

SERIES NOTICE

NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY BOND

03 April 2018

IMPORTANT NOTICE

This Series Notice sets out the key terms of the offer by New Zealand Local Government Funding Agency Limited ("**LGFA**") of fixed rate bonds maturing on 14 April 2022 ("**Bonds**") under its master trust deed dated 7 December 2011 (as amended from time to time) ("**Master Trust Deed**") as supplemented by a supplemental deed dated 15 February 2012 (as amended from time to time) (together, the "**Trust Documents**") entered into between LGFA and Trustees Executors Limited ("**Supervisor**"). The Bonds are "Retail Notes" for the purposes of the Trust Documents.

Unless defined in this Series Notice or the context requires otherwise, capitalised terms used in this Series Notice have the meaning given to them in the Trust Documents.

The offer of debt securities by LGFA is made in reliance upon the exclusion in clause 19 of schedule 1 of the Financial Markets Conduct Act 2013 ("**FMCA**").

The offer contained in this Series Notice is an offer of Bonds that will have identical rights, privileges, limitations and conditions (except for the interest rate and/or maturity date) as LGFA's:

- (a) fixed rate bonds maturing on 15 March 2019 with an interest rate of 5.00% per annum, which are quoted on the NZX Debt Market under the ticker code LGF020;
- (b) fixed rate bonds maturing on 15 April 2020 with an interest rate of 3.00% per annum, which are quoted on the NZX Debt Market under the ticker code LGF030;
- (c) fixed rate bonds maturing on 15 May 2021 with an interest rate of 6.00% per annum, which are quoted on the NZX Debt Market under the ticker code LGF040;
- (d) fixed rate bonds maturing on 15 April 2023 with an interest rate of 5.50% per annum, which are quoted on the NZX Debt Market under the ticker code LGF050;
- (e) fixed rate bonds maturing on 15 April 2027 with an interest rate of 4.50% per annum, which are quoted on the NZX Debt Market under the ticker code LGF060;
- (f) fixed rate bonds maturing on 15 April 2025 with an interest rate of 2.75% per annum, which are quoted on the NZX Debt Market under the ticker code LGF070; and
- (g) fixed rate bonds maturing on 14 April 2033 with an interest rate of 3.50% per annum, which are quoted on the NZX Debt Market under the ticker code LGF080,

("Quoted Bonds"). Accordingly, the Bonds are of the same class as the Quoted Bonds for the purposes of the FMCA and the Financial Markets Conduct Regulations 2014.

LGFA is subject to a disclosure obligation that requires it to notify certain material information to NZX Limited ("**NZX**") for the purpose of that information being made available to participants in the market and that information can be found by visiting <https://www.nzx.com/companies/LGF>

The Quoted Bonds are the only debt securities of LGFA that are currently quoted and in the same class as the Bonds.

Investors should look to the market price of the Quoted Bonds referred to above to find out how the market assesses the returns and risk premium for those bonds.

Programme:	New Zealand Local Government Funding Agency Bond						
Issuer:	New Zealand Local Government Funding Agency Limited						
Description:	The Bonds are direct, unsecured, unsubordinated, New Zealand dollar ("NZD") fixed rate interest bearing debt obligations of LGFA.						
NZClear Series Code:	LB0422, Tranche 1.						
Offering:	NZD 200,000,000 NZD 50,000,000 of Bonds (being approximately 25% of the Bonds on offer) are reserved for subscription by LGFA. LGFA will subscribe for these Bonds at the weighted average subscription price determined through the tender and will initially hold these Bonds as treasury stock for the purposes of its bond lending facility.						
Minimum Principal Amount for transfers:	NZD 10,000 and in multiples of NZD 1,000 thereafter						
Credit Rating:	<p>LGFA has issuer credit ratings from:</p> <table border="1" data-bbox="678 846 1189 1122"> <thead> <tr> <th colspan="2">Issuer Credit Rating</th> </tr> </thead> <tbody> <tr> <td>Standard & Poor's Australia Pty Limited ("S&P")</td> <td>AA+ NZD long-term A-1+ short-term</td> </tr> <tr> <td>Fitch Australia Pty Limited ("Fitch")</td> <td>AA+ NZD long-term F1+ short-term</td> </tr> </tbody> </table> <p>The ratings are not a recommendation to you to buy, sell or hold the Bonds and the ratings may be subject to revision, qualification or withdrawal at any time by S&P and/or Fitch. Any downward revision, qualification or withdrawal of the ratings may affect your ability to sell your Bonds and the price you are able to sell them for.</p>	Issuer Credit Rating		Standard & Poor's Australia Pty Limited ("S&P")	AA+ NZD long-term A-1+ short-term	Fitch Australia Pty Limited ("Fitch")	AA+ NZD long-term F1+ short-term
Issuer Credit Rating							
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Fitch Australia Pty Limited ("Fitch")	AA+ NZD long-term F1+ short-term						
Issue Date and allotment date:	09 April 2018						
Maturity Date:	14 April 2022						
Principal Amount:	NZD 1.00 Per Bond						
Coupon/Interest Rate:	2.75% per annum paid semi-annually in arrears						
Interest Accrual Start Date:	14 April 2018 as the Bonds will be settled on an ex-coupon interest basis						
Interest Accrual:	Bonds will be settled on an ex-coupon interest basis; accordingly, no interest will be paid on the First Interest Payment Date.						
First Interest Payment Date:	14 April 2018						
Interest Payment Dates:	14 April and 14 October in each year up to, and including, the Maturity Date.						
Daycount convention:	ACT/ACT						
Holidays/Business Days:	Wellington, Auckland						
Guarantors:	Other than the New Zealand Government, each holder of ordinary shares in LGFA must be (and, as at the date of this Series Notice, is) a Guarantor.						

