

MERIDIAN ENERGY LIMITED

PROSPECTUS

INVESTMENT PROGRAMME

FOR THE OFFER OF SHORT TERM NOTES AND BONDS

**DATED 29 OCTOBER 2009
(AS AMENDED ON 23 DECEMBER 2009)**

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¹ In this prospectus the borrowing group (as defined in the Securities regulations 2009) is referred to as the Guaranteeing Group.

REGISTRATION

This prospectus is dated 29 October 2009 and has been amended by a Memorandum of Amendments dated 23 December 2009.

A copy of this prospectus, signed by the directors of Meridian Energy Limited ("**Meridian**") at that time for the purposes of the Securities Act, and having endorsed on it or attached to it the documents required to be so endorsed or attached by section 41 of the Securities Act (being the material contracts referred to on page 20 of this prospectus, the trustee's statement and the auditors' report and statement of consent), has been delivered to the Registrar of Companies for registration under section 42 of the Securities Act.

DEFINITIONS

Capitalised terms used in this prospectus have defined meanings, which appear in the Glossary section or in the relevant section of this prospectus in which the term is used. All references to \$ are to New Zealand dollars unless specified otherwise. All references to time are to time in New Zealand.

OFFER

Meridian has established a debt security programme under which it may from time to time issue debt securities ("**Securities**") denominated in New Zealand dollars. The Securities will be either:

- (a) short term notes ("**STNs**"), with a tenor of 18 months or less; or
- (b) bonds ("**Bonds**"), with a tenor of more than 18 months.

The Securities will be constituted and issued in separate series ("**Series**"). Each Series will be subject to the terms and conditions set out in the Trust Deed and the Supplemental Trust Deed for the Series. The key features of each Series of Securities, and the key features and dates relevant to their offer, will be described in the Securities Notice for that Series.

Each Securities Notice will be appended to this prospectus. The Securities Notice for the Series of STNs known as Renewable Energy Notes or "**RENs**" is contained in Appendix 1.

If Meridian decides to offer any other Series, it will amend this prospectus in accordance with section 43 of the Securities Act to include the Securities Notice for that other Series.

The Securities will be guaranteed by the companies that are from time to time guaranteeing group members under the Trust Deed ("**Guaranteeing Group Members**"). As at the date of this prospectus, the Guaranteeing Group Members are Meridian, MEL Holdings Limited, MEL (West Wind) Limited, MEL (Te Āpiti) Limited, MEL (White Hill) Limited, MEL (Te Uku) Limited, MEL (Central Wind) Limited and MEL (Mill Creek) Limited.

SELLING RESTRICTIONS

This prospectus does not constitute an offer of Securities in any jurisdiction other than New Zealand. No action has been or will be taken by Meridian or the other Guaranteeing Group Members which would permit a public offering of the Securities, or possession or distribution of any offering material, in any country or jurisdiction where action for that purpose is required (other than New Zealand). No person may purchase, offer, sell, distribute or deliver any Securities, or have in its possession, or distribute to any person, any offering material (including this prospectus) or any documents in connection therewith, in any jurisdiction other than in compliance with all applicable laws and regulations.

ARRANGERS AND MANAGERS

A financial institution may act as arranger ("**Arranger**") or manager ("**Manager**") for an offer of Securities. This prospectus does not constitute a recommendation by any Arranger or Manager to subscribe for, or purchase, any Securities. To the maximum extent possible by law, each Arranger and Manager and their directors, officers, employees or agents:

- (a) do not accept any responsibility or liability whatsoever for any loss arising from this prospectus or its contents or otherwise arising in connection with an offer of Securities;
- (b) have not authorised or caused the issue of, or made any statement in, any part of this prospectus;
- (c) make no representation or warranty, express or implied, and do not accept any responsibility or liability for, the origin, validity, accuracy or completeness of, or any errors or omissions in, any information, statement or opinion contained in this prospectus.

No Arranger or Manager guarantees the repayment of any Securities or the payment of interest thereon or any other aspect of any Securities or obligations of the Guaranteeing Group Members.

APPLICATIONS

Applications for Securities of a Series may only be made on the application form contained in the investment statement for that Series and shall be made in accordance with the instructions set out in this prospectus and in the investment statement. Meridian reserves the right to refuse any application or to accept an application in part only, without providing a reason. This right shall, if necessary, be exercised by the directors of Meridian, or by any agent of Meridian appointed for that purpose. If Meridian refuses an application or accepts an application in part, all or the relevant balance of the application monies will be refunded as soon as practicable. No interest will be paid on any application monies that are refunded to the applicant.

STATUTORY INFORMATION

This section of the prospectus sets out the information required by Schedule 2 to the Securities Regulations, as modified by the Securities Act (Meridian Energy Limited) Exemption Notice 2009. The paragraph numbers below correspond to the clause numbers of Schedule 2.

1 MAIN TERMS OF OFFER

Issuer

The issuer of the Securities is Meridian. Meridian's address is 33 Customhouse Quay, Queens Wharf, Wellington.

The Investment Programme

From time to time, Meridian will offer Securities with different features. Each separate offer of Securities will be classed as a distinct Series.

When Meridian wishes to issue Securities of a new Series it will prepare a Securities Notice in respect of the Series. The Securities Notice will state the key commercial terms that will apply to the Series, and specify any other relevant information. In particular, the Securities Notice will provide information for the following:

- (a) the Issue Date;

- (b) the term or Maturity Date of the Security;
- (c) the type of Security (STN or Bond);
- (d) the ranking of the Security;
- (e) the Issue Price;
- (f) the minimum application and minimum holding requirements;
- (g) the Interest Rate;
- (h) the Interest Payment Dates; and
- (i) any special conditions that apply to the Series.

The Securities Notice for the RENs is contained in Appendix 1. All RENs constitute one Series.

If Meridian decides to offer any other Series, it will amend this prospectus in accordance with section 43 of the Securities Act to include the Securities Notice for that other Series.

Each Series made available for subscription under this prospectus will be a separate offer. If Meridian offers more than one Series at the same time, investors are not required to subscribe for all of those Series. Meridian may decide to close the offer of one particular Series before another.

Securities may be offered directly to the public, to brokers or institutions. How a particular Series is offered will depend on market conditions and investor demand from time to time.

Registered Securities

The Securities will be issued in registered form. This means that title to a Security will be determined solely by who is entered on the Register in relation to that Security. Meridian will rely on the Register for the purpose of determining entitlements to interest payments on each Interest Payment Date, and for repayment of the principal amount on the Maturity Date.

Maximum Amount

There is no maximum amount to the Securities being offered.

Issue Price

The Issue Price for each Security will be specified in the Securities Notice for the particular Series. The Issue Price for each Security in a Series is payable, in full, prior to the Issue Date by the applicant's payment of the Issue Price for the Security in the manner set out in the application form contained in the investment statement for the Series.

Type of Instrument

Unless the Securities Notice provides otherwise, each Series of Securities will:

- (a) constitute direct, unsecured and unsubordinated debt obligations of Meridian; and
- (b) rank equally with each other Series of Securities issued under the Trust Deed from time to time and with all other unsecured, unsubordinated debt of Meridian, except indebtedness preferred by law.

The Securities are debt securities for the purposes of the Securities Act and are not secured by any mortgage or other charge over the assets of Meridian or any of the other Guaranteeing Group Members.

Each Series of Securities will be issued under, and be subject to, the provisions of the Trust Deed and the Supplemental Trust Deed for the Series.

Minimum application for Securities

The minimum application for each Series of Securities will be specified in the Securities Notice for the Series.

Interest Rate

Each Security will pay interest at the Interest Rate provided for in the Securities Notice for the Series and as recorded in the Register.

Interest Payment Dates

Meridian will pay interest on each Series of Securities on the dates specified in the Securities Notice for the Series. Where an Interest Payment Date is not a Business Day, interest will be paid on the next succeeding Business Day, unless that day would be in the next calendar month, in which case payment will be made on the first day preceding the Interest Payment Date which is a Business Day.

Calculation of Interest

Interest on each Security will be calculated on the principal amount of the Security, and shall be payable in arrears on each Interest Payment Date and, if different, the date on which the principal amount of the Security is repaid. The amount of interest will be calculated either:

- (a) on the basis of the number of days from, and including, one Interest Payment Date (or the Issue Date, in the case of the first interest payment) to, but excluding, the next Interest Payment Date (or the date on which the principal amount of the Security is repaid, in the case of the last interest payment), and shall accrue from day to day; or
- (b) in equal quarterly, semi-annual or annual instalments,

in each case as specified in the Securities Notice for the particular Series.

Maturity

Each Security will mature on the Maturity Date for the Security recorded as such in the Register. Where the Maturity Date is not a Business Day, the repayment amount shall be paid on the next succeeding Business Day, unless that day would be in the next calendar month, in which case payment will be made on the first day preceding the Maturity Date which is a Business Day.

Sale and Transfer of Securities

Transfers of Securities must be made in the minimum amounts specified in the Securities Notice for the particular Series.

The means by which a Holder may transfer his or her Securities will be set out in the Securities Notice and the investment statement for the Series of Securities.

Further issues of Securities

Under the Trust Deed, Meridian has the power to create and issue additional debt obligations ranking equally with the Securities without the consent of the Holders. Such further debt obligations may be issued on such terms as Meridian thinks fit.

Rights of Holders of STNs are limited

The rights of Holders of STNs are limited by the Trust Deed. Under the Trust Deed, Holders of STNs have no right to convene or attend a meeting of Holders of Securities unless:

- (a) a Series of Bonds has been declared immediately due and payable and the Event of Default in respect of which the declaration was made is continuing unremedied, in which case Holders of each Series of STNs may convene and attend a meeting of Holders of STNs or a Class of STNs for the purposes of considering whether a direction is to be given to the Trustee to declare the STNs of that Series to be immediately due and payable; or
- (b) Meridian, if required by law or otherwise considers it desirable, convenes a meeting of Holders of STNs or a Class of STNs.

