

For wholesale investors only. Information Memorandum subject to amendment and completion. This document does not constitute an offer of financial products.

# NZMS

1ST

Secured Notes to be issued by NZMS 1<sup>st</sup> Mortgage Securities Limited  
Information Memorandum dated 13th March 2023



## Warning

New Zealand law normally requires people who offer financial products to give information to investors before they invest. This requires those offering financial products to have disclosed information that is important for investors to make an informed decision. The usual rules do not apply to this offer because there is an exclusion for offers where the amount invested upfront by the investor (plus any other investments the investor has already made in the financial products) is \$750,000 or more. As a result of this exclusion, you may not receive a complete and balanced set of information. You will also have fewer other legal protections for this investment. Investments of this kind are not suitable for retail investors. Ask questions, read all documents carefully, and seek independent financial advice before committing yourself.

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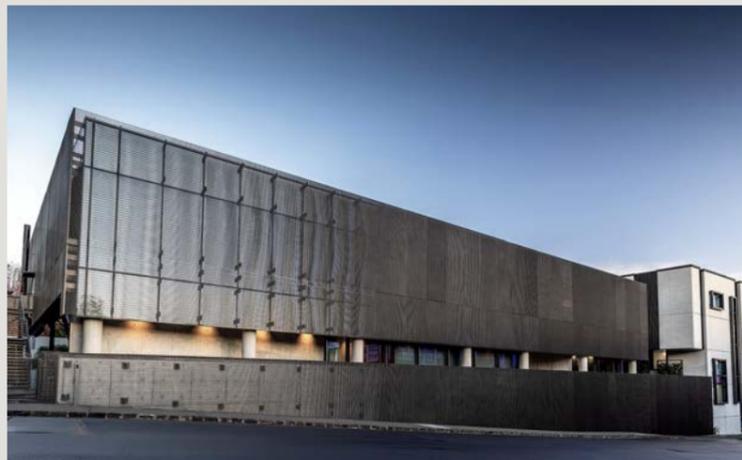
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NZMS 1<sup>st</sup> provides private investors, family offices and high net individuals who meet relevant wholesale investor criteria an investment backed by first mortgage security.



NZMS 1<sup>st</sup> has been designed to provide wholesale investors with sound risk adjusted financial returns.

Your capital is backed by our loans secured by first ranking mortgage security and a further buffer of shareholder loans that are subordinated to Noteholders.

Fixed interest rates of 7.5% p.a.  
provided on your NZMS 1<sup>st</sup>  
investment



# Important Information

This Information Memorandum has been prepared solely in connection with the Notes described in it. This Information Memorandum is not intended to provide the sole basis of any credit or other evaluation and it does not constitute a recommendation, offer or invitation to purchase Notes by any person.



Potential investors in Notes should read this Information Memorandum and the Transaction Documents described below and, if required, seek advice from appropriately authorised and qualified advisers prior to making a decision whether or not to invest in the Notes. This Information Memorandum is only a summary of the terms of the Notes and should not be relied upon by prospective investors as being exhaustive. Instead, the definitive terms and conditions of the Notes are contained in the Transaction Documents.

If there is any inconsistency between this Information Memorandum and the Transaction Documents, the Transaction Documents should be regarded as containing the definitive information. Copies of the Transaction Documents may be inspected by prospective investors, by requesting the same from NZMS 1<sup>st</sup> Mortgage Securities Limited (NZMS 1<sup>st</sup>).

It should not be assumed that the information contained in this Information Memorandum is necessarily accurate or complete in the context of any offer to subscribe for or invitation to subscribe for or buy Notes even if this Information Memorandum is circulated in conjunction with such an offer or invitation.

NZMS 1<sup>st</sup> has prepared and authorised the distribution of this Information Memorandum. Neither NZGT Security Trustee Limited (the Security Trustee) nor its related bodies corporate has authorised, caused the issue of, or has (and expressly disclaim) any responsibility for, or made any statement in, any part of this Information Memorandum. The Security Trustee has had no involvement in the preparation of any part of this Information Memorandum.

#### Date of this Information Memorandum

This Information Memorandum has been prepared as at its date (the Preparation Date), based upon information available, and the facts and circumstances known to NZMS 1<sup>st</sup> at that time.

Neither the delivery of this Information Memorandum, nor any offer or issue of the Notes, at any time after the Preparation Date implies or should be relied upon as a representation or warranty that:

- a. there has been no change since the Preparation Date in the affairs or financial condition of NZMS 1<sup>st</sup>, the Security Trustee or any other person named in this Information Memorandum; or
- b. the information contained in this Information Memorandum is correct at such later time.

Neither NZMS 1<sup>st</sup> nor any other person accepts any responsibility to Noteholders or prospective Noteholders to update this Information Memorandum after the Preparation Date with regard to information or circumstances which come to its attention after the Preparation Date.

### Carry out your own due diligence before deciding to invest

This Information Memorandum is provided solely for general information and introductory purposes. It does not, and is not intended to, constitute any advice, recommendation or opinion with respect to the purchase of any Notes. This Information Memorandum:

- a. is not intended to provide the sole basis of any credit or other evaluation of the Notes;
- b. does not contain all of the information that prospective investors in Notes may require; and
- c. is provided to prospective investors on the basis that they will be responsible for making their own independent assessment of the Notes and for undertaking such investigations as are necessary to enable them to reach their own decision.

Prospective investors must determine whether the Notes are appropriate having regard to their own investment objectives and financial circumstances, including in relation to legal, accounting and taxation issues. Prospective investors are encouraged to seek independent advice on these matters.

This Information Memorandum contains forward-looking statements, therefore a number of risks and uncertainties may arise and actual results and events could differ materially from those currently being anticipated.

### Selling restrictions

Notes may only be offered for sale or sold in conformity with all applicable laws and regulations in any jurisdiction in which they are offered, sold or delivered. Neither this Information Memorandum nor any information, advertisement or other offering material (Offer Material) in respect of any Notes may be published, delivered or distributed in or from any country or jurisdiction except under circumstances which will result in compliance with all applicable laws and regulations. No product disclosure statement or other disclosure document in relation to the Notes has been or will be registered in terms of the Financial Markets Conduct Act 2013 (FMCA) or any other applicable laws, and no person may, directly or indirectly, subscribe for, offer, sell, transfer, deliver or distribute this Information Memorandum or Offer Material, in breach of the FMCA or any other applicable laws.

Without limiting the foregoing, no invitation, offer, sale, resale, re-offer, transfer or delivery of Notes or distribution or publication of this Information Memorandum or Offer Material may be made in New Zealand or to or by any person in New Zealand unless each offeree and subscriber is a “wholesale investor” within the meaning of clause 3(2)(a), (c) or (d) of Schedule 1 to the FMCA. Notes may not be offered or transferred to any person that is a “wholesale investor” under the FMCA solely because that person is an “eligible investor” (as defined in clause 41 of Schedule 1 of the FMCA) or otherwise meets the “investment activity” criteria (specified in clause 38 of Schedule 1 of the FMCA).

No invitation, offer, sale, resale, re-offer, transfer or delivery of Notes or distribution or publication of this Information Memorandum or Offer Material may be made in any jurisdiction outside of New Zealand.



# Letter from the chair

Dear Wholesale Investor,

Welcome to NZMS 1<sup>st</sup> Mortgage Securities Limited (NZMS 1<sup>st</sup>), a wholesale investment opportunity offering secured, unsubordinated, Notes.

