(v) Carruth Road
42 Carruth Rd, Manukau



This site contains 27 studios within three 9-bedroom dwellings, each on their own fee simple title. The complex was built to service the accommodation needs of those at the nearby Manukau town centre, or studying at the two tertiary institutions in close proximity. The complex was completed in June 2016.

(vi) James Road
21 James Rd, Manurewa



This site contains 27 studios within three 9-bedroom dwellings, each on their own fee simple title. The complex is located very close to the Manurewa town centre and train station. It was built to service the accommodation needs of the many workers in the area, particularly in Manurewa township. Located nearby are shops, restaurants and the Manurewa train station, which are all within walking distance. The complex was completed in June 2016.

13 Application Instructions and Form



This development was undertaken by Clarke Group and is included for illustrative purposes only. Stanford was not involved in carrying out this development and has no financial interest or benefit in it. Appendix 2 sets out further examples of developments carried out by Clarke Group, together with important investor disclosures.

You should read this PDS carefully before completing the Application Form. The Application Form is included in, and forms part of, this PDS.

13.1 General Instructions

- (a) Applications for Class A Shares under the Offer may be lodged from 9.00 am (NZT) on the Offer Opening Date (23 March 2017). You should send your completed Application Form to Computershare Investor Services Limited by the Offer Closing Date (14 July 2017).
- (b) The Offer will remain open until 5.00 pm (NZT) on the Offer Closing Date, unless:
 - (i) The Offer is fully subscribed earlier, or closed by Stanford earlier (at its sole discretion); or
 - (ii) Stanford, at its sole discretion, extends the Offer Closing Date, or cancels the Offer prior to the allotment of any Class A Shares.
- (c) Each Applicant may apply for a minimum number of 10,000 Class A Shares (NZ \$10,000). Applications for more than 10,000 Class A Shares must be in multiples of 10,000 Class A Shares. The maximum number of Class A Shares which an Applicant may apply for is 1,000,000 (NZ \$1,000,000).
- (d) Monies must be paid at the same time that an Application Form is submitted, by cheque or by direct credit.
- (e) By submitting an Application Form, you irrevocably agree to subscribe for the number of Class A Shares specified in the Application Form, (or any lesser number of Class A Shares allotted to you, in Stanford's sole discretion), at the Offer Price, on the terms and conditions set out in this PDS (including any replacement of it), the Constitution, the Offer Register and the Application Form, notwithstanding any variations or extensions to the Offer Closing Date or other dates which Stanford is entitled to so vary or extend. An Application cannot be withdrawn or

revoked after it is submitted.

- (f) If your Application Form is not completed correctly, or if the accompanying payment is for the wrong amount, Stanford may, at its sole discretion:
 - (i) still treat your Application as valid;
 - (ii) rectify any errors in, or omissions from, any Application Form to enable that form to constitute a valid Application, including inserting or correcting details and filling in any blanks.
- Provided that the number of Class A Shares allocated to you does not exceed the number of Class A Shares that you applied for and/or paid for, Stanford's decision on whether to treat your Application as valid, the number of Class A Shares to be allocated to you and how to construe, amend or complete your Application Form, shall be final.
- (g) Stanford reserves the right to refuse all or any part of any Application without giving any reason. Until the allotment of Class A Shares, Application Monies received will be held in a separate trust account for the benefit of the Applicants according to their respective entitlements.
 - (h) Money received in respect of Applications that are declined in whole or in part will be refunded in whole or in part (as applicable). In the event that interest has accrued on any Application Monies and those Application Monies are refunded, such interest (less RWT) will also be refunded to unsuccessful Applicants along with their Application Monies.
 - (i) The banking of Application Monies does not constitute confirmation of allotment of any Class A Shares or the acceptance of an Application.
 - (j) Further details on how to fill in the Application Form to apply for Class A Shares are set out in the Application Form. Please also see the Application Instructions section following the form.

Stanford Residences Limited

Offer of Class A Preference Ordinary Shares Application Form



Section A: Application Details and Information

(complete in **BLOCK CAPITALS**)

This Application Form is issued with and forms part of the Product Disclosure Statement dated 20 March 2017 for the offer of fully paid Class A Preference Ordinary Shares in Stanford Residences Limited (the **Company**). Before completing this Application Form, the Applicant should read the PDS to which this Application relates. Your Application Form **MUST** be received by the Company by 14 July 2017.