In addition, Holders of STNs are bound by an Extraordinary Resolution of Holders of Bonds unless the Extraordinary Resolution:

- (a) alters, or purports to alter, the amount or timing of payment of any amount under any STNs (including any Principal Amount, Interest Rate, Interest Payment Date or Maturity Date relating to STNs); or
- (b) approves, or purports to approve, the appointment of a successor Trustee;
- (c) amends, or purports to amend, the Trust Deed or a Supplemental Trust Deed other than in accordance with the provisions of the Trust Deed; or
- (d) sanctions any scheme for the reconstruction of Meridian or for the amalgamation of Meridian with any other corporation where such sanction is necessary.

Under the Trust Deed, Meridian and the other Guaranteeing Group Members give certain covenants and undertakings for the benefit of holders of Securities. However the Holders of Bonds have the power (by Extraordinary Resolution) to waive any breach or prospective breach of those covenants and undertakings. Any such waiver will be binding on Holders of STNs except in limited circumstances, including if it affects the Principal Amount, Interest Rate, Interest Payment Dates or Maturity Date of any STNs.

New Zealand Taxation

Meridian assumes no responsibility or liability to any Holders for the tax treatment of their investment in the Securities. The following information is designed to be a general summary of the current New Zealand tax implications of holding Securities and is not (and should not be construed as) legal or tax advice or a complete summary of all of the New Zealand tax consequences relevant to Holders. Holders should consult their own taxation advisor regarding the effect of any relevant tax legislation on their investment in Securities (including the relevant tax consequences relating to the acquisition, retention, disposal and maturity of the Securities). Any reference to "interest" in this section of the prospectus shall be taken as a reference to interest as defined in New Zealand's Income Tax Act 2007.

Interest paid or credited to Holders who are neither resident in New Zealand for New Zealand tax purposes, nor engaged in business in New Zealand through a fixed establishment in New Zealand (a "**Non-Resident Holder**"), is subject to New Zealand non-resident withholding tax

("NRWT"). NRWT is normally deducted at a rate of 15% of the amount of interest paid or credited (although this can effectively be reduced to 10% for some Non-Resident Holders who are resident in certain countries which have double tax agreements with New Zealand).

Meridian has obtained "approved issuer" status and has registered the Securities offered under this prospectus as "registered securities" for the purposes of the approved issuer levy provisions in Part VIB of the Stamp and Cheque Duties Act 1971. Meridian intends to maintain the registration of both itself and the Securities under the approved issuer levy regime. If it does so, and a Non-Resident Holder is neither:

- deriving interest under the Securities jointly with one or more persons, and at least one of those persons is a New Zealand tax resident; nor
- associated with Meridian for purposes of the NRWT rules in the Income Tax Act 2007,

then, unless the Non-Resident Holder elects for NRWT to be deducted, Meridian will pay approved issuer levy in respect of interest paid or credited to the Non-Resident Holder and will deduct from the gross amount of interest paid or credited to the Non-Resident Holder an amount equal to the approved issuer levy payable in respect of that interest (which is currently calculated as 2% of the interest due on the Securities) instead of deducting NRWT (which in these circumstances is reduced to 0%). For clarity, the amount of the interest paid or credited will be reduced by the amount of the approved issuer levy paid or payable by Meridian.

If the Non-Resident Holder derives interest under the Securities jointly with one or more persons, and at least one of those persons is a New Zealand tax resident, NRWT must be deducted from the interest paid or credited to the Non-Resident Holder at the applicable rate of resident withholding tax (see below).

Resident withholding tax ("RWT") is required to be deducted from interest paid or credited to New Zealand residents or to non-residents engaged in business in New Zealand through a fixed establishment in New Zealand (each a "**New Zealand Holder**"). RWT will be deducted by Meridian from each amount of interest paid or credited to a New Zealand Holder.

RWT will not be deducted where the New Zealand Holder holds and produces to Meridian (or the Registrar) a copy of a valid certificate of exemption from RWT. Meridian will make RWT deductions (as described below) unless it is satisfied by the New Zealand Holder that such deductions are not required by law.

As at 23 December 2009, the applicable rates of RWT in respect of interest payments made prior to 1 April 2010 are as follows:

- for any New Zealand Holder that is a company (other than corporate trustees and Maori authorities) which has provided its tax file number to Meridian or the Registrar, the rate of RWT will be 33% (unless the company elects the higher 38% rate);
- for any other New Zealand Holder which has provided its tax file number to Meridian or the Registrar (or if the Securities are held jointly with one or more other persons, one of which has provided its tax file number to Meridian or the Registrar), the rate of RWT will be 19.5% (unless the New Zealand Holder elects a higher rate of 33% or 38%);
- for all other New Zealand Holders, the rate of RWT will be 38%.

As at 23 December 2009 legislation has been enacted that amends the available rates of RWT with effect from 1 April 2010. In particular, the 19.5% RWT rate will no longer be available and will be replaced by a 12.5% rate and 21% rate. If RWT is or would be deducted by Meridian from interest paid to a New Zealand Holder before 1 April 2010 at 19.5%, then interest paid to that New Zealand Holder from 1 April 2010 will have RWT deducted at 21% unless the New Zealand Holder advises a different rate. Further, from 1 April 2010, individual or trustee New Zealand Holders that have supplied their tax file number to Meridian or the Registrar may elect for RWT to be deducted at either 12.5% (provided that they have a reasonable expectation at the time of the

election that their income for the income year applicable to them (eg, 1 April 2010 to 31 March 2011) will be \$14,000 or less and they are not holding the Securities as a trustee), 21%, 33% or 38%. If the Commissioner of Inland Revenue determines that the rate a New Zealand Holder has notified to Meridian is inconsistent with their marginal tax rate, the Commissioner may require RWT to be withheld at a different rate to that elected. If a New Zealand Holder acquires Securities on or after 1 April 2010 and does not elect an RWT rate, RWT may be required to be withheld at 38%.

The available RWT rates for interest paid to most companies remain at 33% and 38% on 1 April 2010. However, as at 23 December 2009 legislation has been enacted to replace the 33% rate with 30% from 1 April 2011. As an interim measure, in the 2010/2011 tax year (ie from 1 April 2010 to 31 March 2011) Meridian may (but is not required to) deduct RWT at 30% from interest paid to a company (that is not a trustee) or a portfolio investment entity where the 33% rate would otherwise apply.

Meridian is under no obligation to and will not gross-up, indemnify or otherwise compensate Holders for any deductions or withholdings on account of RWT or NRWT or any approved issuer levy paid or payable in respect of Securities.

For the purpose of determining Meridian's liability (if any) to make deductions or withholdings on account of taxes or any approved issuer levy in respect of Securities, Meridian will assume that the Holder is a New Zealand Holder (or if there is more than one such Holder, Meridian shall assume that all such Holders are New Zealand Holders), and that the Holder (or Holders as the case may be) holds (or hold) all of the legal and beneficial ownership interests in the Securities, unless the Holder can satisfy Meridian otherwise.

The above statements are based on applicable taxation legislation current at the date of this prospectus.

3 DETAILS OF INCORPORATION OF ISSUER

Meridian was incorporated on 16 December 1998 under the Companies Act as a company. Its registered number is 938552.

The public file in respect of Meridian is kept at the Companies Office, Ministry of Economic Development. It can be viewed on the Companies Office website at www.companies.govt.nz.

Meridian is a "state enterprise" under the State-Owned Enterprises Act 1986.

4 GUARANTORS

The Securities are guaranteed by the companies that are from time to time Guaranteeing Group Members under the Trust Deed. As at the specified date, the Guaranteeing Group Members are Meridian, MEL Holdings Limited, MEL (West Wind) Limited, MEL (Te Āpiti) Limited, MEL (White Hill) Limited, MEL (Te Uku) Limited, MEL (Central Wind) Limited and MEL (Mill Creek) Limited.

The Guaranteeing Group Members each jointly and severally and unconditionally and irrevocably guarantee on an unsecured and unsubordinated basis to the Holders of each Series of Securities and (in respect of Retail Series only) the Trustee, the due and punctual payment by each other Guaranteeing Group Member of all moneys payable on or in relation to the Securities as and when the same shall become owing or payable in accordance with the terms and conditions of the Securities or under the Trust Deed, and the due observance and punctual performance of, and compliance by each other Guaranteeing Group Member with, its obligations under the Securities and the Trust Deed, to the Holders of each Series of Securities and (in respect of Retail Series only) the Trustee.

In the event that a Guaranteeing Group Member defaults in the due and punctual payment of moneys payable on or in relation to the Securities to the Holders or the Trustee, each Guaranteeing Group Member has jointly and severally agreed, immediately upon demand by the Holders or (in respect of Retail Series only) the Trustee, to pay all amounts then due and unpaid in respect of such moneys. Holders of Securities of a Retail Series cannot make demand under the guarantee unless the Trustee has failed to do so after having become bound to do so in accordance with the Trust Deed.

The Guaranteeing Group Members (other than Meridian) are "guaranteeing subsidiaries" for the purposes of the Securities Regulations.

The activities of the Guaranteeing Group Members are described on page 10 of this prospectus.

Other than the guarantee provided by the Guaranteeing Group Members, none of Meridian's directors, its subsidiaries, the Trustee, nor any of their respective directors, officers or employees, nor the Crown nor any other person, guarantees the payment of interest or any other amounts payable on or in relation to the Securities or the amount of returns which investors may receive as Holders of Securities.