In addition, as at the date of this Series Notice, LGFA's policy is that any local authority that borrows in aggregate NZD 20,000,000 or more from LGFA must be a Guarantor.

As at the date of this Series Notice, the Guarantors are:

- Ashburton District Council
- Auckland Council
- Bay of Plenty Regional Council
- Canterbury Regional Council
- Christchurch City Council
- Far North District Council
- Gisborne District Council
- Hamilton City Council
- Hastings District Council
- Hauraki District Council
- Horowhenua District Council
- Hurunui District Council
- Hutt City Council
- Kaipara District Council
- Kapiti Coast District Council
- Manawatu District Council
- Manawatu-Wanganui Regional Council
- Marlborough District Council
- Masterton District Council
- Matamata-Piako District Council
- Nelson City Council
- New Plymouth District Council
- Otorohanga District Council
- Palmerston North City Council
- Porirua City Council
- Queenstown-Lakes District Council
- Rotorua District Council
- Selwyn District Council
- South Taranaki District Council
- Tasman District Council
- Taupo District Council
- Tauranga City Council
- Thames-Coromandel District Council
- Timaru District Council
- Upper Hutt City Council
- Waikato District Council
- Waimakariri District Council
- Waipa District Council
- Waitomo District Council
- Wellington City Council
- Wellington Regional Council
- Western Bay of Plenty District Council
- Whakatane District Council
- Whanganui District Council
- Whangarei District Council

NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LIMITED

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<p>Guarantee and Security Arrangements:</p>	<p>LGFA's obligations in relation to (among other things) the debt securities (including the Bonds) issued under Trust Documents are guaranteed by the local authorities that are from time to time Guarantors under the Guarantee (as defined in the "Additional Information" section of this Series Notice).</p> <p>Other than the Guarantors under the Guarantee, neither the Supervisor, the Registrar, nor any of their respective directors, officers or employees, nor any other person, guarantees the payment of interest or any other amounts due under the Bonds.</p> <p>The New Zealand Government does not guarantee any of LGFA's obligations or liabilities in relation to the Bonds.</p> <p>Each Guarantor has entered into a debenture trust deed ("Debenture Trust Deed") under which a security interest is granted in favour of a trustee ("Debenture Trustee") over certain rates related assets of that local authority for the benefit of the local authority's secured creditors.</p> <p>The security granted by each of the Guarantors under their respective Debenture Trust Deeds secures their obligations under the Guarantee.</p> <p>More information on the Guarantee and security arrangements is set out under the heading "Guarantee and Security Arrangements" in the "Additional Information" section of this Series Notice.</p>
<p>Early repayment:</p>	<p>LGFA is not obliged to repay the Bonds prior to the Maturity Date.</p>
<p>How to apply:</p>	<p>The Bonds (other than those reserved for subscription by LGFA) will be issued by way of tender. LGFA has established operating rules and guidelines governing how it will conduct tenders for debt securities ("Operating Rules and Guidelines").</p> <p>Applications for the Bonds must be made in accordance with the Operating Rules and Guidelines.</p> <p>Financial institutions must be registered with LGFA to subscribe for the Bonds via tender.</p> <p>For further operational information on how a financial institution registered with LGFA may tender for debt securities, please see the document "Operating Rules and Guidelines" on the LGFA website at http://lgfa.co.nz/files/documents/LGFA%20Operating%20Rules%20and%20Guidelines%2010%20May%202016.pdf</p> <p>If you subscribe for Bonds via tender, you must settle your application with LGFA in accordance with the Operating Rules and Guidelines.</p>
<p>Oversubscriptions:</p>	<p>LGFA reserves the right (at its discretion) to accept oversubscriptions of up to 50% of the amount of bonds offered for tender provided that the total amount of bids accepted for all offers of bonds under the tender does not exceed the total amount of bonds offered for tender.</p>
<p>Tender Bids Open:</p>	<p>1.30pm, 04 April 2018 NZDT</p>
<p>Tender Bids Close:</p>	<p>2.00pm, 04 April 2018 NZDT</p>
<p>Settlement Date:</p>	<p>09 April 2018</p>
<p>Issue/Settlement Price:</p>	<p>Determined in accordance with the bond formula on the last page of this Series Notice.</p>