First Name	Last Name
First Name	Last Name
First Name	Last Name
Corporate Name or <<On Account>>	
Postal Address	
Telephone (mobile)	Telephone (daytime)
E-mail	

☐ I consent to receiving investor correspondence electronically

In addition to the details provided above, I have also completed one of the appended checklists. Please **tick** the relevant option from the list below:

- | | | |
|--|--|--|
| <input type="checkbox"/> Individual Checklist | <input type="checkbox"/> Company Checklist | <input type="checkbox"/> Partnership Checklist |
| <input type="checkbox"/> Joint Holding checklist | <input type="checkbox"/> Trust Checklist | <input type="checkbox"/> Estate Checklist |

Section B: Application Payment - IMPORTANT

Applications **MUST** be for a minimum of **10,000** Class A shares. Applications for more than 10,000 Class A Shares must be in multiples of 10,000 Class A Shares. The maximum number of Class A shares for which an Applicant can apply is **1,000,000** Class A Shares. The Company may accept or reject all or part of this Application without giving any reason.

Number of Offer Shares applied for

Payment Amount

	x \$1.00 per Class A Share = Offer Price	
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You may choose only **ONE** of the **PAYMENT** options below. Please **TICK (✓)** the box next to your selected option:

OPTION 1 ☐ **We/I wish to pay by direct crediting the payment amount for the number of Class A Shares applied for on this Application Form to:**

Account name: Computershare Investor Services Limited
 (Stanford Residences Limited Share Offer)
 Bank: Bank of New Zealand
 Branch: 330 Broadway, Newmarket, Auckland
 Account number 02-0192-0388782-14

Please be aware that all direct credit payments must be clearly referenced with the name and/or if available a current Common Shareholder Number, or Holding Number, of the Applicant.

OPTION 2 ☐ **Please find attached my payment by cheque.**

Please be aware that if you are paying by **cheque**, all cheques **MUST** be drawn on a New Zealand registered bank and must be made in New Zealand dollars. Cheques **MUST** be made payable to "Stanford Residences Limited Share Offer", crossed "Not Transferable" and **MUST NOT** be post-dated as cheques will be banked on the day of receipt. If an Applicant's cheque is dishonoured, the Company may cancel that Applicant's allotment of Class A Shares and pursue any other remedies available to it at law.

Section C: Common Shareholder Number (CSN)

If you have a Common Shareholder Number (CSN), please enter it here:

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Please note that if a CSN is supplied, the Application must be made in the same name as the CSN provided, otherwise the Application will be deemed to be made without a CSN.

Section D: New Zealand dollar bank account details for future dividend and/or interest payments

We/I agree that all future dividends and/or interest (if any) paid by the Company will be credited to the account details provided in this section, unless the Company is advised otherwise in writing

Name of Bank	Name of Account

Bank	Branch	Account No.	Suffix

Section E: IRD Number & Resident Withholding Tax

IRD number(s) for applicants

1.

Resident Withholding Tax (RWT):

Please TICK ONE (✓)

☐

10.5%

☐

17.5%

☐

28%

☐

30%

☐

33%

☐

EXEMPT - please tick this box if you hold an RWT exemption certificate from IRD and attach a copy of your RWT exemption certificate

Please note that companies (other than a company which is acting as a trustee or a company which is a Maori authority) do not need to tick any box unless they hold a RWT exemption certificate. Tax will automatically be deducted at 28%.

Country of residence for

taxation purposes: If you are not New Zealand tax resident, are you engaged in business in New Zealand through a fixed establishment in New Zealand?

Please TICK ONE (✓):

☐

Yes

☐

No

Section F: Closing Date And Delivery

The completed Application Form must be returned to, and payment received by, Stanford Residences Limited no later than 5.00 PM on 14 July 2017 (or such later date if the Offer is extended).

If paying by **direct credit** the Application Form must be scanned and emailed to Stanford@computershare.co.nz. The original Application Form **MUST** then be sent to the Company at the address below.

If paying by **cheque**, your cheque and your completed Application Form must be posted or delivered in person to one of the addresses below.