5 NAMES, ADDRESSES AND OTHER INFORMATION

Board of Directors

The names of each of the current directors of Meridian are set out below:

- Wayne Robert Boyd - Auckland
- Raymond Watson - Rotorua
- Margaret Anne Blackburn - Auckland
- Catherine Margaret Drayton - Christchurch
- Stephen Reindler - Auckland
- Christopher John Moller - Wellington
- Brett Hiirini Shepherd - Auckland
- Anne June Urlwin - Wanaka

The directors may be contacted through Meridian at the registered address of Meridian.

No director of Meridian is an employee of Meridian or of any associated person of Meridian.

No Bankruptcy, etc.

During the five years preceding the date of registration of this prospectus, neither Meridian nor any director of Meridian has been adjudged bankrupt or insolvent, convicted of a crime involving dishonesty, prohibited from acting as a director of a company, or placed in statutory management, voluntary administration, liquidation, or receivership.

Company Secretary

Meridian's company secretary is Jason Stein.

Advisers

The name and address of the Registrar, Meridian's auditors and the solicitors who have been involved in the preparation of this prospectus are set out in the Directory. The name and address of any Arranger or Manager who has been appointed in respect of a Series of Securities will be set out in the Securities Notice for that Series.

Trustee

Trustees Executors Limited is the Trustee. The Trustee's address is 10 Customhouse Quay, PO Box 3222, Wellington.

6 RESTRICTIONS ON DIRECTORS' POWERS

The restrictions on the powers of the directors of Meridian that are in force at the specified date under Meridian's constitution are:

- (a) the board of directors of Meridian must obtain the express authorisation in writing of the shareholders of Meridian prior to issuing any further shares, or securities convertible into shares, or options to acquire shares in Meridian (clause 8.2);
- (b) the board of directors of Meridian must obtain the written authorisation of the shareholders of Meridian prior to issuing any shares in lieu of a dividend under section 54 of the Companies Act (clause 11);
- (c) a director of Meridian who is interested in a transaction entered into, or to be entered into by Meridian may not vote on a matter relating to the transaction but may:
 - (i) vote if certain provisions relating to the indemnification and insurance of directors apply;
 - (ii) attend a meeting of directors at which a matter relating to the transaction arises, and be included among the directors present at the meeting for the purpose of a quorum;
 - (iii) sign a document relating to the transaction on behalf of Meridian; and
 - (iv) do anything else as a director in relation to the transaction,as if he or she were not interested in the transaction (clause 26);
- (d) subject to certain exceptions, the ability to authorise the remuneration of the directors of Meridian rests with the shareholders, as opposed to the board of directors (clause 27);
- (e) a director may apply to change the name of Meridian only with the approval of the board of directors of Meridian and the written approval of the shareholders (clause 31); and
- (f) in the case of an equality of votes at a meeting of the board of directors of Meridian, the chairperson of directors has a casting vote, except when only two directors vote (clause 13 of third schedule).

7 DESCRIPTION OF ACTIVITIES OF BORROWING GROUP

Overview

Meridian is an electricity generator and retailer owned by the Crown. It is a "state enterprise" under the State Owned Enterprises Act 1986. Meridian's core activities include managing and developing its electricity generation assets, wholesale trading and retailing of electricity and associated corporate functions.

Meridian has issuer credit ratings from Standard & Poor's of BBB+ (stable outlook) long term and A-2 short term. More information on Standard & Poor's credit ratings is set out on page 39. The ratings are not a recommendation to buy, sell or hold the Securities and the ratings may be subject to revision or withdrawal at any time by Standard & Poor's.

Meridian is the largest electricity generator in New Zealand, generating approximately 34% of New Zealand's electricity as at 23 December 2009. Meridian is committed to generating electricity from renewable sources and has a strong commitment to operating its business in a sustainable manner.

Electricity Industry Markets and Operational Structure²

New Zealand's electricity sector has four main components:

- generation (electricity production stations)
- transmission (the high voltage network known as the national grid)
- distribution (local lines companies)
- retail (electricity retail companies compete to buy wholesale electricity and compete to retail it to consumers)

Electricity markets

The wholesale market is the market in which generators compete to sell their electricity to electricity retailers and other purchasers such as major commercial and large industrial users.

The retail market is a market where electricity retailers compete to sell the electricity they have purchased on the wholesale market, to consumers including small-scale industrial and commercial users and domestic consumers. Retailers can also purchase electricity directly from embedded generators (smaller generators connected directly to distribution networks such as biomass, landfill, and wind turbine generation).

The spot market - the buying and selling of wholesale electricity is done via a 'pool', where electricity generators offer electricity to the market and retailers bid to buy the electricity. This market is called the spot or physical wholesale market.

Generation

Electricity in New Zealand is largely generated from hydro, gas, coal and geothermal resources with an increasing development of wind generation. Electricity is produced at generation stations

² This description is based on the description contained in the Electricity Commission's website: <http://www.electricitycommission.govt.nz/industry> and is subject to Crown copyright.

and connected at high voltage to the national electricity transmission network, called the national grid, at grid injection points (GIPs). The three state-owned generator-retailers (Meridian, Genesis Power Limited ("**Genesis**") and Mighty River Power Limited ("**Mighty River**") control approximately 60% of New Zealand's generation capacity. Contact Energy Limited and Trust Power Limited control most of the remaining 40% of New Zealand's generation capacity.

Transmission

The electricity transmission system is owned by state-owned enterprise Transpower. The grid is the physical hub of the electricity system bringing electricity from remote generation sites to customers some distance away, and includes the High Voltage Direct Current (HVDC) link between the North Island and the South Island. High voltage electricity is transmitted across the grid from the GIPs to the points of distribution at the grid exit points (GXPs). At the GXPs electricity is reduced to lower voltage at transformer substations for distribution on local networks to consumers.

Distribution

There are 29 lines companies that own the local distribution networks throughout New Zealand. The lines companies are connected to the national grid at the GXPs. Low voltage electricity is distributed via the local networks to end commercial and domestic consumers. Generally the lines companies sell their distribution or lines services to retailers who manage the electricity supply agreements with end consumers. Some commercial and industrial consumers contract directly with lines companies for electricity supply.

Retail

A retailer is a company that buys wholesale electricity at spot prices (which is transmitted across the grid and transformed to lower voltage for distribution via local networks to consumers). The retailer's charges to an end user include the cost of the electricity supplied to the consumer as well as charges for transmission and lines services.

Consumption

Consumers are the end users of electricity. They can choose between retailers for electricity supply.

Electricity Commission

The Electricity Commission is a Crown entity set up under the Electricity Act 1992 to oversee New Zealand's electricity industry and markets.

Ministerial review of electricity market performance 2009

On 1 April 2009, a Ministerial Review of electricity market performance was initiated to address the Government's concerns around security of supply, the affordability of electricity, and electricity sector governance. The Ministerial Review made a number of recommendations to improve overall competition within the electricity sector. Following consideration of the Ministerial Review's recommendations, on 9 December 2009 the Government announced a number of changes to New Zealand's electricity sector. A summary of the key changes can be found at <http://www.med.govt.nz/upload/70927/summary-of-decisions.pdf>. While it is uncertain when all of the changes will be implemented, it is intended that legislation will be enacted by 1 October 2010 in order to implement a number of the changes (including the changes with the consequences described below).

Effect of the Government's decisions on Meridian

The reform of the electricity sector will have a number of consequences for Meridian. These include:

- A limited reconfiguration of the assets of the 3 state-owned generator-retailers (Meridian, Genesis and Mighty River) will take place. As part of the reconfiguration, Meridian will be required to transfer the Tekapo A hydro power station and the Tekapo B hydro power station to Genesis.
- The reserve energy scheme will be abolished. The reserve energy scheme was introduced following the 2001 and 2003 conservation campaigns. The reserve energy scheme currently allows the Electricity Commission to contract for reserve energy and capacity.
- The 155MW Whirinaki diesel-fuelled power station, as at 23 December 2009 owned by the Crown and contracted to the Electricity Commission as a reserve energy generator, will be required to be transferred to Meridian.
- A mandatory floor on spot prices during conservation campaigns and rolling outages will be introduced. This is intended to improve incentives on market participants to manage supply risks and to remove incentives on those over-exposed to spot prices to push for conservation campaigns. This may lead to upward pressure on hedge prices and has the potential for high spot prices for major users choosing to buy on the spot market.
- A water management agreement will need to be agreed between Meridian and Genesis in relation to the transfer of the Tekapo A hydro power station and the Tekapo B hydro power station from Meridian to Genesis and their operation. Negotiations may be complicated and may require further regulatory intervention.
- Meridian will be required to enter into one-off, long term (up to 15 years) two-way energy hedge agreements with each of Genesis and Mighty River. The intention of the hedge agreements is to act as a virtual asset swap, by providing each of Meridian, Genesis and Mighty River with access to electricity at fixed prices in the island (North or South) where they have little or no generation capacity as at 23 December 2009. As at 23 December 2009, neither Genesis nor Mighty River has the ability to generate electricity in the South Island and Meridian has a relatively limited capacity to generate electricity in the North Island. It is expected that the implementation of the hedge agreements will result in Meridian divesting some of its South Island customer base, and acquiring a larger North Island customer base.
- Lines businesses will be permitted to retail electricity and construct new thermal generation. This is likely to result in increased retail competition.
- All major generators (including Meridian) will be required to implement an active market for trading financial hedge contracts for electricity. The development of a liquid hedge market is intended to help industry participants to manage risk and to reduce entry barriers for new electricity retailers and independent generators.
- The Electricity Commission will be replaced by an Electricity Authority as an independent Crown entity by 1 October 2010. The objective of the Electricity Authority will be to promote competition, reliable supply, and efficient operation of the electricity market for the long-term benefit of consumers.