NZX Quotation:	<p>LGFA will take any necessary steps to ensure that the Bonds are, immediately after issue, quoted.</p> <p>Application has been made to NZX for permission to quote the Bonds on the NZX Debt Market and all the requirements of NZX relating thereto that can be complied with on or before the distribution of this Series Notice have been duly complied with. However, NZX accepts no responsibility for any statement in this Series Notice.</p> <p>NZX is a licensed market operator and the NZX Debt Market is a licensed market under the FMCA.</p>
NZX Ticker Code:	LGF090
Expected Date of Quotation on NZX Debt Market:	10 April 2018
ISIN Code:	NZLGFDT010C8
Selling restrictions:	<p>This Series Notice only constitutes an offer of the Bonds in New Zealand.</p> <p>LGFA has not taken any action which would permit an offer of the Bonds, or possession or distribution of any offering material, in any country or jurisdiction where action for that purpose is required (other than New Zealand).</p> <p>You may only offer for sale or sell, directly or indirectly, or transfer any Bond in conformity with all applicable laws and regulations in any jurisdiction in which it is offered, sold or delivered.</p> <p>No disclosure document, advertisement or any other offering material in respect of any Bond 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.</p>
Further issues:	LGFA may from time to time issue additional bonds or incur other debt obligations which rank equally with the Bonds without your consent. LGFA may incur such further debt obligations on such terms as it thinks fit in NZD or in other currencies.
Registrar:	Computershare Investor Services Limited
Supervisor:	Trustees Executors Limited

Additional Information

Guarantee and Security Arrangements

LGFA's obligations in relation to (among other things) the Securities are guaranteed by the local authorities that are from time to time Guarantors under the Guarantee (as defined below). Other than the New Zealand Government, each holder of ordinary shares in LGFA must be (and, at the date of this Series Notice, is) a Guarantor. In addition, as at the date of this Series Notice, LGFA's policy is that any local authority that borrows in aggregate NZD 20,000,000 or more from LGFA must be a Guarantor.

The Guarantors each jointly and severally guarantee to TEL Security Trustee (LGFA) Limited ("**Security Trustee**"), for the benefit of the Supervisor (in the case of each Series of Retail Securities), each holder of Wholesale Securities (in the case of each Series of Wholesale Securities) and other creditors of LGFA to whom LGFA extends the benefit of the Guarantee and the Security Trust Deed from time to time (each such creditor, including the Supervisor and the holders of Wholesale Securities, a "**Beneficiary**"), LGFA's due payment and delivery of all amounts LGFA is or may at any time become liable to pay to the Beneficiaries ("**Guarantee**").

In the case of each Series of Retail Securities, the Security Trustee must make a demand under the Guarantee on behalf of the Supervisor when the Supervisor requests the Security Trustee to do so and confirms to the Security Trustee that an Event of Default has occurred. However, the Supervisor may refrain from exercising its powers to make such a request until it has been instructed to do so by an Extraordinary Resolution of the holders of the affected Retail Securities.

In the case of each Series of Wholesale Securities, the Security Trustee must make a demand under the Guarantee on behalf of each holder of Wholesale Securities when such holder requests the Security Trustee to do so and confirms to the Security Trustee that an Event of Default has occurred.