Postal address:

Computershare Investor Services Limited
Private Bag 92119
Auckland 1142

Reference: Stanford Residences Limited Share Offer

Address for delivery in person:

Computershare Investor Services Limited
Level 2, 159 Hurstmere Road
Takapuna, Auckland 0622

Reference: Stanford Residences Limited Share Offer

Section G: Signature of Applicants

We/I acknowledge that I/we have received and read the copy of the Product Disclosure Statement (**PDS**) provided with this Application Form for the Offer of Class A Preference Ordinary Shares (**Class A Shares**) in Stanford Residences Limited.

By signing this Application Form, we/I agree to subscribe for the number of Class A Shares in Stanford Residences Limited specified in this Application Form (or such lesser number as may be allotted to me/us), upon the terms and conditions for the Offer of Class A Shares which are set out in the PDS. We/I understand that the Application, once submitted, cannot be revoked or withdrawn. We/I irrevocably authorise Stanford Residences Limited and/or their authorised agents (including without limitation, Computershare Investor Services Limited) to apply the monies held in the trust account for the Stanford Residences Limited Share Offer to complete the subscription for the Class A Shares.

We/I confirm that we are authorised to provide personal information on behalf of the Applicant and authorise you to use and disclose any personal information supplied by us in accordance with the Privacy Policy set out at Section 11.2 of the PDS.

Note: All Applicants listed on the Application Form, **MUST** sign:

Signature of Applicant 1

Date:

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Signature of Applicant 2

Date:

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Signature of Applicant 3

Date:

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Section H: Certificate of Non-Revocation of Power of Attorney

(Complete this section if you are acting on behalf of the Applicant on this Application for whom you have power of attorney)

I _____ (Full name)

of _____ (Place and country of residence)

_____ (Occupation)

CERTIFY:

THAT by deed dated: _____ (Date of instrument creating the power of attorney)

_____ (Full name of person/body corporate which granted the power of attorney)

of _____ (Place and country of residence of person/body corporate which granted the power of an attorney)

appointed me _____ (his/her/its) attorney;

THAT I have executed the application for Class A Shares printed on this Application Form under that appointment and pursuant to the powers thereby conferred on me; and

THAT I have not received any notice of any event revoking the power of attorney.

Signed at _____ (insert place)

This _____ day of _____

Signature of Attorney

** If donor is a body corporate, state place of registered office or principal place of business of donor and, if that is not in New Zealand, state the country in which the principal place of business is situated.

Section I: Certificate Of Non-Revocation of Agent

(Complete if you are acting as an agent on behalf of the Applicant of this Application)

I _____ (Full name)

of _____ (Place and country of residence)

_____ (Occupation)

CERTIFY:

THAT by agency agreement dated: _____ (Date of instrument appointing agent)

_____ (Full name of person/body corporate which appointed the agent)

of _____ (Place and country of residence of person/body corporate which appointed the agent)

appointed me his/her/its Agent;

THAT I have executed the application for Shares printed on this Application Form under that appointment and pursuant to the powers thereby conferred on me; and

THAT I have not received any notice or information of the revocation of my appointment as agent.

Signed at _____ (insert place)

This _____ day of _____

Signature of Agent

** If donor is a body corporate, state place of registered office or principal place of business of donor and, if that is not in New Zealand, state the country in which the principal place of business is situated.

Know Your Customer checklists

Section 1A: Applicants Who are Natural Persons

(ONE OR MORE INDIVIDUALS, NOT COMPANIES OR TRUSTS)

Investor Details

Full legal name:

Mr/ Mrs / Ms / Other (specify)

Address:

Date of birth:

Place of birth (town/city):

IRD number:

Email:

Phone number:

- ☐ Please provide certified Identity Verification and Address Verification documentation, as set out at Section 8
- ☐ Please go to Section 5 on Authorised Persons, if this Application is being completed on behalf of the Applicant by his/her "Authorised Person"
- ☐ Please consider whether further disclosure under Section 7 (Politically Exposed Persons) is required for this individual
- ☐ Please fill in Section 6 on Source of Funds/Wealth Statement, if applicable to this individual

Investor Details

Full legal name:

Mr/ Mrs / Ms / Other (specify)

Address:

Date of birth:

Place of birth (town/city):

IRD number:

Email:

Phone number:

- ☐ Please provide certified Identity Verification and Address Verification documentation, as set out at Section 8
- ☐ Please go to Section 5 on Authorised Persons, if this Application is being completed on behalf of the Applicant by his/her "Authorised Person"
- ☐ Please consider whether further disclosure under Section 7 (Politically Exposed Persons) is required for this individual
- ☐ Please fill in Section 6 on Source of Funds/Wealth Statement, if applicable to this individual

if the Applicant comprises more than two individuals acting jointly, please continue on a separate page (where required).