Background

Meridian was incorporated in 1998 and began business in 1999, when Electricity Corporation of New Zealand Limited was split into three separate state enterprises: Meridian, Genesis and

Mighty River. In this process Meridian was allocated various South Island hydro assets. As a state enterprise Meridian must produce a Statement of Corporate Intent each year that sets out its objectives. Meridian's principal objective is to operate as a successful business and to be:

- as profitable and efficient as comparable businesses not owned by the Crown;
- a good employer; and
- an organisation that exhibits a sense of social responsibility by having regard to the interests of the community in which it operates and by endeavouring to accommodate or encourage those interests when able to do so.

The Crown does not guarantee any obligations of Meridian or the Group as a whole.

Generation

The Group generated 12,237 GWh of electricity in the year ended 30 June 2009 from its renewable hydro and wind sources. These consist of 2,453MW of South Island hydro assets and 240MW³ of wind assets in Manawatu, Southland and Wellington. As at 23 December 2009, the hydro assets comprise eight stations on the Waitaki river system in Canterbury/Otago and Manapouri in Southland. The Manapouri power station lies 200 metres under Lake Manapouri in a world heritage area. It was recently expanded with a second tunnel leading to a nomination for a New York Times Environmental Award. In addition the West Wind wind farm in Wellington was commissioned in late 2009 which added a further 51MW of generation capacity.

The reform of the electricity sector will affect Meridian's generation capacity. The transfer of the Whirinaki power station to Meridian may increase Meridian's reserve generation capacity to manage dry years. However, as at 23 December 2009 Meridian had not determined how the Whirinaki power station's reserve generation capacity will be used or how the Whirinaki power station fits in Meridian's overall business strategy. The transfer of the Tekapo A hydro power station and the Tekapo B hydro power station to Genesis will result in a decrease of Meridian's ownership of New Zealand's hydro storage capacity, which will result in an overall reduction of Meridian's electricity generation output.

Meridian has expertise in managing and developing hydro assets and is leading the way in developing large scale wind assets. Meridian has constructed three wind farms in New Zealand and developed Australia's then largest wind farm.

Meridian is required by law to sell all of its generation output into the wholesale market and is prohibited from owning either transmission or distribution lines.

Assets

The Guaranteeing Group's assets as at 23 December 2009 are described below. None of the Guaranteeing Group's assets are charged as security for the Securities offered under this prospectus. The assets described below are not subject to obligations in favour of another person that modify or restrict the Guaranteeing Group's ability to deal with the assets. The reform of the electricity sector will result in a change in Meridian's assets. The Crown will transfer the Whirinaki power station to Meridian and Meridian will be required to transfer the Tekapo A hydro power station and the Tekapo B hydro power station to Genesis. This will result in an overall reduction of Meridian's electricity generation output.

³ As at 30 June 2009, West Wind's installed capacity was 92MW.

Hydro stations	Built	Generators	Capacity MW	Household equivalent
Manapouri	1972	7	730	500,000
Waitaki scheme:				
Tekapo A	1951	1	25	15,000
Tekapo B	1977	2	160	83,000
Ohau A	1979	4	264	110,000
Ohau B	1984	4	212	92,500
Ohau C	1985	4	212	92,500
Benmore	1965	6	540	215,000
Aviemore	1968	4	220	90,000
Waitaki	1930s	6	90	47,000
Total		38	2,453	1,245,000
Wind farms	Built	Turbines	Capacity MW	Household equivalent
Brooklyn (Wellington)	1993	1	0.23	80
Te Apiti	2003	55	90	32,000
White Hill	2007	29	58	20,000
West Wind	2009 ⁴	62	142.6	75,000
Crater Hill Antarctica	In construction 2010	3	1	New Zealand's Scott Base and the US McMurdo Station

⁴ As at 30 June 2009, West Wind's installed capacity was 92MW.



Retail

Meridian purchases electricity from the wholesale market which, as at 23 December 2009, it on-sells to approximately 187,000 industrial, commercial and residential customers throughout New Zealand, including the aluminium smelter at Tiwai Point, New Zealand's largest electricity user which consumes approximately 40% of Meridian's current electricity output. The majority of Meridian's customer base is located in the South Island, enabling Meridian to match its generation base with its source of demand.

Meridian expects that the reform of the electricity sector will result in Meridian divesting some of its South Island customer base, and acquiring a larger North Island customer base. Overall, Meridian's retail customer base is expected to reduce.

Demand for electricity is reasonably constant throughout the year (with a winter peak) whereas Meridian's generation is more seasonal due to the nature of both wind and inflows to the lakes on which it has generation assets.

Other Activities

A description of the activities of the other Guaranteeing Group Members is as follows:

Company Name	Description of Activities
MEL Holdings Limited	Holding company for Meridian's wind farm subsidiaries.
MEL (West Wind) Limited	Generation of electricity – West Wind wind farm, located west of Wellington.
MEL (Te Āpiti) Limited	Generation of electricity – Te Āpiti wind farm, located in the Manawatu.
MEL (White Hill) Limited	Generation of electricity – White Hill wind farm, located in Southland.
MEL (Te Uku) Limited	Potential wind farm – Te Uku, located in the Waikato.
MEL (Central Wind) Limited	Potential wind farm – Central Wind, located in the central North Island.
MEL (Mill Creek) Limited	Potential wind farm – Mill Creek, located north-west of Wellington.

As at 30 June 2009 the Guaranteeing Group Members were Meridian, MEL Holdings Limited, MEL (West Wind) Limited, MEL (Te Āpiti) Limited and MEL (White Hill) Limited. MEL (Te Uku) Limited, MEL (Central Wind) Limited and MEL (Mill Creek) Limited became Guaranteeing Group Members on 6 October 2009 and are not included in the unaudited pro forma statement and ratios of the Guaranteeing Group set out on page 33 of this prospectus.

Meridian and certain of its other subsidiaries (none of which is part of the Guaranteeing Group) are also involved in a number of wider, complementary and adjacent activities, such as:

- Providing energy efficient services and products in homes and commercial buildings through Right House;
- Providing dam engineering consultancy services to dam owners through DamWatch Services;

- Providing expert advice for energy conversion plants through Meridian's Energy for Industry;
- Providing smart metering technology through Meridian's Arc Innovations;
- Providing energy efficient services and advice to consumers online through Powershop; and
- Designing and manufacturing combined-micro heat and power systems for international distribution through Whispertech.

Strategy

Meridian's vision is centred around meeting New Zealand's growing electricity needs from renewable sources and to serve as a global reference company for renewable energy. Meridian believes it has a responsibility to do business in a sustainable manner. This means caring for the environment, building enduring relationships and making its business as efficient as possible. Meridian's expertise lies in managing and developing hydro electricity and wind farm assets. The two energy sources are complementary with hydro providing a storage buffer for the fluctuations in wind intensity.

Emissions Trading Scheme

New Zealand ratified the Kyoto Protocol in 2002, which committed New Zealand to reducing its greenhouse gas emissions to a specified level for the period between 2008 and 2012. To encourage producers to reduce emissions and enable New Zealand to meet its Kyoto obligations, the Government introduced an Emissions Trading Scheme in September 2008. This scheme requires emitters to annually surrender a number of units equal to their level of emissions. These units must be purchased from parties that have operations that reduce emissions. Because Meridian is committed to generating electricity from renewable sources, the introduction of the scheme is not likely to be detrimental to Meridian's business.

Financial Performance

In the year to 30 June 2009 Meridian reported a consolidated net profit after tax for the Group of \$89.3 million. In the year to 30 June 2009 the consolidated net profit after tax for the Guaranteeing Group was \$125.9 million. As at 30 June 2009 the assets of the Group totalled \$7,177 million and its total liabilities were \$2,893 million, and the assets of the Guaranteeing Group totalled \$7,301 million and its total liabilities were \$3,103 million.

Other factors

Meridian's business, and the business of the other Guaranteeing Group Members, depends on rainfall and, to a lesser extent, wind as fuel. Therefore hydrology conditions can strongly affect profitability. In 2008, several unusual and unplanned events for the electricity industry conspired to make the winter more difficult than the dry inflow years of 2001, 2003 and 2005. These included:

- the sudden shutdown of Transpower's Pole 1 of the HVDC link⁵
- deferred investment by Transpower in the AC grid resulting in ongoing transmission constraints and outages impacting on market operations
- the sudden closure of Contact Energy's New Plymouth power station
- prolonged outages of thermal generating plant through late summer and autumn
- the way the Government's reserve energy plant at Whirinaki was used in the market.

⁵ The majority of New Zealand's hydro generation capacity is located in the South Island, while the majority of the population and industrial load is located in the North Island. Electricity is transmitted between the South and North Islands by the High Voltage Direct Current ("HVDC") link

These factors resulted in lower earnings than in previous years.

8 SUMMARY FINANCIAL STATEMENTS

Set out below are summary financial statements in respect of the Group.

Meridian has obtained an exemption from compliance with certain provisions of the Securities Act and Securities Regulations. The Securities Act (Meridian Energy Limited) Exemption Notice 2009 exempts Meridian from clauses 8, 17, 18 and 22 of schedule 2 to the Securities Regulations, regulation 26 of the Securities Regulations and section 54B(1) of the Securities Act, subject to certain conditions.

The exemption from the Securities Regulations is subject to certain conditions, including that Meridian complies with clauses 8, 17, 18 and 22 of schedule 2 of the Securities Regulations and regulation 26 of the Securities Regulations in respect of the Group rather than the Guaranteeing Group.