NZMS 1<sup>st</sup> will undertake lending secured by first ranking mortgage security over residential and commercial property in major New Zealand metropolitan areas. A distinguishing feature of this opportunity is that the Notes will have first ranking security over the assets of NZMS 1<sup>st</sup> (which includes the loans made by the company and their associated securities) - with no shareholders or banks ranking ahead of them.

NZMS 1<sup>st</sup> has entered into a Management Agreement with its sister company New Zealand Mortgages and Securities Limited (NZMS), for NZMS to manage the sourcing and oversight of real-estate backed lending. NZMS is required to preferentially offer qualifying lender opportunities to NZMS 1<sup>st</sup>. There is no management fee payable pursuant to the Management Agreement – the NZMS shareholders are the NZMS 1<sup>st</sup> shareholders and accordingly NZMS 1<sup>st</sup> profits provide the commercial incentive for the management services.

NZMS principals have extensive experience in property finance, development and leasing, with its major shareholder being Mansons Finance Limited – the parent entity of the Mansons TCLM Group (Mansons TCLM) – one of New Zealand's largest and most enduring privately owned commercial property developers. Mansons TCLM have been operating NZMS since 1983. In 2012, James Kellow, a specialist property financier joined the business as CEO and shareholder with a clear focus on lending to quality property developments. As at the date of this Information Memorandum, NZMS has not sustained a single loss from cumulative advances of \$1.5 billion.

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Ricky and I will bring our experience and expertise to NZMS 1<sup>st</sup> and we intend to diligently oversee the activities of NZMS 1<sup>st</sup> with the interests of Noteholders being our primary concern. As directors we, in conjunction with NZMS, will ensure that NZMS 1<sup>st</sup> maintains and adheres to key policies including type of lending and the Net Loan LVR covenant as well as best practice approach to environmental, social and governance policies.



As at the date of this Information Memorandum NZMS 1<sup>st</sup> has engaged qualified legal advisers (Chapman Tripp), accountants (Baker Tilly) and auditors (BDO). Security Trustee services are provided by NZGT Security Trustee Limited and Registry services are provided by Link Market Services Limited. NZMS 1<sup>st</sup> will not lend to any member of the NZMS Group, Mansons TCLM or associated entities. Additionally, NZMS 1<sup>st</sup> will not lend to persons employed in NZMS Group, Mansons TCLM or associated entities.

This opportunity may appeal to experienced investors who are seeking exposure to lending where there is a lack of appetite from the banks, but nonetheless benefits from conservative LVRs and asset selection practices that substantially de-risk this type of lending.

**Simon Botherway**  
Chair of NZMS 1<sup>st</sup>

# Key Terms of the Offer



<b>Financial Product</b>	Secured Notes issued by NZMS 1 <sup>st</sup> Mortgage Securities Limited. Investment in the Notes is restricted to wholesale investors only in accordance with the FMCA.
<b>Issuer name</b>	NZMS 1 <sup>st</sup> Mortgage Securities Limited (NZMS 1 <sup>st</sup> )
<b>Security</b>	Notes are secured under a Security Trust Deed structure and have the benefit of the General Security Agreement over all assets of NZMS 1 <sup>st</sup> . This will include the Loans made by NZMS 1 <sup>st</sup> and the security held by it in relation to those Loans. The security will be held by the Security Trustee for the Noteholders. The Notes are not guaranteed and no other entities are liable to Noteholders for repayment of the Notes.
<b>Note Deed Poll and Final Terms</b>	Notes are constituted by and issued pursuant to the Note Deed Poll and the Terms and Conditions appended to the Note Deed Poll. All Noteholders have the benefit of, and are bound by, the Note Deed Poll and the Terms and Conditions, as supplemented, modified and/or replaced by the Final Terms applicable to the relevant Notes.
<b>Status of Notes</b>	Notes constitute direct, unconditional, unsubordinated and secured obligations of NZMS 1 <sup>st</sup> , ranking equally among themselves. Notes are issued in New Zealand dollars.
<b>Issue Price</b>	Notes may be issued at an issue price which is at par or at a discount to, or premium over, par.
<b>Minimum Investment</b>	NZ\$50,000 and integral multiples of NZ\$50,000 (unless agreed otherwise by NZMS 1 <sup>st</sup> ) in compliance with the FMCA, securities law generally and having regard to the laws of the jurisdiction applicable to the investor).
<b>Purpose</b>	The proceeds of the Notes will be used to make (or purchase) Loans secured over residential and commercial property in major New Zealand metropolitan areas that comply with the Lending Criteria and for general corporate purposes including refinancing. NZMS 1 <sup>st</sup> may retain a portion of its assets in liquid financial arrangements.
<b>Tenor</b>	The tenor of each Note will be as set out in the relevant Final Terms.
<b>Interest Payments</b>	Each Note will bear a fixed rate of interest as set out in the relevant Final Terms. Interest rates may be different for different Notes.
<b>Interest Payment Dates</b>	Interest will be paid monthly or at such other times as may be specified in the relevant Final Terms.
<b>Redemption of Notes</b>	Unless previously redeemed or purchased and cancelled or the maturity date is extended, the outstanding principal amount of each Note (or such other amount as is specified in the relevant Final Terms) will be payable on its maturity date as set out in the relevant Final Terms.

<b>Early redemption</b>	Unless otherwise specified in the relevant Final Terms: <ul style="list-style-type: none"> <li>NZMS 1<sup>st</sup> may elect to redeem some or all of the Notes for 103% of their principal amount (plus accrued interest) on any Business Day prior to the maturity date, by giving relevant Noteholders and the Registrar at least 30 days' (and no more than 60 days') notice.</li> <li>Noteholders have no right to require NZMS 1<sup>st</sup> to redeem their Notes prior to the maturity date, other than in accordance with the Note Deed Poll following an event of default.</li> </ul>
<b>Extension of maturity date</b>	Unless otherwise specified in the relevant Final Terms, NZMS 1 <sup>st</sup> may extend the maturity date for any Notes for up to 6 months by providing, before the original maturity date, notice of the extended maturity date to Noteholders and the Registrar. The interest rate applicable for the period of such extension shall be the initial rate of interest as set out in the relevant Final Terms plus 1.50%.
<b>Covenants</b>	NZMS 1 <sup>st</sup> has covenanted to ensure that: <ul style="list-style-type: none"> <li>At all times it has Shareholder Funding (including Shareholder Equity and Shareholder Debt subordinated to Noteholders) of at least \$5 million or 10% of the total amount of the Notes, whichever is the greater. NZMS 1<sup>st</sup> may repay Shareholder Debt in accordance with the Transaction Documents to the extent that the amount of such Shareholder Funding exceeds the minimums referred to above; and</li> <li>Each Loan when advanced (a) is secured by a first ranking mortgage, or mortgages, over Secured Property and (b) has a Net Loan LVR that does not exceed 58.5%.</li> </ul> <p>NZMS 1<sup>st</sup> will not make any distribution if an Event of Default has occurred and is continuing or if the making of the Distribution would result in the occurrence of an Event of Default.</p>
<b>Reporting and investor updates</b>	NZMS 1 <sup>st</sup> will provide annual financial statements within 120 days after the end of its financial year. As at the date of this Information Memorandum NZMS 1 <sup>st</sup> also intends to provide quarterly newsletter updates to investors.
<b>Shareholder loans</b>	NZMS 1 <sup>st</sup> will borrow Shareholder Debt that is subordinated to Noteholders under the Subordination Deed. The Shareholder Debt will be secured by a second ranking general security agreement and will rank behind Noteholders in priority of payment.
<b>Events of Default</b>	The Events of Default in the Note Deed Poll include: <ol style="list-style-type: none"> <li>Non-payment of interest which isn't paid within 10 Business Days of its due date or non-payment of principal which isn't paid within 5 Business Days of its due date (subject to any extension of the maturity date);</li> <li>A breach of any other obligations in the Transaction Documents which isn't remedied within 45 days of notice being given to NZMS 1<sup>st</sup>;</li> </ol>