Section 2A: Applicants Who are Partnerships

Investor Details

Full legal name or partnership:

Trading name (if different):

Address of registered office:

Registration number:

IRD number:

Email:

Phone number:

- ☐ Please provide a certified copy of the Partnership Agreement/Deed and any resolutions which evidence any amendments. The Partnership Agreement/Deed must confirm the Partnership's name, Partners/Officers and other persons authorised to act on behalf of the Partnership. See requirements for certification under Section 8
- ☐ Please go to Section 5 on Authorised Persons, if this Application is being completed on behalf of the Applicant by its "Authorised Person"

Section 2B: Beneficial Ownership/Effective Control of Partnership

List ALL individuals (eg. natural persons) who meet at least one of the following criteria:

Owns more than 25% of the Applicant

- Owns another company or legal person who owns more than 25% of the Applicant
- Has effective control of the Applicant (eg. partner or general partner, or holds a senior management position in the Applicant, or has the ability to control the Applicant)
- A person on whose behalf a transaction is conducted by the Applicant

INDIVIDUAL ONE

Full legal name:

Address:

Date of Birth:

Nature of relationship to Applicant or details of ownership interest:

Note: If there is more than two applicable individuals, please list the required details for each natural person on a separate page (where necessary).

☐

For each individual listed in this section, please provide certified Identity Verification and Address Verification Documentation (as set out at Section 8)

☐

For each individual listed in this section, please consider whether further disclosure under Section 7 (Politically Exposed Persons) is required

INDIVIDUAL TWO:

Full legal name:

Address:

Date of Birth:

Nature of relationship to Applicant or details of ownership interest:

Section 3A: Applicants Who Are Companies

Investor Details

Full legal name:

Trading name (if different):

Address of registered office:

Jurisdiction of incorporation:

Registration number:

IRD number:

Email:

Phone number:

- ☐ Please provide certified copies of Certificate of Incorporation and Companies Extract
- ☐ Please go to Section 5 on Authorised Persons, if this Application is being completed on behalf of the Applicant by its "Authorised Person".
- ☐ Please fill in Section 6 on Source of Funds/Wealth Statement (if applicable).

Section 3B: Beneficial Ownership/Effective Control Of Applicant Companies

List ALL individuals (eg. natural persons) who meet at least one of the following criteria:

- Owns more than 25% of the Applicant
- Owns another company or legal person who owns more than 25% of the Applicant
- Has effective control of the Applicant (eg. holds a senior management position in the Applicant, is a director of the Applicant, or has the ability to control the Applicant)
- A person on whose behalf a transaction is conducted by the Applicant

INDIVIDUAL ONE

Full legal name:

Address:

Date of Birth:

Nature of relationship to Applicant or details of ownership interest:

Note: If there is more than two applicable individuals, please list the required details for each natural person on a separate page (where necessary).

☐

For each individual listed in this section, please provide certified Identity Verification and Address Verification Documentation (as set out at Section 8)

☐

For each individual listed in this section, please consider whether further disclosure under Section 7 (Politically Exposed Persons) is required

INDIVIDUAL TWO:

Full legal name:

Address:

Date of Birth:

Nature of relationship to Applicant or details of ownership interest:

Section 4A: Applicants Who Are Trusts

Investor Details

Full name(s) of the Trust and all trustees of the Trust:

Address of registered office:

Registration number (if applicable):

IRD number:

Email:

Phone number:

☐

Please provide a certified copy of the trust deed (with all amendments) which has been certified by a Trusted Referee (see requirements for certification under Section 8)

☐

Please go to Section 5 on Authorised Persons, if this Application is being completed on behalf of the Applicant by its "Authorised Person".