The exemptions from the Securities Regulations mean that the summary financial statements referred to in this section of the prospectus are the summary financial statements of the Group rather than the Guaranteeing Group as required by clause 8 of schedule 2 of the Securities Regulations.

Summary of Group Financial Statements Extracted from Audited Financial Statements

Meridian Energy Ltd Group Summary Financial Statements						
NZ \$ 000's	30/06/2009 (NZ IFRS)	30/06/2008 (NZ IFRS) ¹	30/06/2007 (NZ IFRS)	30/06/2007 (Previous GAAP)	30/06/2006 (Previous GAAP)	30/06/2005 (Previous GAAP)
Full Financial Statements Authorised for Issue by the Board on	26/08/2009	29/08/2008	29/08/2008	03/09/2007	29/08/2006	31/08/2005
Summary Income Statement (for year ending)						
Total Operating Revenue	1,892,435	2,600,007	1,790,722	1,775,077	2,222,795	1,656,070
Unrealised Net (Loss)/Gain on Financial Instruments	(146,598)	31,165	24,546	-	-	-
Finance Costs	(73,026)	(59,720)	(56,323)	(56,323)	(69,424)	(92,092)
Equity Accounted Earnings of Joint Ventures/Associates	(1,883)	(98)	-	-	(1,430)	125
Profit Before Tax from Continuing Operations	127,953	197,667	338,685	303,610	359,803	368,861
Income Tax Expense	(38,690)	(69,105)	(97,455)	(103,761)	(116,693)	(129,626)
Profit After Tax from Continuing Operations	89,263	128,562	241,230	199,849	243,110	239,235
Discontinued Operations (Net of Tax)	-	-	-	-	613,726 ²	(21,007)
Profit After Tax	89,263	128,562	241,230	199,849	856,836	218,228
Profit After Tax Attributable to:						
-Shareholders of the Parent Company	90,209	128,678	240,444	199,063	856,836	218,228
-Minority Interest	(946)	(116)	786	786	-	-
Summary of Statement of Changes in						

Meridian Energy Ltd
Group Summary Financial Statements

NZ \$ 000's	30/06/2009	30/06/2008	30/06/2007	30/06/2007	30/06/2006	30/06/2005
	(NZ IFRS)	(NZ IFRS) ¹	(NZ IFRS)	(Previous GAAP)	(Previous GAAP)	(Previous GAAP)
Equity (for year ending)						
Equity at Beginning of Year	4,204,632	4,401,790	3,438,064	4,237,351	2,469,080	2,401,779
Recognition of Minority Interest on Acquisition of Controlled Entities	-	-	10,824	10,824	-	-
Post Acquisition Assessed Retained Earnings/(Loss) of Controlled Entities	-	-	(2,133)	-	-	-
Restated Equity at Beginning of Year	4,204,632	4,401,790	3,446,755	4,248,175	2,469,080	2,401,779
Profit After Tax Attributable to:						
-Shareholders of the Parent Company	90,209	128,678	240,444	199,063	856,836	218,228
-Minority Interest	(946)	(116)	786	786	-	-
Movement in Foreign Currency Translation Reserve	255	81	(2)	(2)	(9,159)	(2,097)
Movement in Cash Flow Hedge Reserve	18,827	(26,668)	(12,575)	-	-	-
Movement in Available for Sale Reserve	1,053	(2,217)	479	-	-	-
Post Acquisition Assessed Revaluation Reserve of Subsidiary	-	-	-	7,005	-	-
Movement in Revaluation Reserve	-	-	1,093,796	1,455,000	1,800,000	-
Movements in Reserves attributable to shareholders of the Parent	20,135	(28,804)	1,081,698	1,462,003	1,790,841	(2,097)
Total Recognised Income and Expenses	109,398	99,758	1,322,928	1,661,852	2,647,677	216,131
Total Recognised Income and Expenses Attributable to:						
-Shareholders of the Parent Company	110,344	99,874	1,322,142	1,661,066	2,647,677	216,131
-Minority Interest	(946)	(116)	786	786	-	-
Share Options Vested in Whisper Tech Ltd	98	981	-	-	-	-
Dividends Paid	(30,000)	(297,897)	(367,893)	(367,893)	(879,406)	(148,830)
Equity at End of Year	4,284,128	4,204,632	4,401,790	5,542,134	4,237,351	2,469,080
Comprising:						
Share Capital	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000	1,600,000
Revaluation Reserve	2,737,092	2,737,795	2,746,509	3,939,807	2,477,802	677,802
Foreign Currency Translation Reserve	340	85	4	4	6	(17,724)
Cash Flow Hedge Reserve	(5,525)	(24,352)	2,316	-	-	-
Available for Sale Reserve	380	(673)	1,544	-	-	-
Retained Earnings (Losses)	(50,648)	(111,560)	39,807	(9,287)	159,543	209,002
Share Options Vested in Whisper Tech Ltd	1,079	981	-	-	-	-
Minority Interest	1,410	2,356	11,610	11,610	-	-
Summary Balance Sheet (as at)						
Total Equity	4,284,128	4,204,632	4,401,790	5,542,134	4,237,351	2,469,080
Current Assets	266,884	604,656	287,025	285,970	489,058	333,940

**Meridian Energy Ltd
Group Summary Financial Statements**

NZ \$ 000's	30/06/2009	30/06/2008	30/06/2007	30/06/2007	30/06/2006	30/06/2005
	(NZ IFRS)	(NZ IFRS) ¹	(NZ IFRS)	(Previous GAAP)	(Previous GAAP)	(Previous GAAP)
Non-Current Assets	6,910,384	6,593,032	6,421,766	6,381,613	4,850,253	4,014,685
Current Liabilities	356,812	745,518	221,403	217,821	195,222	671,359
Non-Current Liabilities	2,536,328	2,247,538	2,085,598	907,628	906,738	1,208,186
Summary Cash Flow Statement (for year ended)						
Net Cash Inflows from Operating Activities	313,524	342,629	350,179	350,179	290,189	345,136
Net Cash Inflows/(Outflows) from Investing Activities	(476,754)	(271,543)	(189,355)	(189,355)	1,415,578	(316,831)
Net Cash Inflows/(Outflows) from Financing Activities	139,365	(47,897)	(367,983)	(367,893)	(1,494,770)	(91,740)

Subsequent to the issue of the full financial statements Meridian declared an ordinary dividend of \$144 million (75% of net profit excluding the post tax impact of movement in the fair value of financial instruments) and a one-off special dividend of \$150 million.

- During the 2008 financial year, Meridian's financial statements were presented, for the first time, to comply with the measurement and recognition requirements of the New Zealand Equivalents to International Financial Reporting Standards ("NZ IFRS") and NZ IFRS 1: *First Time Adoption of New Zealand Equivalents to International Financial Reporting Standards*. The 2007 financial year has also been restated according to NZ IFRS as a comparative to the 2008 financial year.

The key impacts of the transition to IFRS are the need to recognise fair value of financial instruments on the balance sheet classified accordingly as assets or liabilities, borrowings recognised including the gain or loss attributed to the hedged risk on the balance sheet net of transaction costs and the recording of an additional deferred tax liability on the fair value adjustments made in respect of property, plant and equipment, financial instruments and intangibles carried at fair value.

- During the 2006 financial year, the Group sold its operations in Australia (Southern Hydro) for net proceeds after sale costs and taxes of \$628,987,000. The post-tax loss of the discontinued operations was \$15,261,000.

Relationship to Full Financial Statements

The specific disclosures included in the summary financial statements have been extracted from the full financial statements of the Meridian Energy Ltd Group ("Meridian") and comply with NZ GAAP as it relates to summary financial statements (Financial Reporting Standard No. 43). For the purposes of financial reporting Meridian is a profit-orientated entity. The full financial statements have been prepared in accordance with NZ GAAP and from 2007 onwards, Meridian has made an explicit and unreserved statement of compliance with International Financial Reporting Standards ("IFRS"). The full financial statements for the above years have been audited and the audit opinion was unqualified. The summary financial statements were authorised for issue on 29th October 2009 by the Board.

The summary financial statements cannot be expected to provide as complete an understanding as provided by the full financial statements. Users can obtain a copy of the full financial statements on our website at <http://www.meridianenergy.co.nz/AboutUs/Reports+and+Presentations/>.

9 ACQUISITION OF BUSINESS OR SUBSIDIARY

No business has been acquired, and no person has become a subsidiary of Meridian, in circumstances that required disclosure under clause 9 of Schedule 2 of the Securities Regulations.

10 MATERIAL CONTRACTS

Meridian has entered into a registry services agreement with the Registrar. The agreement is dated 1 December 2008 and contains the terms and conditions on which the Registrar agrees to provide registry services for Meridian.

The Trust Deed, the supplemental deeds joining new guaranteeing group members and the supplemental deed in respect of RENs are described in paragraph 14 below.

None of Meridian and the other Guaranteeing Group Members has entered into any other material contracts during the two years preceding the specified date (other than contracts entered into in the ordinary course of business).

11 PENDING PROCEEDINGS

There are no legal proceedings or arbitrations that are pending as at the specified date that may have a material adverse effect on Meridian or the other Guaranteeing Group Members.

12 ISSUE EXPENSES

As at 23 December 2009, the estimated amount of expenses of the offer of Securities pursuant to this prospectus is \$200,000. That amount comprises legal and accounting fees and costs associated with printing and distributing this prospectus.

If Meridian agrees to pay commission, brokerage or placement fees in relation to a Series, the amount of the commission, brokerage or fees will be specified in the Securities Notice for the Series.

13 RANKING OF SECURITIES

The Securities are unsecured obligations of Meridian and the other Guaranteeing Group Members.