Each demand the Security Trustee makes under the Guarantee must be made on a pro-rata basis according to each Guarantor's prior year's annual rates revenues. If a Guarantor fails to pay its pro-rata share of a demand under the Guarantee, the Security Trustee will make further demands on the other Guarantors for payment of the unpaid amount on a pro-rata basis until the outstanding amounts are paid in full.

Each Guarantor must have entered into a Debenture Trust Deed with a Debenture Trustee. In summary, each Debenture Trust Deed creates a security interest in favour of the Debenture Trustee over all rates the local authority sets or assesses from time to time under certain legislation or arising under section 115 of the Local Government Act 2002 and all rates revenue in respect thereof. The security is limited to rates and rates revenues, and does not extend to any other assets of the local authorities. The security interest is held by the Debenture Trustee for the benefit of all creditors of the Guarantor to whom the Guarantor has issued Stock (including Security Stock). Each Guarantor must have issued Security Stock to the Security Trustee to secure its liabilities under the Guarantee. The Security Trustee holds the benefit of the Security Stock on behalf of the Supervisor (in the case of each Series of Retail Securities), each holder of Wholesale Securities (in the case of each Series of Wholesale Securities) and the other Beneficiaries from time to time.

Each Guarantor must have issued a Security Stock Certificate to the Security Trustee in relation to the Guarantee.

- In the case of certain Guarantors, the relevant Security Stock Certificate provides that the Priority Amount of the Security Stock is (subject to certain exclusions specified in the relevant Debenture Trust Deed and/or Security Stock Certificate) the aggregate amount of the obligations the relevant Guarantor owes the Security Trustee under the Guarantee from time to time. That Guarantor's obligations to the Security Trustee rank equally with all other obligations of the Guarantor in respect of which "first ranking" Stock (including Security Stock) has been issued from time to time, up to the Security Trustee's Priority Amount. Amounts above the Security Trustee's Priority Amount rank behind the claims of other "first ranking" holders of Stock ("**Stockholders**") but before claims of any subsequent security holders of the relevant Guarantor.

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- In the case of all other Guarantors, the relevant Guarantor's obligations to the Security Trustee rank equally with all other obligations of the Guarantor in respect of which Stock (including Security Stock) has been issued from time to time, without any Stock having preference or priority over any other Stock, unless the terms of the relevant Stock expressly subordinate it to other Stock.

If a Guarantor does not satisfy its obligations under the Guarantee, the Security Trustee may request the relevant Debenture Trustee to enforce the security interest created by the Debenture Trust Deed. The Security Trustee is not required to exercise its rights as holder of Security Stock unless it is requested to do so by Beneficiaries whose aggregate Exposures amount to not less than 25% of the aggregate Exposures of all Beneficiaries at the relevant time and those Beneficiaries have confirmed to the Security Trustee that an event of default has occurred.

The Supervisor and each holder of Wholesale Securities are Beneficiaries under the Security Trust Deed and so may request the Security Trustee to exercise its rights under a Debenture Trust Deed as a holder of Security Stock. However, in the case of Retail Securities, the Supervisor may refrain from making such a request until it has been instructed to do so by an Extraordinary Resolution of the holders of the affected Retail Securities.

The Debenture Trustee is not required to enforce the security interest created by the Debenture Trust Deed unless directed to do so by an extraordinary resolution of Stockholders and/or in certain cases a specified percentage of "majority stockholders". The Debenture Trustee is not bound to comply with such a direction if it is not first indemnified to its satisfaction against any actions, proceedings, claims, demands, costs and expenses that it may face as a result of complying with the direction. The Debenture Trustee has the power under each Debenture Trust Deed to appoint a receiver to levy a special rate on the relevant local authority's ratepayers.

When used in this section, these capitalised words have the following meanings:

Exposures means, in relation to a Beneficiary at any time, the amount in New Zealand dollars owing at that time by LGFA to that Beneficiary.

Priority Amount means, if applicable to a local authority, the aggregate amount up to which a Stockholder of that local authority is deemed to have a first ranking pari passu payment right pursuant to the terms of that local authority's Debenture Trust Deed.

Retail Securities means Securities which are part of a Series which may be offered or sold to members of the public, under a regulated offer or in accordance with clause 19 to schedule 1 of the FMCA.

Securities means debt securities denominated in NZD issued by LGFA under the Master Trust Deed.

Security Stock means security stock issued under a Debenture Trust Deed in respect of obligations owed by a local authority.

Security Stock Certificate means a certificate issued by a local authority pursuant to a Debenture Trust Deed in respect of Security Stock.