☐

Please fill in Section 6 on Source of Funds/Wealth Statement

Section 4B: Beneficial Owners Of Trusts

1. Is this a Charitable Trust?

☐ No – Go to Question 2

☐ Yes – Please state the objects of the Trust:

2. Does this trust have more than 10 beneficiaries, or is this a Discretionary Trust?

☐ No – Go to Question 3

☐ Yes – Please describe each class or type of beneficiaries:

3. If you have answered “No” to the above two questions, please provide the name and date of birth of each beneficiary of the Trust

Full legal name of beneficiary:

Date of Birth:

Section 4C: Effective Control Of Applicant Trusts

Trustee details (The application must be made in the name of all of the trustees of the Trust. If there are more than two trustees of the Trust, please continue on a separate page if necessary)

Trustee Details

Full name of Trustee #1

Residential Address (if corporate trustee, provide registered office address):

Registration number (if corporate trustee):

Date of birth (if applicable):

☐

For each individual who is a Trustee, please provide certified Identity Verification and Address Verification Documentation (as set out at Section 8) and consider whether further disclosure under Section 7 (Politically Exposed Persons) is required

Trustee Details

Full name of Trustee #2

Residential Address (if corporate trustee, provide registered office address):

Registration number (if corporate trustee):

Date of birth (if applicable):

☐

For each individual who is a Trustee, please provide certified Identity Verification and Address Verification Documentation (as set out at Section 8) and consider whether further disclosure under Section 7 (Politically Exposed Persons) is required

Section 4D: Other Beneficial Ownership Or Effective Control Of Applicant Trusts

List ALL individuals (eg. natural persons) who meet at least one of the following criteria:

- Any beneficiary or other individual (except a trustee) who has effective control of the trust, specific trust property, or with the power to amend the trust deed, or remove or appoint trustees
- Any beneficiary or other individual that has a vested interest in at least 25% of the trust property
- A person on whose behalf a transaction is conducted by the Applicant
- All directors of any corporate trustee company

INDIVIDUAL ONE

Full legal name:

Address:

Date of Birth:

Nature of relationship to Applicant or details of ownership interest:

Note: If there are more than two applicable individuals, please list the required details for each natural person on a separate page (where necessary).

☐

For each individual listed in this section, please provide certified Identity Verification and Address Verification Documentation (as set out at Section 8)

☐

For each individual listed in this section, please consider whether further disclosure under Section 7 (Politically Exposed Persons) is required

INDIVIDUAL TWO:

Full legal name:

Address:

Date of Birth:

Nature of relationship to Applicant or details of ownership interest:

Section 5: Authorised Persons Of Applicant

Authorised Person

This is:

- any person who is authorised to carry out transactions or other activities on behalf of the Applicant; and
- where the Applicant has appointed a corporate trustee or agent, any individual(s) representing that corporate trustee or agent

Investor Details

Full legal name of Authorised Person:

Address:

Date of Birth: (if authorised person is an individual)

Place of Birth (town/city): (if authorised person is an individual)

Company identifier or registration number (if applicable):

Email:

Phone number:

Relationship to the Applicant:

- ☐ Please provide the source of authority for acting on behalf of the Applicant (eg. executed Power of Attorney, or where the Applicant is a company, a letter providing authorisation which is printed on the company letterhead)
- ☐ For each individual who is an Authorised Person of the Applicant, please consider whether further disclosure is required under Section 7 (Politically Exposed Persons)
- ☐ For each individual who is an Authorised Person of the Applicant: please provide certified Identity Verification and Address Verification Documentation (as set out at Section 8)

Section 6: Source Of Funds / Wealth Statement

Please fill in this Section if the Applicant is any of the following:

1. A trust
2. An individual living outside of New Zealand, Australia and the UK
3. A company with nominee shareholders or shares in bearer form
4. Applying to invest \$500,000 or more

If this Section applies, please provide:

☐

A letter from your Chartered Accountant or lawyer, which sets out:

- *Details of the origin of the Applicant's wealth* (Eg. inheritance, earnings, savings, loan, gift, funds from the sale of property. Where applicable, please include details about any transactions, dates, grantor's name, employment details, address of property being sold.)
- *Details of the source of any income which the Applicant is receiving* (Eg. monthly deposit from a bank account, income from an underlying company.)

We may also request that you provide copies of supporting documentation to support the details set out in the letter above, which has been certified by a Trusted Referee.