There are no securities secured by a mortgage or a charge over any of Meridian's or the other Guaranteeing Group Members' assets which rank in point of security ahead of, or equally with, the Securities.

14 PROVISIONS OF TRUST DEED AND OTHER RESTRICTIONS ON BORROWING GROUP

General

In the following description of the Trust Deed, unless otherwise stated, defined terms shall have the meanings given to them in the Trust Deed. The following is a summary only of some of the principal provisions of the Trust Deed. Investors requiring further information should refer to the Trust Deed, which is available for inspection at the places referred to on page 34.

The trust deed dated 1 December 2008 was entered into by Meridian, MEL Holdings Limited, MEL (West Wind) Limited, MEL (Te Āpiti) Limited, MEL (White Hill) Limited and Trustees Executors Limited as trustee for the holders of Securities.

The supplemental deeds joining new guaranteeing group members dated 6 October 2009 were entered into by MEL (Te Uku) Limited, MEL (Central Wind) Limited, MEL (Mill Creek) Limited and Trustees Executors Limited as trustee for the holders of Securities.

The supplemental trust deed dated 1 December 2008 in respect of the RENs was entered into by Meridian and Trustees Executors Limited as trustee for the holders of the RENs.

No Holder of Securities of a Retail Series is entitled to enforce any of its rights or remedies under the Trust Deed (including the guarantee described above) directly against Meridian or the other

Guaranteeing Group Members unless the Trustee fails to enforce such rights or remedies after having become bound to do so in accordance with the Trust Deed.

Financial covenants

Meridian has undertaken to the Holders of each Series of Securities (other than Subordinated Notes) and (in respect of Retail Securities only) the Trustee that it will, for so long as any Securities are outstanding, and shall procure that each other Guaranteeing Group Member will ensure that:

- (a) on the last days of each of Meridian's semi-annual and annual reporting periods ("**Testing Date**") the ratio of earnings before interest, tax, depreciation and amortisation ("**EBITDA**") of the Group to Interest and Financing Costs of the Group, in each case, for any two of the three consecutive twelve month periods ending on a semi-annual or annual reporting period of Meridian on or prior to such Testing Date is not less than 2.5 to 1.0;
- (b) at all times Debt will not be more than 55% of the Debt plus Equity;
- (c) at all times Equity will not be less than \$1,250,000,000; and
- (d) at all times the Total Tangible Assets of the Guaranteeing Group will not be less than 80% of Total Tangible Assets of the Group.

For the avoidance of doubt, EBITDA, Interest and Financing Costs, Debt and Equity exclude any unrealised gains or losses from any derivative (as defined in NZ IAS 39 (or any substitute for or amendment to it)) transaction.

Other than the ratios described above, the Trust Deed does not impose any limitations relating to any ratio of liabilities, or of any class of liabilities, to assets, or to any class of assets, of Meridian.

Negative Pledge

The Guaranteeing Group Members have undertaken that, subject to the exceptions described below, no Guaranteeing Group Member shall, so long as there are any moneys payable on or in relation to the Securities, create or permit to arise or subsist any Security Interest whatsoever over the whole or any part of its assets as security for any indebtedness for Borrowed Money unless there is created (to the reasonable satisfaction of Holders of Bonds by an Extraordinary Resolution if there are Bonds outstanding at the relevant time) at the same time as, or prior to the creation of, that Security Interest, the same or an equivalent Security Interest for all the indebtedness of the Guaranteeing Group Members under the Trust Deed.

Borrowed Money includes money borrowed or raised (whether or not for cash consideration) by any means (including drawing, acceptance, endorsement or discounting of bills of exchange) and the deferred purchase price of assets and services (except for assets and services obtained in the ordinary course of business on normal trade terms), including indebtedness in respect of:

- (a) rental or lease payments under Finance Leases;
- (b) Derivative Transactions; and
- (c) Deeds of Guarantee in respect of the indebtedness or obligations of another person in respect of any of the foregoing; and

Security Interest means:

- (a) any mortgage, pledge, encumbrance by way of security, lien, charge, assignment by way of security or hypothecation; or

- (b) any title retention, preferential right, trust arrangement or other agreement or arrangement the legal effect of which is the creation of security similar to those referred to in paragraph (a); or
- (c) any present or future right or interest in personal property that is a security interest for the purposes of the Personal Property Securities Act 1999 (other than any such security interest referred to in section 17(1)(b) of that Act and not included in paragraph (a) of this definition),

but, for the avoidance of doubt, does not include (i) leases or bailments arising in the ordinary course of business; or (ii) any rights or obligations arising in the ordinary course of business (whether arising by operation of law, by contract or otherwise) of, or in the nature of, set-off, netting, combination, consolidation or retention of accounts, banker's lien, blocked accounts or analogous rights or obligations in relation to or affecting any credit balances or other financial obligations, except rights and obligations arising under a flawed asset or conditional debt arrangement or any other arrangement having similar effect.

Notwithstanding the above and without breach of it, a Guaranteeing Group Member may create a Security Interest or permit a Security Interest to arise or subsist without the need for creating any Security Interest in favour of the Trustee or the Holders to the extent such Security Interest:

- (a) *Operation of Law*: arises in the ordinary course of business solely by operation of law or pursuant to any statute, or arises out of title retention provisions (for a period not exceeding 90 days) to secure the payment of the purchase price for the supply of goods or services in the ordinary course of business or secures taxes or other governmental or regulatory levies, duties or imposts, so long as (in each of the foregoing cases) the payment of money secured is not in default or the liability therefor of Meridian or any Guaranteeing Group Member is being contested by appropriate proceedings;
- (b) *Acquisition of Asset*: exists over any asset at the time of its acquisition provided that (i) such Security Interest is not created in contemplation of such acquisition; (ii) the principal amount of the indebtedness so secured is not increased after such acquisition; (iii) the maturity of any liability so secured is not extended beyond the date of its maturity as at the date of that acquisition (except by reason of any fluctuation in the amount outstanding under, and within the limits and in accordance with the terms of the facilities which exist and are secured by, the relevant Security Interest at the time of such acquisition) after such acquisition; and (iv) such Security Interest is discharged, and the indebtedness so secured paid or repaid, within 24 months after such acquisition;
- (c) *Acquisition of Guaranteeing Group Member*: exists over any asset of any company that becomes a Guaranteeing Group Member after the date of the Trust Deed, being a Security Interest that exists or being a Security Interest that the company is contractually bound to create or permit to exist at the time it becomes a Guaranteeing Group Member, provided that (i) such Security Interest was not created or such contract entered into in contemplation of such company becoming a Guaranteeing Group Member; (ii) the maturity of any liability so secured is not extended beyond the date of its maturity as at the date such company becomes a Guaranteeing Group Member; (iii) the principal amount of the indebtedness so secured is not increased (except by reason of any fluctuation in the amount outstanding under, and within the limits and in accordance with the terms of the facilities which exist and are secured by, the relevant Security Interest at the time such company becomes a Guaranteeing Group Member) after such company becomes a Guaranteeing Group Member; and (iv) such Security Interest is discharged, and the indebtedness so secured paid or repaid, within 24 months after such company becomes a Guaranteeing Group Member;
- (d) *Concessional Terms*: is created or permitted to exist over the whole or any part of its right, title or interest in any goods to secure indebtedness created, incurred or assumed

on concessional terms, in connection with the supply of those goods or any material part of them where such indebtedness arises from loans or other credit made available by (or which is entitled to the benefit of any guarantee provided by) any governmental or other agency or export-import bank or export-import credit insurer or from or arranged by a provider of those goods or any material part of them;

- (e) *Joint Venture Assets*: is created or permitted to exist over the whole or any part of its (i) right, title or interest in, or the assets of; or (ii) ownership, shareholding or equity interest in any participant in, any joint venture, partnership or similar venture (whether or not incorporated) to secure indebtedness in connection with such joint venture, partnership or similar venture;
- (f) *Purchase of Asset*: is created to secure indebtedness in connection with the purchase (which, for the avoidance of doubt, shall include financing and refinancing) of an asset (and "**asset**" for the purpose of this paragraph shall include an interest in, or in the assets of, any joint venture, partnership or similar venture in which any one or more Guaranteeing Group Members is or are participants), or the maintenance, repair, improvement or development of an asset, where the principal amount of the indebtedness so secured does not exceed such purchase price or the cost of such maintenance, repair, improvement or development (as the case may be), provided that in the case of the purchase of, any maintenance, repair or development of, or improvements to, an asset forming part of the assets of any joint venture, partnership or similar venture the amount of indebtedness secured by such Security Interest shall not exceed, as a proportion of the aggregate indebtedness incurred in respect of such purchase, maintenance, repair, improvement or development, the relevant Guaranteeing Group Member's share in such joint venture, partnership or similar venture;
- (g) *Capital Projects*: is created or permitted to exist to secure indebtedness in connection with a capital project of:
 - (i) any one or more Guaranteeing Group Members; or
 - (ii) any joint venture, partnership or similar venture in which any one or more Guaranteeing Group Members is or are participant(s) where (in any such case) the financier's right of action to enforce repayment of the principal amount of that indebtedness and/or the payment of financing charges thereon is limited to a right of action or claim against the capital project so financed and/or any of the assets, revenues, contracts, licences, consents and similar rights derived from or relating to such capital project, or against the interests of the relevant Guaranteeing Group Member in any of the foregoing;
- (h) *Permitted Lease Transaction*: is constituted by or arises under any Permitted Lease Transaction;
- (i) *In Favour of Guaranteeing Group*: is created or permitted to exist in favour of any other Guaranteeing Group Member provided that one or more Guaranteeing Group Members retain at all times the sole beneficial ownership of and all rights, powers and benefits in relation to such Security Interest;
- (j) *Prior Consent*: is created or permitted to exist with the prior approval of Holders of Bonds by an Extraordinary Resolution; or
- (k) *In Substitution*: is created or permitted to exist in substitution for any of the Security Interests referred to in paragraphs (a) to (j) above, provided that the principal amount of the indebtedness so secured is not increased.