<b>Events of Default</b>	<p>c. Any representation or warranty given by NZMS 1<sup>st</sup> in the Transaction Documents is untrue or incorrect in any material respect;</p> <p>d. Indebtedness of NZMS 1<sup>st</sup> in excess of \$100,000 is not paid when due;</p> <p>e. The General Security Agreement is enforced;</p> <p>f. NZMS 1<sup>st</sup> is unable to pay its debts as they fall due or stops payments of its debts or a moratorium is declared in respect of its debts;</p> <p>g. An order is made or resolution passed for the winding up of NZMS 1<sup>st</sup> or it ceases to carry on business;</p> <p>h. A receiver, administrator, liquidator or statutory manager is appointed to NZMS 1<sup>st</sup>.</p>
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<b>Acceleration and Enforcement</b>	<p>If any Event of Default occurs and continues unremedied, then any Noteholder may:</p> <ul style="list-style-type: none"> <li>where that Event of Default relates to non-payment of interest or principal in relation to a Note held by that Noteholder or enforcement of the General Security Agreement; or</li> <li>where any other Event of Default occurs and the Noteholders resolve by Extraordinary Resolution to do so,</li> </ul> <p>declare by notice to NZMS 1<sup>st</sup> (with a copy to the Registrar) that the principal amount (together with any accrued interest) is either payable immediately or on such other date specified in the notice.</p> <p>Under the Security Trust Deed, the Security Trustee may take action to enforce the General Security Agreement if:</p> <ul style="list-style-type: none"> <li>an Event of Default under paragraphs (e) to (h) above has occurred and is continuing; or</li> <li>at least 30 days have passed since an Event of Default under paragraphs (a) to (d) above has occurred and that Event of Default is continuing.</li> </ul>
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<b>Transfer</b>	A Noteholder may not transfer any Notes without the consent of NZMS 1 <sup>st</sup> .
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<b>Transaction Documentation</b>	A copy of the Note Deed Poll, the Security Trust Deed, the General Security Agreement and the Subordination Deed and a copy of the Final Terms applicable to a Note may be obtained free of charge by any Noteholder or prospective noteholder by contacting James Kellow at NZMS 1 <sup>st</sup> at <a href="mailto:james@nzms.com">james@nzms.com</a>
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<b>Taxation</b>	<p>Payments in respect of Notes will be subject to deduction of any New Zealand resident or non-resident withholding tax or approved issuer levy as may be applicable from time to time (unless, in the case of resident withholding tax, the relevant Noteholder has RWT-exempt status and the Registrar has verified that status on the electronic register maintained by the Commissioner of Inland Revenue on or before the record date for the relevant payment).</p>
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In respect of any payment of interest (or payment deemed by law to be interest) to a person who receives such payments subject to non-resident withholding tax, where payment of approved issuer levy would remove the liability to deduct non-resident withholding tax, NZMS 1<sup>st</sup> may agree with the relevant Noteholder to pay approved issuer levy. In such cases, NZMS 1<sup>st</sup> will deduct an amount equal to the approved issuer levy from payments to that Noteholder in lieu of deducting non-resident withholding tax at the rate otherwise applicable, provided that NZMS 1<sup>st</sup> reserves the right not to pay approved issuer levy in the event of any change of law (including a change in the rate of approved issuer levy) to the approved issuer levy regime.

NZMS 1<sup>st</sup> will not be obliged to make any additional payment by way of gross-up or otherwise with respect to the tax deduction, levy or withholding from any payment made in respect of the Notes.

NZMS 1<sup>st</sup> shall deduct all applicable taxes and/or levy at the highest rate applicable unless the Noteholder has demonstrated to the satisfaction of NZMS 1<sup>st</sup> or the Registrar that a lesser rate is applicable.

NZMS 1<sup>st</sup> may request certain information from any Noteholder in order to comply with laws, including the laws commonly known as the Foreign Account Tax Compliance Act (FATCA) (which includes any regulations or official interpretations issued, agreements entered into, or non-US laws enacted with respect to FATCA). NZMS 1<sup>st</sup> may provide this information to the New Zealand Inland Revenue Department, who in turn may provide this information to other revenue authorities such as the US Internal Revenue Service in certain cases.

The above is a general guide and is not exhaustive of the tax considerations that may apply to particular Noteholders or in relation to particular Notes. Prospective Noteholders of Notes should consult their professional advisers on the tax implications of an investment in the Notes for their particular circumstances.

<b>Security Trustee</b>	NZGT Security Trustee Limited
<b>Registrar and Paying Agent</b>	Link Market Services Limited
<b>Governing law</b>	New Zealand

# NZMS Group

NZMS 1<sup>st</sup>

NZMS 1<sup>st</sup> Mortgage Securities Limited (NZMS 1<sup>st</sup>) is part of the New Zealand Mortgages & Securities (NZMS) Group. Mansons TCLM has been lending as New Zealand Mortgages & Securities since April 1983. NZMS, in its current form and ownership, was established in 2012 as a joint venture between Mansons TCLM and James Kellow, a specialist property financier.



NZMS Ownership:

Mansons TCLM Family  
Mansons Finance Limited

60%

James Kellow  
Financial Consultants (Holdings) Limited

40%

NZMS 1<sup>st</sup> Mortgage Securities Limited

NZMS <sup>1ST</sup>

Lends to investment, bridging and development clients, taking 1st ranking Mortgages with target loan size of \$1-\$15million

1-15m

New Zealand Mortgages & Securities Limited

NEW ZEALAND  
MORTGAGES & SECURITIES  
NZMS.COM

Lends to predominantly development clients, taking 1st and 2nd ranking Mortgages with target loan size of \$10-65 million

10-65m

NZMS Limited

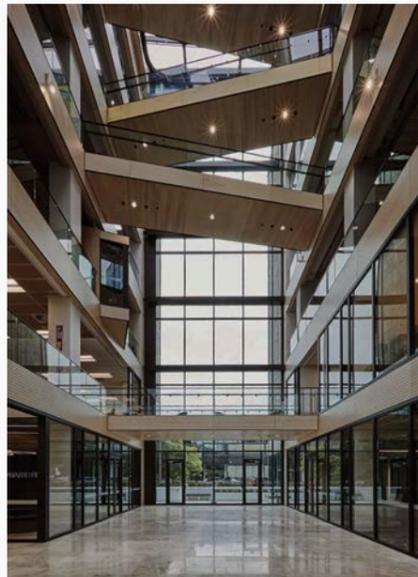
NZMS

Lends to predominantly development clients, taking 1st ranking Mortgages with target loan size of \$5-20 million

5-20m



136 Fanshawe Street



33 Broadway



50 Albert Street

As one of New Zealand’s largest privately owned commercial developers, Mansons TCLM has deep experience and expertise in commercial and residential property development. Mansons TCLM has an in-house building and project management team for its own developments and often funds these developments itself without reliance on external financing.