(Eg. bank account statements confirming income, property settlement statement, letter from executor of estate regarding an inheritance, loan statement, gifting letter and/or financial statements prepared by a chartered accountant)

Section 7: Politically Exposed Persons

A Politically Exposed Person is an individual who holds a "Prominent Public Function"

(e.g. head of a country, government minister, senior politician, senior judge, governor of a central bank, ambassador, high commissioner, high-ranking member of armed forces or senior position of state enterprise)

Are you or any Authorised Person listed in your Application Form:

- An individual who holds, or has held at any time in the preceding 12 months, a "Prominent Public Function" in any country (other than New Zealand)?

☐

Yes

☐

No

- An immediate family member (including spouse, partner, child, child's spouse/partner or parent) of an individual who holds, or has held at any time in the preceding 12 months, a "Prominent Public Function" in any country (other than New Zealand)?

☐

Yes

☐

No

If you answered **YES** to EITHER of the above questions, please provide details of the public function held and the relevant country:

Section 8: Certified Identity Verification And Address Verification Documents

Please provide the certified Identity Verification Documents and Address Verification Documents listed below for every natural person (ie. an individual) named in this application.

HOW TO CERTIFY DOCUMENTS

You **MUST** ensure that if you are providing copies of required documents (as listed below), those copies are certified as true copies of the originals by an independent and trusted person (your "Trusted Referee").

Your Trusted Referee **MUST** be **ONE** of the following: **Police Officer, Justice of the Peace, Solicitor, Notary Public.**

Your Trusted Referee **MUST NOT BE**: under 16 years of age, your spouse or partner, someone related to you, someone who lives at the same address as you, or someone with an interest or ownership in your investment.

To certify copies of your documents, your Trusted Referee must sight the original identification document and state on the copy of the document:

5. "This document is a true and correct copy";
6. That this document represents your identity;
7. The Trusted Referee's name, occupation and registration number (or equivalent); AND
8. The date of confirmation and the Trusted Referee's signature.

The certified copy must have been certified within the last three months of this application.

CERTIFIED IDENTITY VERIFICATION: Please pick **ONE** option from the three options listed

Option ONE

Please Provide a certified copy of ONE the documents listed below (document must be current/unexpired):

- ☐ New Zealand passport
- ☐ New Zealand certificate of identity issued under the Passports Act 1992, or under the Immigration New Zealand Operational Manual that is published under section 25 of the Immigration Act 2009
- ☐ New Zealand firearms licence
- ☐ New Zealand refugee travel document issued under the Passports Act 1992
- ☐ Emergency travel document issued under the Passports Act 1992
- ☐ Overseas passport or similar international travel document issued by a foreign government, the United Nations or any agency of the United Nations, which sets out the name, date of birth, a photograph and the signature of the person in whose name the document is issued
- ☐ Foreign-issued national identity document issued by a foreign government, the United Nations or any agency of the United Nations, which sets out the name, date of birth, a photograph in whose name the document is issued and the signature of the person or other biometric measure (where relevant)

Option TWO**Please provide:**

- 1. A certified copy of ONE PHOTO identification document listed below; AND**
- 2. A certified copy of ONE NON-PHOTO identification document listed below.**

Photo identification (must be current/un-expired):

- ☐ New Zealand driver licence
- ☐ A valid and current international driving permit
- ☐ 18+ card (Hospitality Association)

Non-photo identification (must be current/un-expired):

- ☐ New Zealand birth certificate
- ☐ Certificate of New Zealand citizenship issued under the Citizenship Act 1977
- ☐ Citizenship certificate offered by a foreign government
- ☐ Birth certificate issued by a foreign government, the United Nations or any agency of the United Nations

Option THREE**Please provide:**

- 1. A certified copy of your current New Zealand Driver License; AND**
- 2. A certified copy of ONE of the NON-PHOTO identification documents listed below:**

Non-photo identification (must be current/unexpired):

- ☐ An embossed credit card, debit card or an EFTPOS card issued by a registered NZ bank
- ☐ An original bank statement issued by a registered NZ bank to you within 12 months of your application
- ☐ An original document issued by a NZ Government agency with your name and signature (for example, a SuperGold card)
- ☐ A statement issued by a NZ Government agency to you within 12 months of your application (for example, a statement from the IRD)

CERTIFIED ADDRESS VERIFICATION:

In order to verify your address, please provide an original OR certified copy of one of the following. Each form needs to be dated in the last 12 months and (if you are an individual) addressed to you at your residential address.