Any Guaranteeing Group Member may, in addition to and separately from any Security Interest permitted as described above, create or permit to exist any Security Interest over any asset as security for any indebtedness for Borrowed Money provided that the aggregate principal amount of the indebtedness for Borrowed Money so secured by all such Security Interests does not exceed 7.5% of the Total Assets of the Group.

The principal amount of any indebtedness secured by a Security Interest shall be deemed to be nil if the only assets of the Guaranteeing Group which are subject to such Security Interests are assets which:

- (a) do not form part of or are not taken into account in determining the total assets of the Group as shown in the latest Audited Consolidated Financial Statements of the Group; or
- (b) in the case of assets acquired after the end of the financial period to which the latest Audited Consolidated Financial Statements relate, would not form part of or be taken into account in determining such total assets if Consolidated Financial Statements were prepared immediately following such acquisition.

Negative Undertakings

Meridian has undertaken to the Holders of each Series and (in respect of Retail Series only) the Trustee that, for so long as there are any moneys payable on or in relation to the Securities:

- (a) *Disposal of Assets*: it shall not, and shall procure that no other Guaranteeing Group Member shall, whether by a single transaction, or a number of related or unrelated transactions and whether at the same time or over a period of time, dispose of the legal or beneficial ownership of the whole of its assets, or of any part of its assets, which when aggregated with all other disposals by any Guaranteeing Group Member required to be taken into account under this paragraph (a), is material in relation to (and for this purpose "**material**" means that the value of such assets is 10% or more of) the Total Tangible Assets of the Guaranteeing Group taken as a whole or the disposal of which would have a material adverse effect, provided that the following disposals will not be taken into account:
 - (i) a disposal in the ordinary course of business on normal commercial terms;
 - (ii) a disposal on normal commercial terms of obsolete assets no longer required for the purpose of the Guaranteeing Group's business or operations;
 - (iii) disposal of assets (including the payment of cash or other consideration for any asset acquired) for fair value;
 - (iv) the temporary application of funds, not immediately required in the relevant Guaranteeing Group business, in the purchase or making of investments in accordance with Meridian's usual treasury policies, or the realisation of such investments;
 - (v) the exchange of assets for other assets of a similar nature or value, or the sale of assets on normal commercial terms for cash which is to be, and is, applied in or towards the purchase of similar assets within three months;
 - (vi) the application of the proceeds of an issue of securities (whether debt or equity) for the purpose stated in the prospectus or other offering document relating to the issue;
 - (vii) a disposal by a Guaranteeing Group Member to another Guaranteeing Group Member;

- (viii) the payment of taxes by a Guaranteeing Group Member;
 - (ix) the payment or reinvestment of dividends or other monetary distributions in respect of shares, stock, options or securities;
 - (x) a disposal required by law, directive or (if applicable) a provision or provisions in Meridian's statement of corporate intent of a kind referred to in paragraphs (a) to (h) of section 14(2) of the State Owned Enterprises Act 1986;
 - (xi) the execution and delivery of any Security Interest permitted under the Negative Pledge, as described above in this prospectus;
 - (xii) a disposal of assets to a trust for the benefit of one or more Guaranteeing Group Members, provided the trust has no indebtedness and has not granted and does not grant any Security Interest over the assets so disposed of; and
 - (xiii) a disposal of assets for the purpose of or as part of a Permitted Lease Transaction in respect of those assets;
- (b) *Transactions with Related Persons:* it shall not, and shall procure that no other Guaranteeing Group Member shall, unless approved by an Extraordinary Resolution of all Holders of Bonds (which approval shall not be unreasonably withheld and shall not be required if there are no Bonds outstanding at the relevant time):
- (i) make any loan or provide any other financial accommodation to any Related Person;
 - (ii) (except in relation to a Permitted Lease Transaction) enter into any guarantee, indemnity or other obligation of any nature in respect of an obligation of a Related Person;
 - (iii) (except in relation to a Permitted Lease Transaction) dispose of any assets or provide services to, or purchase any assets or accept any services from, any Related Person,
- except on a bona fide basis for fair value on reasonable arm's length commercial terms, and provided that this paragraph (b) shall not apply to (and the consent of the Holders of Bonds shall not be required in respect of):
- (iv) any transaction comprising or arising from share capital held by the Guaranteeing Group in such Related Person (including the subscription, purchase, holding, repurchase or redemption of such share capital or the distribution of dividends or other returns on it); or
 - (v) any such transaction described in paragraphs (i) to (iii) above if the aggregate principal amount of the assets the subject of, and/or the amount of the consideration in respect of, all such transactions is less than 7.5% of the Total Assets of the Group.

Duties of the Trustee

The Trustee is appointed under the Trust Deed as trustee of the Holders. The principal duties of the Trustee under the Trust Deed are summarised as follows:

- (a) upon the occurrence of certain Events of Default specified in the Trust Deed that continue unremedied in relation to a Retail Series the Trustee may in its discretion and shall immediately upon being directed to do so by Holders of Bonds that are part of the Retail Series by an Extraordinary Resolution declare the Bonds of that Series to be

immediately due and payable by notice in writing to Meridian and distribute all moneys received in respect of the Bonds from Meridian in accordance with the provisions of the Trust Deed;

- (b) if a Series of Bonds has been declared immediately due and payable, and the Event of Default in respect of which the declaration was made is continuing unremedied, the Trustee may in its discretion and shall immediately upon being directed to do so by Holders of STNs that are part of a Retail Series by an Extraordinary Resolution declare the STNs of that Series to be immediately due and payable by notice in writing to Meridian and distribute all moneys received in respect of the STNs from Meridian in accordance with the provisions of the Trust Deed;
- (c) to receive the regular financial and other reports and certificates furnished to it by Meridian and/or the Guaranteeing Group Members with respect to the Group and the Guaranteeing Group;
- (d) in addition to the above, to perform a number of functions relating to the ongoing administration of the Trust Deed including in relation to the meetings of Holders, the joining and releasing of Guaranteeing Group Members, and the exercise of discretions or the giving or withholding of consents (as appropriate) relating to such administration and other matters out of the ordinary, such as waiving breaches of the Trust Deed, making application to the High Court of New Zealand, the substitution of an obligor in place of Meridian and agreeing to modifications of the Trust Deed, all upon the terms set out in the Trust Deed; and
- (e) on being satisfied that all Securities have been paid or satisfied or that provision for such payment or satisfaction has been made in accordance with the Trust Deed, to execute a deed of release of the Trust Deed.

In addition, the Trustee has a statutory duty pursuant to the Securities Act and the Securities Regulations to exercise reasonable diligence to:

- (a) ascertain whether or not there has been any breach of the terms of the Trust Deed or of the terms of the offer of the Securities and to do all it is empowered to do to cause any such breach to be remedied (except where satisfied that the breach will not materially prejudice the security (if any) of the Securities or the interests of the Holders); and
- (b) ascertain whether or not the assets of Meridian and the other Guaranteeing Group Members that are or may be available, whether by way of security or otherwise, are sufficient or likely to be sufficient to discharge the amounts of the Securities as they become due.

The Trustee has the right to be indemnified for all expenses, losses and liabilities sustained or incurred by it in carrying out the trusts, powers, authorities or discretions vested in the Trustee by the Trust Deed or otherwise for any action taken, or omitted to be taken in accordance with the provisions of the Trust Deed, other than a claim arising out of a wilful default, gross negligence or wilful breach of trust.

The Trustee is not required to take any action or exercise any trusts, powers, authorities or discretions vested in the Trustee by the Trust Deed or comply with any request or direction pursuant to the Trust Deed unless it has first been indemnified to its satisfaction against all expenses, losses and liabilities it may sustain or incur by so doing.

Except to the limited extent provided in the Trust Deed, the Trustee owes no duties to Wholesale Holders. In respect of STNs issued as part of a Retail Series, the duties of the Trustee are required to be construed and interpreted to recognise and take into account the nature of the STNs including, but without limitation:

- (a) the limited rights of Holders of STNs to direct the Trustee to declare STNs to be immediately due and payable;
- (b) the limited rights of Holders of STNs to convene and attend meetings of Holders of Securities; and
- (c) the limited circumstances in which an Extraordinary Resolution of Holders of Bonds will not bind Holders of STNs.

The duties of the Trustee, including the duties set out in clause 1 of the fifteenth schedule to the Securities Regulations, are to the extent permitted by law, limited and construed by reference to the special features of the STNs. All Holders of STNs are deemed to have agreed to and accept and are bound by these limitations.

Reporting

Meridian has undertaken in the Trust Deed to supply to the Trustee a range of regular reports, certificates, accounts and other information as to the financial condition of the Group and the Guaranteeing Group and as to compliance with the Trust Deed. This includes a requirement that the directors of Meridian certify to the Trustee, following the end of each financial year or half-year (as the case may be), that (i) no Event of Default (as that term is defined in the Trust Deed) has occurred and continues unremedied, (ii) the identity of the Guaranteeing Group Member(s), and (iii) compliance with certain financial covenants set out in the Trust Deed as at the end of the relevant year or half year (as the case may be), and setting out the computations necessary to demonstrate such compliance.

Events of Default

Upon the occurrence of certain Events of Default described in the Trust Deed that continue unremedied the Trustee may in its discretion and shall immediately upon being directed to do so by Holders of Bonds that are part of a Retail Series by an Extraordinary Resolution declare the Bonds of that Series to be immediately due and payable by notice in writing to Meridian.