Security Trust Deed means the security trust deed entered into between LGFA and the Security Trustee dated 7 December 2011 (as amended, supplemented or replaced from time to time).

Stock means stock issued in accordance with a Debenture Trust Deed and includes Security Stock.

Wholesale Securities means Securities which are part of a Series which are not permitted to be offered or sold under a regulated offer or in accordance with clause 19 to schedule 1 of the FMCA.

Dates may change

The dates set out in this Series Notice are indicative only and are subject to change. LGFA has the right in its absolute discretion and without notice to change the tender bids open date, the tender bids close date or the issue date, to accept late applications, or to choose not to proceed with the offer. If the tender bids close date is extended, subsequent dates may be extended accordingly.

Trading on the NZX

Each investor's financial adviser will be able to advise them as to what arrangements will need to be put in place for the investors to trade the Bonds including obtaining a common shareholder number ("**CSN**"), an authorisation code ("**FIN**") and opening an account with a primary market participant as well as the costs and timeframes for putting such arrangements in place.

Key NZX Waiver

LGFA has received a waiver from NZX in relation to Listing Rule 5.2.3. In accordance with the ruling issued by NZX on Listing Rule 5.2.3, a class of debt securities will not generally be considered for quotation on the NZX Debt Market unless those securities are held by at least 100 members of the public holding at least 25% of the securities issued with each member of the public holding at least a minimum holding, and those requirements are maintained ("**spread requirements**"). It is possible that these minimum spread requirements will not be satisfied for the Bonds. NZX has granted LGFA a waiver from Listing Rule 5.2.3, the effect of which is that the Bonds may not be widely held and there may be reduced market liquidity in the Bonds. The waiver was granted on the conditions that:

- (a) LGFA clearly and prominently disclose the waiver, its conditions and its implications in its annual reports and in each profile or offering document for the debt securities it issues;
- (b) LGFA will disclose market liquidity as a risk in each offering document for the debt securities it issues (excluding any offering document referred to in paragraph (f) of the definition of "Offering Document" under Listing Rule 1.6.1, for example this Series Notice); and
- (c) the nature of LGFA's business and operations does not change materially from its business and operations as at the date of the waiver decision.

Documentation

Copies of the Trust Documents are available at LGFA's website at <https://www.lgfa.co.nz/for-investors/investor-information>

Any internet site addresses provided in this Series Notice are for reference only and, except as expressly stated otherwise, the content of any such internet site is not incorporated by reference into, and does not form part of, this Series Notice.

Investors should obtain advice

Investors should seek qualified independent financial and taxation advice before deciding to invest. In particular, you should consult your tax adviser in relation to your specific circumstances. Investors will also be personally responsible for ensuring compliance with relevant laws and regulations applicable to them (including any required registrations).

Issue/Settlement Price

The issue/settlement price per N dollars of principal shall be calculated on the basis of the following formula:

$$\text{ISSUE/SETTLEMENT PRICE PER \$N PRINCIPAL} = \left(\frac{\frac{1}{(1+i)^n} + r \left[c + \frac{1 - \frac{1}{(1+i)^n}}{i} \right]}{(1+i)^{\frac{a}{b}}} \right) N$$

- Where
- N = the principal of the Bonds (\$)
 - r = the annual Interest Rate divided by two hundred, i.e. the semi-annual Interest Rate (%)
 - i = the yield divided by two hundred, i.e. the semi-annual yield (%)
 - c = where the Settlement Date is after the Record Date and up to, but not including, the next Interest Payment Date "c" has the value of 0, otherwise "c" has the value of 1
 - n = the number of full half years between the next Interest Payment Date and the Maturity Date
 - a = the number of days from the Settlement Date to the next Interest Payment Date
 - b = the number of days in the half year ending on the next Interest Payment Date

The issue/settlement price will be rounded to the nearest cent (0.01 to 0.49 of a cent being rounded down and 0.50 to 0.99 of a cent being rounded up).

Settlements during the period from the Record Date up to, but not including, the Interest Payment Date of any Bonds offered for tender will be on an ex-coupon interest basis. All other settlements will be on a cum-coupon interest basis.

NEW ZEALAND LOCAL GOVERNMENT FUNDING AGENCY LIMITED
LGFA Authorised Signatory:



Name: MARK BUTCHER
Title: CHIEF EXECUTIVE
Date: 03 April 2018

This document is a Series Notice.