Non-photo identification (must be current/unexpired):

- ☐ Utility or rates bill
- ☐ Telephone bill
- ☐ Bank statement which has been posted to your address (not provided to you via internet banking)
- ☐ IRD tax notice or statement

Application Instructions

The Application Form must be completed in accordance with the instructions in the Application Form itself. Please also see further instructions below.

Section A: Application Details and Information

1. Please use block capitals to write your full name(s), address, telephone numbers and email address.
2. Applications must be in the name(s) of natural persons, companies or other legal entities, up to a maximum of three names per Application. Applications by trusts, funds, estates, partnerships or other unincorporated bodies must be made in the individual names of the persons who are the trustees, proprietors, partners or office bearers (as appropriate).
3. Use the table below to see how to write your name correctly.

Type of Investor	Correct Way to Write Name	Incorrect Way to Write Name
Individual person	JOHN ALFRED SMITH	J A SMITH
More than one person	JOHN ALFRED SMITH MICHELLE JANE SMITH	J A & M SMITH
Company	ABC LIMITED	ABC
Trust	JOHN ALFRED SMITH (JOHN SMITH FAMILY A/C)	SMITH FAMILY TRUST
Partnership	JOHN ALFRED SMITH MICHAEL FREDERICK SMITH (JOHN SMITH AND SONS A/C)	J A & M SMITH
Club or Unincorporated Association	JANE ANNABEL SMITH (SMITH INVESTMENT CLUB A/C)	SMITH INVESTMENT CLUB
Superannuation Fund	JOHN SMITH LIMITED (SUPERANNUATION FUND A/C)	JOHN SMITH

4. If you would like to receive investor correspondences electronically, please supply your email address and tick to indicate that you consent to receiving electronic investor correspondences. This is a more environmentally friendly, cost-effective

and timely option for delivering investor correspondence, compared to paper based investor mail-outs.

Section B: Application Payment Details

5. Please write the number of Class A Shares applied for and the payment amount. The Offer Price is \$1.00 per Class A Share. The minimum number of Class A Shares you can apply for is 10,000 (\$10,000) and the maximum number of Class A Shares you can apply for is 1,000,000 (\$1,000,000). Applications for more than 10,000 Class A Shares must be in multiples of 10,000 Class A Shares.
6. Payment must be made in New Zealand dollars at the time that you submit your Application.
7. There are two payment options: payment by cheque drawn on a New Zealand bank account or payment by direct credit to the trust account for the "Stanford Residences Limited Share Offer". You may only choose **one** payment option:

(a) Option 1

If you choose the **direct credit option** you must **direct credit** the amount applied for on the Application Form to the following bank account:

Account Name: Computershare Investor Services Limited
(Stanford Residences Limited Share Offer)
Bank: Bank of New Zealand
Branch: 330 Broadway, Newmarket, Auckland
Account number: 02-0192-0388782-14

If you pay by direct credit the Application Form must be scanned and emailed to Stanford@computershare.co.nz. The original Application Form must then be sent to Stanford at the address set out in the Application Form.

(b) Option 2

Cheques must be drawn on a New Zealand registered bank and must be made in New Zealand dollars. Cheques must be made payable to "Stanford Residences Limited Share Offer", crossed "Not Transferrable" **and must not be post-dated as cheques will be banked on the day of receipt**. If an Applicant's cheque is dishonoured, the Company may

cancel that Applicant's allotment of Class A Shares and pursue any other remedies available to it at law.

Your cheque and Application Form should be posted to the Company or delivered in person at the address set out in the Application Form no later than three Business Days prior to the Offer Closing Date.

Section C: Common Shareholder Number

8. Please provide your Common Shareholder Number (**CSN**), if any. The name and address details on your Application Form must correspond with the registration details under that CSN. If you do not provide a CSN, it will be deemed that you do not have a current CSN.

Section D: New Zealand Bank Account Details for Future Dividend and/or Interest payments

9. You must provide bank account details for a New Zealand dollar bank account, for Stanford to direct credit future dividend payments (and/or interest payments, if applicable) to you. You must complete the name of the bank, the name of the account holder and the full bank account number.