Mansons TCLM has been the development community’s trailblazer for New Zealand Green Buildings and has built more certified green star buildings than any other developer in New Zealand. Mansons’ reputation is solid and is built on performance.

James has 25 years’ experience in the Property Finance market and has financed a large number of the major developments during this time – including thousands of apartments, houses and sections, hundreds of commercial buildings and substantial land development projects.

NZMS utilises the contacts and lending expertise of James with Mansons’ property experience to advance secured first mortgages on investment and development properties. Due to the Reserve Bank of New Zealand’s regulatory capital requirements, as well as limited liquidity and development expertise in the secondary finance market, the registered trading banks have limited appetite for lending in this part of the market. As a specialist lender, NZMS is able to achieve high lending yields with attractive risk and return characteristics.

NZMS has developed strong systems and has a highly experienced team which has principally been together since 2012. The team has a proven track record in:

Writing loans

Managing loans, including distressed borrowers

Documentation of loans

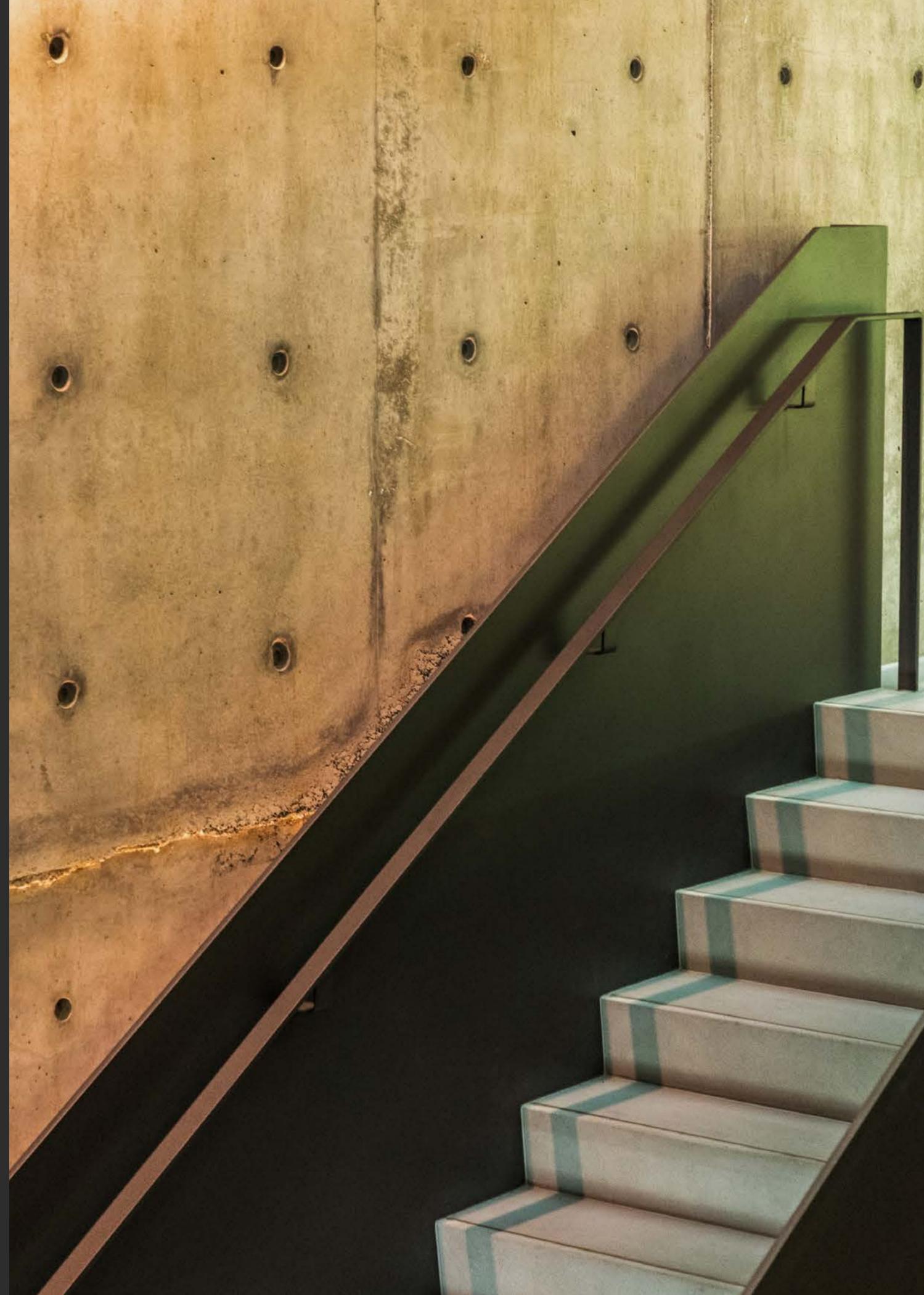
Variations / amendments to loans

Full reporting systems including loan statements, cashflows, profit and loss and balance sheets

NZMS 1<sup>st</sup>

# \$1.5 billion

NZMS retains consistent clientele and has extensive experience in lending and the management of loans. NZMS has not sustained a single loss from cumulative advances of \$1.5 billion. The duration of the loan book is short, which reflects the quality of the projects NZMS chooses to support. NZMS has found a profitable market niche lending within sensible credit parameters.



# NZMS 1<sup>st</sup> Mortgage Securities Limited



NZMS 1<sup>st</sup> Mortgage Securities Limited has been created to provide a secured, well managed, pool of diversified first ranking mortgage property Loans. No prior ranking charges on the Loans are permitted. Notes will be secured under a Security Trust Deed structure and have the benefit of the General Security Agreement over all assets of NZMS 1<sup>st</sup>. This will include the Loans made by NZMS 1<sup>st</sup> and the security held by it in relation to those Loans. The security will be held by the Security Trustee for the Noteholders.

To provide further comfort to Noteholders, NZMS 1<sup>st</sup> will ensure that at all times it has Shareholder Funding (including Shareholder Equity and Shareholder Debt subordinated to Noteholders) of at least \$5 million or 10% of the total amount of the Notes, whichever is the greater. Shareholder Debt will be subordinated under the Subordination Deed and secured by a second-ranking general security agreement over the assets of NZMS 1<sup>st</sup>. NZMS 1<sup>st</sup> may repay Shareholder Debt in accordance with the Transaction Documents to the extent that the amount of Shareholder Funding exceeds the minimums referred to above.

NZMS 1<sup>st</sup> has entered into a Management Agreement with NZMS, for NZMS to manage the sourcing and oversight of real-estate backed lending. Under the Management Agreement:

- NZMS has provided NZMS 1<sup>st</sup> with a right of first refusal in respect of any loan that meets NZMS 1<sup>st</sup>'s Lending Criteria, subject to certain exceptions (including for lack of available funding and where an accelerated timeline is commercially necessary or desirable).
- No management fee is payable.