Section E: Provide your IRD number and tick the relevant RWT box

10. Please provide the IRD number associated with the investor. If there are a number of joint investors, please provide each of their IRD numbers.
11. Resident withholding tax (**RWT**) will be deducted from any interest paid to you on subscription money (unless you provide a valid RWT exemption certificate). Tick the RWT box that applies to you. If you are exempt from RWT, please tick the exempt box and attach a photocopy of your RWT exemption certificate (do not attach the original).
12. If you are not a New Zealand tax resident, then please indicate by tick whether you are engaged in business in New Zealand through a fixed establishment in New Zealand.

Section F: Offer Closing Date and Delivery

13. This offer will close at 5pm on 14 July 2017 (being the Offer Closing Date).
14. Applicants should remember that the Closing Date may be changed at the sole discretion of Stanford. Stanford reserves the right to refuse to accept Applications received after the Closing Date. Your Application Form should be delivered in

accordance with the instructions contained in the Application Form.

Section G: Signature of Applicants

15. Read the PDS and the Application Form carefully and sign and date the Application Form.
16. The Application Form must be signed by the Applicant(s) personally, or by two directors of a company (or one director if there is only one director, whose signature must be witnessed), or in either case by a duly authorised attorney or agent. Joint Applicants must each sign the Application Form.
17. By signing and submitting an Application, the Applicant authorises Stanford to use and disclose any personal information supplied by the Applicant in accordance with the Privacy Policy set out at Section 11.2 of the PDS.

Section H: Power of Attorney

18. If you are not an attorney, please ignore this section.
19. If an attorney signs the Application Form on behalf of an Applicant, the power of attorney document is not required to be lodged, but the attorney must complete the certificate of non-revocation of power of attorney on the Application Form.

Section I: Agent

20. If you are not an agent, please ignore this section.
21. If an agent signs the Application Form on behalf of an Applicant, the agent must complete the certificate of non-revocation of agent on the Application Form.

Know Your Customer Checklist: Identity Verification

22. The Application Form provides different options you can use to help us verify your identity.
23. Identity documents must always be current so you may be asked to update your identity documents from time to time.
24. You will also need to provide documentation which allows us to verify your address. You can provide either original or certified copies of the documents listed in the Application Form.



stanfordresidences.co.nz

Supplementary Product Disclosure Statement No. 1

Stanford Residences Limited

Dated: 19 May 2017

What is this document?

This document is a Supplementary Product Disclosure Statement (**Supplementary PDS 1**) that updates the Replacement Product Disclosure Statement dated 20 March 2017 (**PDS**) for an Offer of Class A Preference Ordinary Shares in Stanford Residences Limited (**Offer**). This document is to be read together with the PDS it supplements. No other supplementary product disclosure statements have previously been lodged with the Registrar in relation to the Offer.

Purpose of this Supplementary PDS 1

The PDS refers to a conditional Sale and Purchase Agreement dated on 14 April 2016 for the Swanson Road Site (located at 14-20 Swanson Road, Henderson) between Clarke Group Property Investments Limited (**CGPIL**) and Henderson Investments Limited (**Swanson SPA**). The condition satisfaction date under the Swanson SPA has been extended and this Supplementary PDS 1 updates the PDS to reflect the new date.

Amendments

Unless otherwise stated, terms defined in the PDS have the same meaning in this Supplementary PDS 1. Subject to the amendments below, the terms, conditions and other information in the PDS continue to apply.

Page reference in PDS	Original text in PDS	Amendment
24	The Swanson SPA is conditional upon CGPIL providing notice by 15 May 2017 (or such later date as is agreed between CGPIL and the vendor) that CGPIL is satisfied with the results of its due diligence on the Swanson Road Site.	"15 May 2017" is replaced with "15 June 2017"
47	Stanford Group has secured an option to acquire the Swanson Site under a conditional sale and purchase agreement (Swanson SPA). The purchaser must notify the vendor that the due diligence condition under the agreement has been satisfied by 15 May 2017, or the Swanson SPA will expire. If Stanford has not received Approved Applications for at least 10,000,000 Class A Shares (the Minimum Amount) by that date and it is not in a position to exercise its option or make the contract unconditional, then Stanford Group may not be able to carry out the Swanson Project.	"15 May 2017" is replaced with "15 June 2017"