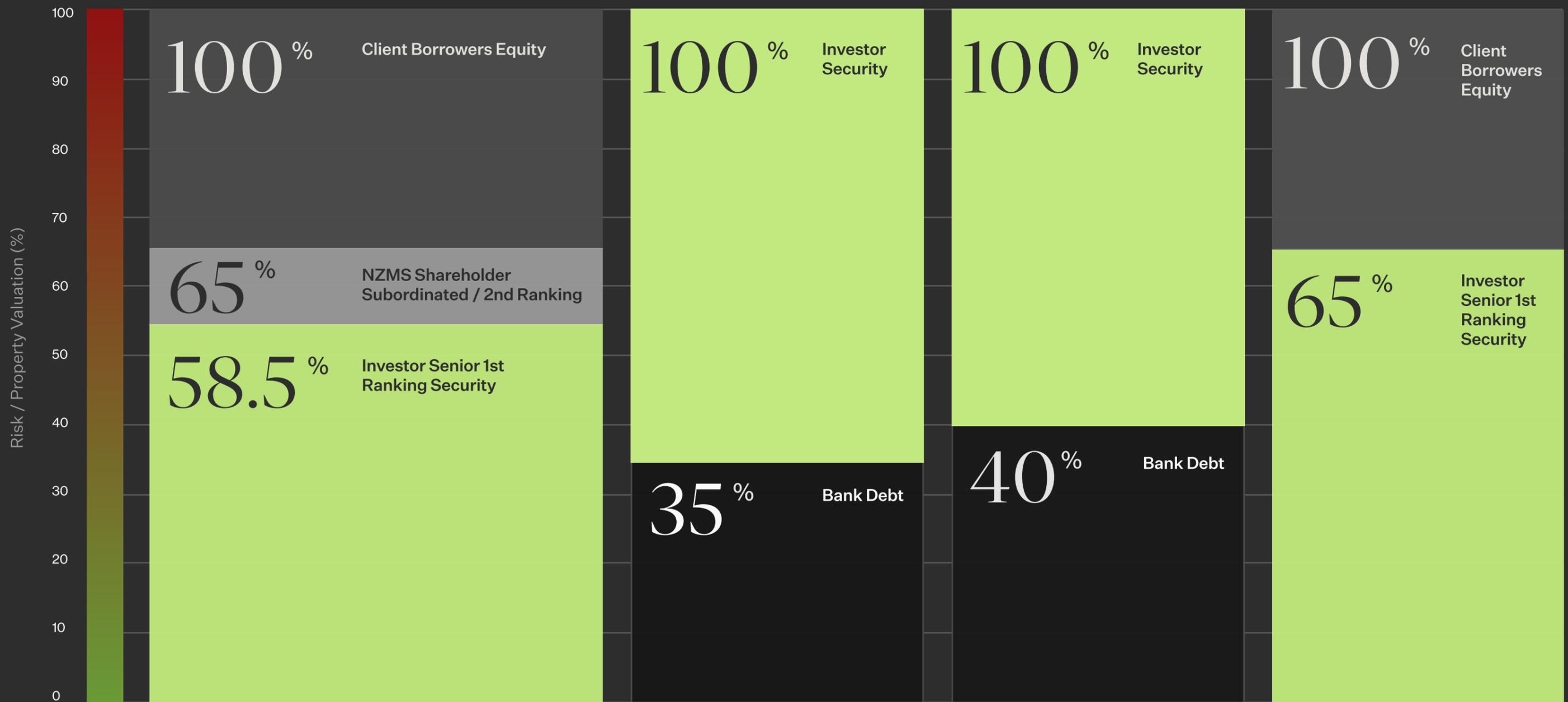
# NZMS 1<sup>st</sup> Investor Security



Typical Listed Property Trust

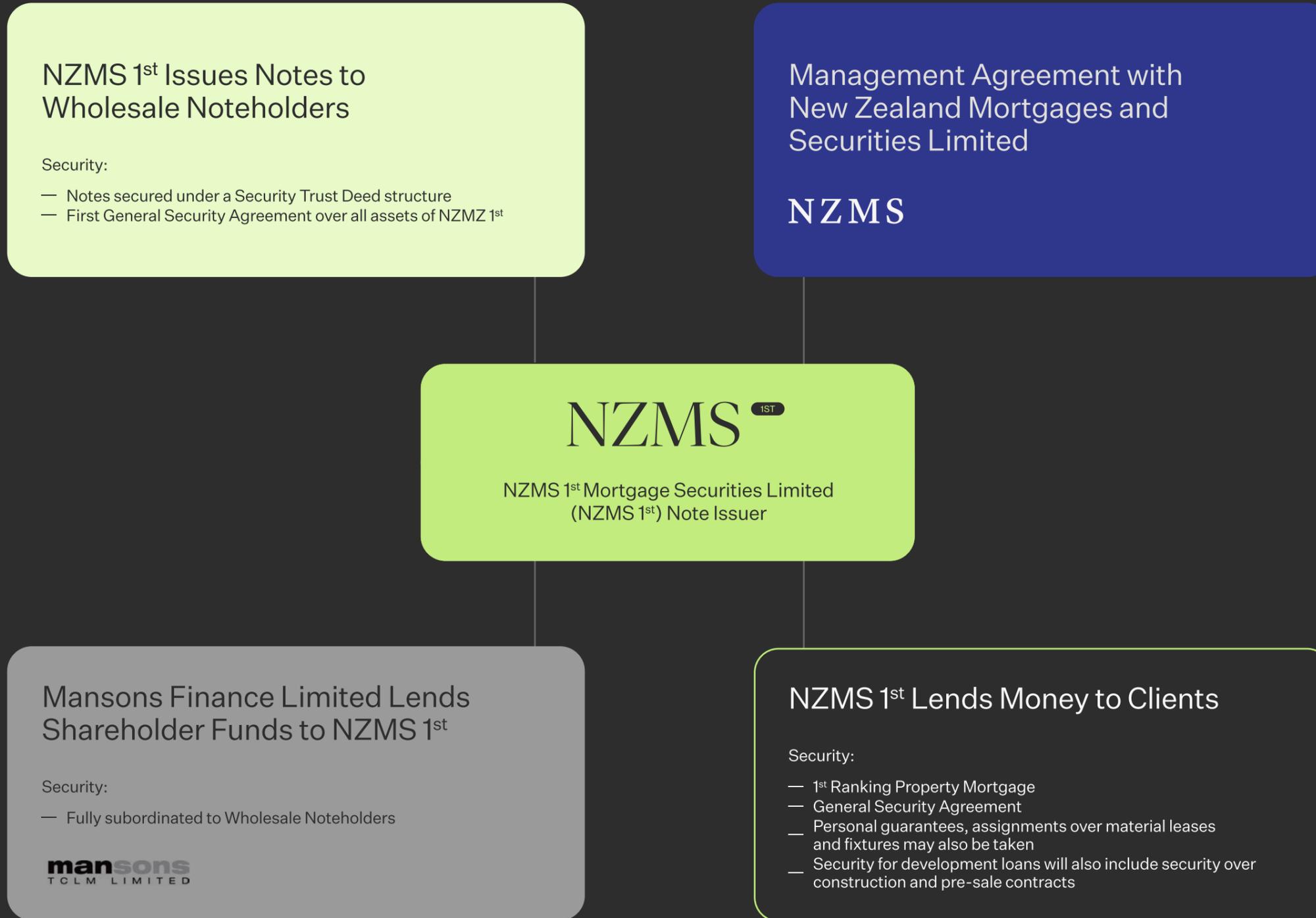
Typical Property Syndicate

Typical Mortgage Trust





# NZMS 1<sup>st</sup> Mortgage Securities Limited



Directors

Simon Botherway  
Culum Manson  
Ricky Meyers  
James Kellow





**Simon Botherway**

CFA | B.Com | CMIInstD - Independent

Simon's background is in Equities Investment Management and Treasury functions. He is a Charterholder of the US-based CFA Institute and has broad capital markets experience including investment analysis and valuation and portfolio management. Simon co-founded Brook Asset Management in 2002 which, by 2008, was NZ's largest boutique asset management company.

Simon was a member of the NZ Securities Commission and chaired the FMA Establishment Board. He is a past Guardian (director) of the NZ Superannuation Fund. Simon is currently Chair of Origin Capital Limited, a specialist horticultural fund management business and DeliverEasy Limited, one of New Zealand's leading home delivery businesses.



**James Kellow**

B.Com | PG Dip Banking | FAIBF

James has 25 years' experience in the Auckland Property Finance market and has financed a large percentage of the major developments during this time – including thousands of apartments, houses and sections, hundreds of commercial buildings and a large number of land projects. He has sourced, settled and managed in excess of \$5 billion worth of finance transactions for many of Auckland's most successful property identities. James joined NZMS in December 2012 with a focus on credit expansion. He holds a Bachelor of Commerce from the University of Otago, a Post Graduate Diploma in Banking from Massey University and is a Fellow of the Financial Services Institute of Australasia.



**Culum Manson**

Culum Manson has spent the last 25 years in the property development business and is Commercial Director of Mansons TCLM. He has negotiated the leasing deals in many large office developments in Auckland, including Spark, General Electric, Watercare, AA Insurance, Simpson Grierson, BDO, Lumley Finance, NZME, Meredith Connell, Mercury Energy, Vector and BNZ. To date, he has completed over \$3 billion of commercial property transactions.

Culum's experience is particularly valuable when NZMS clients undertake development projects as he has an intimate knowledge of all aspects of property development including planning, consenting, management of key subcontractors, delivery and sales. Culum is also an active director of NZMS and involved in the assessment and approval of all NZMS loans, through which he has developed substantial experience and skills in this field which will be applied to the benefit of NZMS 1<sup>st</sup>.



**Ricky Meyers**

B.Com | Institute of Directors Company Directors course - Independent

Ricky is a highly respected corporate, institutional and property banker with over 25 years of senior team leadership and lending transaction experience plus an extensive New Zealand network. Ricky has strong credit and operational risk management, credit risk analysis and technical lending product knowledge.

Previous roles include Head of Property Finance for Westpac New Zealand during the Global Financial Crisis, Director Loan Markets for Westpac Institutional Bank and Head of Client Coverage for ASB Corporate Banking. Ricky is currently a Director at Northington Partners Limited, an independent investment bank and corporate advisory business, having established a dedicated Debt Advisory offering.

# Lending Criteria and Process

As at the date of this Information Memorandum, the table below sets out the Lending Criteria for Loans entered into or acquired by NZMS 1<sup>st</sup> with customers. Subject to compliance with the financial covenants described above, NZMS 1<sup>st</sup> may amend this Lending Criteria from time to time.

<b>Loan type</b>	<p>Loans will primarily be made in relation to residential properties (Non-Development Loans).</p> <p>In addition, funds will be conservatively advanced for commercial and residential development, sections and bare resource consented land in acceptable areas (Development Loans).</p> <p>The property securing each Loan is generally to be located close to a metropolitan location in New Zealand.</p>
<b>Type of mortgage</b>	All Loans to be secured by a first ranking mortgage.
<b>Maximum Loan Amount</b>	\$15 million as at the date of this Information Memorandum. NZMS 1 <sup>st</sup> may increase the maximum Loan Amount from time to time.
<b>Minimum Loan Amount</b>	There is no minimum Loan Amount. Each Loan will be assessed based on profitability.
<b>Security for Non-Development Loans</b>	<p>For Non-Development Loans, NZMS 1<sup>st</sup> will take the following security:</p> <ol style="list-style-type: none"> <li>First-ranking mortgage.</li> <li>First ranking general security over the entity that owns the property</li> <li>Personal guarantee of the sponsor(s). Other relevant guarantees will be obtained where necessary. By exception, a Loan may not be personally guaranteed if the Net Loan LVR is under 50%.</li> <li>Assignment over any material leases, fixtures, etc.</li> </ol>
<b>Security for Development Loans</b>	For Development Loans, in addition to the normal security required for a Non-Development Loan, NZMS 1 <sup>st</sup> will also take security over construction contracts and any presales.

<b>Maximum term</b>	15 months.
<b>Maximum Net Loan LVR</b>	<p>The Net Loan LVR for each Loan cannot exceed 58.5% when advanced.</p> <p>Net Loan LVRs are calculated net of Shareholder Funding (including Shareholder Equity and Shareholder Debt subordinated to Noteholders).</p> <p>As an example, a Loan may be made with a gross LVR exceeding 58.5% provided NZMS 1<sup>st</sup> has allocated Shareholder Funding to that Loan (without double counting) for any lending above 58.5%.</p> <p>NZMS 1<sup>st</sup>'s policy is for gross LVRs to be 65% or lower, but higher gross LVRs may be permitted by exception (provided that the Net Loan LVR does not exceed 58.5% as described above).</p>
<b>Net Loan LVR in relation to Development Loans</b>	For Development Loans, where the Net Loan LVR is above 50% on completion, there must be pre-sales in place to reduce residual lending position below 40% Net Loan LVR.
<b>Property valuation</b>	Property to be valued by a NZMS Group panel valuer.
<b>Excluded lending to related parties</b>	NZMS 1 <sup>st</sup> will not lend to any member of the NZMS Group, Mansons TCLM or associated entities. Additionally, NZMS 1 <sup>st</sup> will not lend to persons employed in NZMS Group, Mansons TCLM or associated entities.
<b>Subsequent debt to be fully subordinated</b>	<p>All subsequent debt/charges behind NZMS's security are to be fully subordinated.</p> <p>For avoidance of doubt, Noteholders have the benefit of a General Security Agreement over all assets of NZMS 1<sup>st</sup>. This will include the Loans made by NZMS 1<sup>st</sup> and the security held by it in relation to those Loans.</p>
<b>Formal credit process</b>	A formal credit process is adhered to with approval for each Loan or material amendment (including rollover and extensions) to a Loan being unanimously required from all Directors. This team has extensive property expertise.

### Documentation

NZMS 1<sup>st</sup> loan documentation will be those developed by Chapman Tripp for the NZMS Group, and which have been successfully used by the NZMS Group and are generally more lender-favourable than standard bank security documents.

NZMS 1<sup>st</sup> arranges for all original loan documents and security to be held by Chapman Tripp during the term of an advance.

### Drawdown / Repayments

NZMS 1<sup>st</sup> engages Chapman Tripp to provide the appropriate solicitor's certificate prior to drawdown of any advance.



# Investment Risks



Investments in debt securities such as the Notes carry risks. Potential noteholders should assess their appetite for the risks associated with an investment of the nature proposed by this Information Memorandum and obtain appropriate financial, legal and taxation advice before committing to purchasing Notes. The discussion of risks in this section of the Information Memorandum is not exhaustive there may be other risks associated with the investment which are not specified in this Information Memorandum. Potential noteholders should read this Information Memorandum in full, and if they require further information on risks associated with an investment of this nature, seek professional advice.

Outside of shareholder funding, NZMS 1<sup>st</sup> is reliant on its borrowers repaying their loans for NZMS 1<sup>st</sup> to be able to repay the principal amount of the Notes and to pay interest to Noteholders. While NZMS 1<sup>st</sup> intends to provide a fixed rate of return on the Notes, there is a risk that it may not be able to pay these amounts when due as a result of borrower defaults. These defaults may occur for a range of reasons beyond NZMS 1<sup>st</sup>'s control (such as an economic recession, a natural disaster, and disruptions in the property and construction sectors).

NZMS 1<sup>st</sup> considers risk management (RM) to be a vital component of sound business management that has the effect of ensuring the long-term sustainability of the company under a wide range of scenarios.

NZMS 1<sup>st</sup> is in the business of raising funds from wholesale investors and lending to qualified borrowers within a robust and strict credit criteria and approvals framework.

Risk identification, mitigation (where required), management and regular reviews are crucial to effective RM.

Risk culture is embedded throughout the organisation and the risk profile of the company is to be kept under regular review. The Board and sub-committees of NZMS 1<sup>st</sup> ensure that RM is incorporated within normal business processes by identifying the principal risks facing the company and implementing functions and processes to manage these risks.

Adequate and robust RM and assurance discussions will take place at Board meetings and NZMS 1<sup>st</sup> management will be required to identify, monitor and report on key risks and mitigation strategies including liaising with internal and external audit functions.

# Financial Risks

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## Credit Risk

The risk of financial loss where a borrower fails to meet their financial obligations to NZMS 1<sup>st</sup>.

The value of the Notes is ultimately determined by the value of the Loans secured by first-ranking mortgages which NZMS 1<sup>st</sup> offers. Changes in the perceived or actual creditworthiness of borrowers, or borrowers' failure to continue to meet their on-going principal and interest payments may result in borrowers defaulting on their mortgage obligations. There may be situations where a borrower is unable to perform on its loan obligations. NZMS 1<sup>st</sup> will maintain systems, processes and capabilities to readily identify non-performing loans and promptly implement actions to rehabilitate, minimise losses and ensure recovery such that liquidity issues are not triggered.

NZMS 1<sup>st</sup> is essentially a specialised secured first mortgage lender to the property sector specialising in development lending and bridging finance. There is inherent risk in this sector, however the risk to NZMS 1<sup>st</sup> in general and Noteholders in particular is expected to be largely offset by analysis of repayment source, LVR limits and subordinated shareholder debt.

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## Liquidity, Solvency and Balance Sheet Risk

The risk that NZMS 1<sup>st</sup> will be unable to satisfy its ongoing solvency testing, fund lending commitments or meet Note maturity obligations as they become due.

Low liquidity may mean that NZMS 1<sup>st</sup> is unable to realise its assets, which would affect the ability of NZMS 1<sup>st</sup> to meet its obligations to make payments when due. NZMS 1<sup>st</sup> is conscious that at all times it must remain solvent and service interest and capital payments as they fall due. NZMS 1<sup>st</sup> will mitigate this risk by designing, implementing and monitoring funding strategies that stimulate ongoing appetite for the Notes, which result in asset/liability maturity profiles that ensure the ongoing solvency and positive net asset position of NZMS 1<sup>st</sup> at all times.

# Financial Risks

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## Market Risk

The risk of an adverse impact attributable to changes in market conditions.

The value of the Notes may be affected by a range of factors that affect a particular financial market, such as changes to economic conditions, interest rates (interest rate risk arising from asset/liability maturity timing mismatch), property prices in New Zealand (particularly in the Auckland region where 90% of the mortgages' underlying properties are based), the willingness/capacity of buyers to meet their obligations under pre-sale commitments, inflation, regulation, taxation, local and geo-political events, and investor sentiment. Market risk is mitigated through limits on exposure to particular parts of the market.

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## Secondary Market Risk

The risk investors may not be able to easily sell their Notes.

The Notes may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a return comparable to similar investments that have a developed secondary market.

# Non-Financial Risks

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## Business Operational and Cyber/Data Risks

The risks arising from NZMS 1<sup>st</sup>'s strategic objectives, business plans and supporting systems and processes.

The daily operations of NZMS 1<sup>st</sup> may result in financial loss or adverse regulatory consequences due to a variety of operational risks including business decisions, technology risk (including failure of NZMS 1<sup>st</sup>'s business systems or those of its service providers), fraud, compliance with legal and regulatory obligations, business continuity planning, legal and litigation risk, environmental obligations, data integrity and processing risk, managing conflicts of interests and key personnel risk.

NZMS 1<sup>st</sup> will identify and resource critical business processes (or outsource/insource as appropriate) to ensure that at all times they are robust. Data and private information are securely stored and backed-up and subject to recovery planning. NZMS 1<sup>st</sup> has also adopted policies and procedures to control exposure to, and limit the extent of, these risks, including a Conflict of Interest and Related Party Transaction Policy, Fraud Prevention Policy, Credit/Lending Policy and AML/CFT Policy.

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## Compliance and Conduct Risk

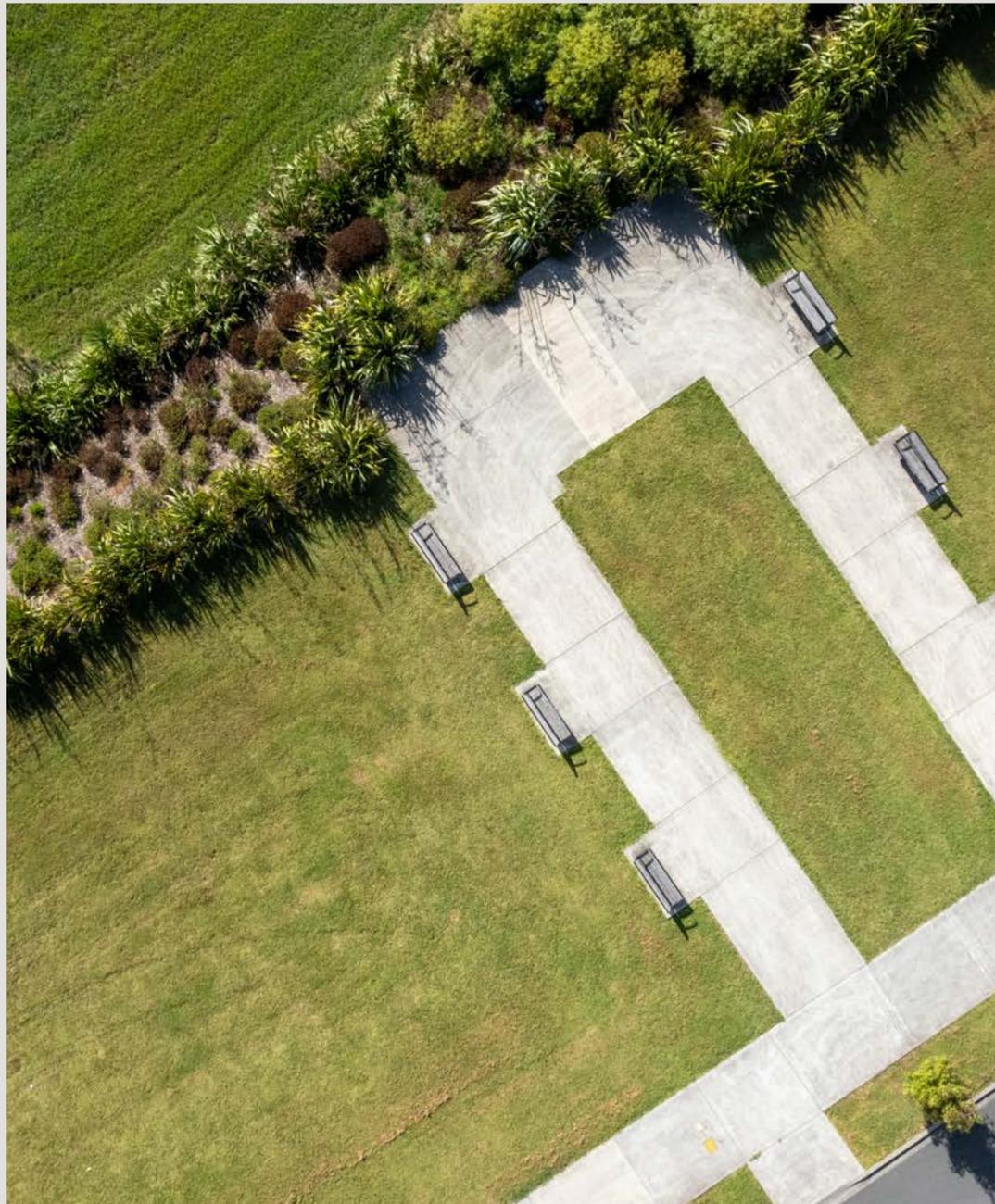
The risk of legal or regulatory action or sanction, financial or reputational loss, arising from failure to adhere to statutory, regulatory or contractual obligations.

NZMS Group operates in a highly regulated environment, and is subject to a range of legislative and regulatory compliance requirements, including requirements relating to lending, financial services, anti-money laundering, personal property and security, data security and privacy and taxation. These laws and regulations could result in substantially increased operational and other costs and could have an adverse effect on NZMS 1<sup>st</sup>'s operations and financial performance.

Moreover, changes in the law or regulations, or an increased complexity in the manner in which compliance is to be achieved, may require heightened compliance efforts, could divert the attention of NZMS1st's management, and may require expenditure. A breach of any laws or regulations applicable to NZMS Group may result in financial penalties, prosecution or other sanctions on NZMS Group, which could have an adverse effect on NZMS1st's business, reputation, operating and financial performance and financial position. NZMS1st will implement systems and processes to ensure ongoing compliance with laws and regulation, and ensure that best practice is embedded.

# Applications and Further Information

# How to apply



For the avoidance of doubt, Notes are not offered to any person that is a “wholesale investor” solely because that person is an “eligible investor” (as defined in clause 41 of Schedule 1 of the FMCA) or otherwise meets the “investment activity” criteria (specified in clause 38 of Schedule 1 of the FMCA). Noteholders are not required to pay fees to NZMS 1<sup>st</sup> for their Notes.

#### Contact information

If you would like further information or have any questions, please contact [james@nzms.com](mailto:james@nzms.com):

#### Withdrawal of Offer

NZMS 1<sup>st</sup> reserves the right, in its sole discretion and for any reason whatsoever, to modify, amend or withdraw all or any portion of the Offer or accept or reject in whole or in part any application for Notes.

Please contact James Kellow for an Application Form.

Applicants are required to certify that they are “wholesale investors” within the meaning of clause 3(2)(a), (c) or (d) of Schedule 1 to the FMCA, which includes a person who is:

- an “investment business”;
- “large”; or
- a “government agency”,

in each case as defined in Schedule 1 to the FMCA.

# Glossary of Terms

A number of terms and abbreviations used in this Information Memorandum have defined meanings as follows:

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**Business Day**

means a day on which banks are open for general banking business in New Zealand, but excluding Saturday, Sunday and public holidays in New Zealand.

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**FMCA**

means the Financial Markets Conduct Act 2013.

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**Final Terms**

means in relation to a Note, the specific terms that relate to that Note.

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**General Security Agreement**

means the general security agreement dated on or about the date of this Information Memorandum entered into by NZMS 1<sup>st</sup> in favour of the Security Trustee.

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**Information Memorandum**

means this information memorandum as issued by NZMS 1<sup>st</sup>.

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**Lending Criteria**

means the terms set out in section 5 of this Information Memorandum, as amended by NZMS 1<sup>st</sup> from time to time.

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**Loan**

means each loan made by NZMS 1<sup>st</sup>. Each Loan when advanced must (a) be secured by a first ranking mortgage over Secured Property and (b) have a Net Loan LVR that does not exceed 58.5%

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**Loan Amount**

Loan Amount means the aggregate of the principal amounts then owing to NZMS 1<sup>st</sup> under the relevant Loan.

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**Net Loan LVR**

means the ratio of the relevant Loan Amount (less Shareholder Funding allocated to that Loan by NZMS 1<sup>st</sup>, without double counting) to the relevant Secured Property Value.

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**Note**

means a note issued by NZMS 1<sup>st</sup> in accordance with the Transaction Documents.

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**Note Deed Poll**

means the note deed poll dated on or about the date of this Information Memorandum entered into by NZMS 1<sup>st</sup> in relation to the Notes.

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**Noteholders**

means, at any time, the holders of the Notes.

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**NZMS**

means New Zealand Mortgages & Securities Limited.

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**NZMS 1<sup>st</sup>**

means NZMS 1<sup>st</sup> Mortgage Securities Limited.

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**Offer**

means the offer by NZMS 1<sup>st</sup> of Notes as set out in this Information Memorandum.

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**Secured Property**

means, in relation to a Loan, any property over which NZMS 1<sup>st</sup> holds a first ranking mortgage.

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**Secured Property Value**

means, in relation to any Secured Property, the value of that Secured Property, by reference to the lower of:

1. the most recent value provided by a registered valuer as a condition precedent of the relevant Loan or any part of it being advanced; and
2. the market valuation calculated by NZMS 1<sup>st</sup>.

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**Security Trust Deed**

means the security trust deed dated on or about the date of this Information Memorandum entered into between NZMS 1<sup>st</sup> and the Security Trustee.

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**Security Trustee**

means NZGT Security Trustee Limited.

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**Shareholder Debt**

means all liabilities of NZMS 1<sup>st</sup> to its shareholders that are subordinated to Noteholders under the Subordination Deed.

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**Shareholder Equity**

means the amount by which total assets of NZMS 1<sup>st</sup> exceeds its total liabilities as shown in the most recent financial statements delivered under the Note Deed Poll.

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**Shareholder Funding**

means the aggregate of Shareholder Equity and Shareholder Debt.

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**Subordination Deed**

means the subordination deed dated on or about the date of this Information Memorandum entered into by NZMS 1<sup>st</sup> and each shareholder lender.

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**Terms and Conditions**

means the general terms and conditions in relation to the Notes as set out in Schedule 1 of the Note Deed Poll.

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**Transaction Documents**

means the Note Deed Poll, the Security Trust Deed, the General Security Agreement and the Subordination Deed.

NZMS 