Holders of STNs have no right to declare their STNs to be immediately due and payable, or to direct the Trustee to do so, unless a Series of Bonds has been declared immediately due and payable in accordance with the Trust Deed and the Event of Default in respect of which the declaration was made is continuing unremedied.

Meridian has undertaken in the Trust Deed to notify the Trustee promptly of the occurrence of any Event of Default or if a Series of Bonds has been declared immediately due and payable in accordance with the Trust Deed. The Trustee has undertaken in the Trust Deed to notify Holders of STNs promptly if any such declaration is made.

Meetings

The Trust Deed contains provisions for meetings of Holders of Bonds. The rights of Holders of STNs are limited by the Trust Deed. Under the Trust Deed, Holders of STNs have no right to convene or attend a meeting of Holders of Securities unless:

- (a) a Series of Bonds has been declared immediately due and payable and the Event of Default in respect of which the declaration was made is continuing unremedied, in which case Holders of each Series of STNs may convene and attend a meeting of Holders of STNs or a Class of STNs for the purposes of considering whether a direction is to be given to the Trustee to declare the STNs of that Series to be immediately due and payable; or
- (b) Meridian, if required by law or otherwise considers it desirable, convenes a meeting of Holders of STNs or a Class of STNs.

Other than as described above, Holders of STNs have no ability to request or compel the Trustee to exercise any of its rights or powers.

Under the Trust Deed, Meridian and the other Guaranteeing Group Members give certain covenants and undertakings for the benefit of holders of Securities. However the Holders of Bonds have the power (by Extraordinary Resolution) to waive any breach or prospective breach of those covenants and undertakings. Any such waiver will be binding on Holders of STNs except in limited circumstances, including if it affects the Principal Amount, Interest Rate, Interest Payment Dates or Maturity Date of any STNs.

Meridian may, if required by law or otherwise considers it desirable, convene a meeting of Holders of STNs.

Amendments to the Trust Deed

The Trust Deed and any Supplemental Trust Deed are able to be amended without the consent of Holders if the amendment is of a minor or technical nature or is to correct a manifest error or is made to comply with applicable law or the Listing Rules and Meridian's directors have resolved that such amendment will not be materially prejudicial to the interests of Holders and, in the case of a Retail Series, the Trustee is of the opinion that such amendment will not be materially prejudicial to the interests of Retail Holders.

In addition, the Trust Deed and any Supplemental Trust Deed are able to be amended if the amendment has been approved by an Extraordinary Resolution of the Holders of Bonds or relevant Class of Holders of Bonds. Holders of STNs are bound by an Extraordinary Resolution of Holders of Bonds unless the Extraordinary Resolution:

- (a) alters, or purports to alter, the amount or timing of payment of any amount under any STNs (including any Principal Amount, Interest Rate, Interest Payment Date or Maturity Date relating to STNs);
- (b) approves, or purports to approve, the appointment of a successor Trustee;
- (c) amends, or purports to amend, the Trust Deed or a Supplemental Trust Deed other than in accordance with the provisions of the Trust Deed; or
- (d) sanctions any scheme for the reconstruction of Meridian or for the amalgamation of Meridian with any other corporation where such sanction is necessary.

Joining and releasing Guaranteeing Group Members

Subject to the provisions of the Trust Deed described below and continued compliance with the financial covenant in respect of Total Tangible Assets of the Guaranteeing Group described on page 22 of this prospectus, Meridian has covenanted with the Holders of each Series and (in respect of Retail Series only) the Trustee that it will from time to time, with all reasonable expedition, after any company becomes a Controlled Material Subsidiary, procure that such Controlled Material Subsidiary shall become a Guaranteeing Group Member and may procure, at any time, of its own volition (without being under any obligation to do so), any Group Member which is not a Guaranteeing Group Member to become a Guaranteeing Group Member.

Controlled Material Subsidiary means, at any particular time, a Material Subsidiary which at that time is a subsidiary all of the shares, or all of the voting securities (as defined in the Securities Amendment Act 1988), of which are beneficially owned by Guaranteeing Group Members.

Material Subsidiary means a subsidiary of Meridian:

- (a) whose EBITDA or Total Tangible Assets represent 15 percent or more of the EBITDA or Total Tangible Assets, as the case may be, of the Group, taken as a whole, calculated

in each case as at the balance date as at which the latest Audited Consolidated Financial Statements are made up (and for the year ending on that date) and by reference to the latest audited financial statements (consolidated or unconsolidated, as the case may be) of such subsidiary and the latest Audited Consolidated Financial Statements, provided that in the case of a subsidiary acquired after the end of the financial period to which the latest Audited Consolidated Financial Statements relate, financial statements for the purposes of the calculations above shall, until Audited Consolidated Financial Statements for the financial period in which the acquisition is made have been prepared, be adjusted as if such subsidiary had been represented in such accounts (by reference to that subsidiary's then latest relevant audited financial statements (consolidated or unconsolidated, as the case may be)) as deemed appropriate by the auditors;

- (b) to which is transferred the whole or substantially the whole of the assets of a subsidiary which immediately prior to such transfer is a Material Subsidiary, provided that a subsidiary that is a Material Subsidiary by virtue of this paragraph (b) will cease to be a Material Subsidiary upon the publication of its audited financial statements in respect of the financial period in which the relevant transfer occurred unless, at that time, that subsidiary is a Material Subsidiary pursuant to paragraph (a) above or paragraph (c) below; or
- (c) to which is transferred assets which, taken together with the assets of the transferee subsidiary that were assets of that subsidiary at the time of such transfer, represent EBITDA or Total Tangible Assets of 15 percent or more of the EBITDA or Total Tangible Assets, as the case may be, of the Group, taken as a whole, calculated in each case as referred to in paragraph (a) above provided that a subsidiary that is a Material Subsidiary by virtue of this paragraph (c) will cease to be a Material Subsidiary upon the publication of its audited financial statements in respect of the financial period in which the relevant transfer occurred unless, at that time, that subsidiary is a Material Subsidiary pursuant to paragraphs (a) or (b) above,

provided that for the purposes of paragraphs (a) to (c) above:

- (i) in the case of a subsidiary which is not wholly owned by Guaranteeing Group Members and the Total Tangible Assets and/or EBITDA of which (as shown in the latest audited financial statements of that subsidiary) are, on consolidation with the Group, not recorded in full in the latest Audited Consolidated Financial Statements, only such proportion of the Total Tangible Assets and/or EBITDA of such subsidiary as are recorded in the latest Audited Consolidated Financial Statements shall be taken into account in applying paragraphs (a) to (c) above; and
- (ii) in the case of a subsidiary which is not wholly owned by Guaranteeing Group Members and is acquired by Guaranteeing Group Members after the end of the financial period to which the latest Audited Consolidated Financial Statements relate and the Total Tangible Assets and/or EBITDA of which (as shown in the latest audited Financial Statements of that subsidiary) would not, on consolidation with the Group, have been recorded in full in the Audited Consolidated Financial Statements if Audited Consolidated Financial Statements were prepared immediately following such acquisition, only such proportion of the Total Tangible Assets and/or EBITDA of such subsidiary as would have been shown in such Audited Consolidated Financial Statements shall be taken into account in applying paragraphs (a) to (c) above.

A Group member shall become a Guaranteeing Group Member by executing and delivering a supplemental deed, substantially in the form set out in the Trust Deed or in such other form as may be approved in writing by the Trustee, to the Trustee, whereby such Group Member

guarantees jointly and severally with each of the other Guaranteeing Group Members the payment of all moneys payable on or in relation to the Securities.

Subject to continued compliance with certain financial covenants and obtaining the approval by Extraordinary Resolution of Holders of Bonds (which approval shall not be unreasonably withheld and shall not be required if there are no Bonds outstanding at the relevant time), Meridian shall not be obliged to procure that a Controlled Material Subsidiary become a Guaranteeing Group Member if Meridian considers that there are good commercial reasons why a Group member should not become a Guaranteeing Group Member and Meridian provides to each Wholesale Holder (if any Securities that are part of a Wholesale Series are outstanding at the relevant time) and to the Trustee (in respect of Retail Series only) a certificate signed by two directors of Meridian certifying that there are good commercial reasons for the Group member not becoming a Guaranteeing Group Member and that at that time there is no reasonable prospect of the occurrence of a material adverse effect as a result of that Group member not becoming a Guaranteeing Group Member.

Subject to continued compliance with certain financial covenants, and so long as no Event of Default has occurred and is continuing unremedied or unwaived, a Guaranteeing Group Member (a "**Ceasing Member**", which may not be (a) Meridian or (b) any other Guaranteeing Group Member which, other than solely in its capacity as a Guaranteeing Group Member under the Trust Deed, has any outstanding moneys payable on or in relation to the Securities owing) shall cease to be a Guaranteeing Group Member, and the Holders and the Trustee and each other Guaranteeing Group Member shall, without the need for any further action (except as expressly provided for by paragraphs (a) or (c) below), be deemed to have released such Ceasing Member from the Trust Deed and its obligations and liabilities as a Guaranteeing Group Member under or by virtue of the Trust Deed (including, for the avoidance of doubt, all indemnities) on the date specified in the certificate referred to in paragraphs (a) or (b) below (as the case may be) or the date of the release referred to in paragraph (c) below, such date being, in the case of a release pursuant to paragraphs (a) or (b) below, not less than 7 Business Days after the date on which the certificate referred to in paragraphs (a) or (b) below (as the case may be) has been delivered to the Trustee, if:

- (a) Meridian considers there are good commercial reasons why such Ceasing Member should cease to be a Guaranteeing Group Member and Meridian provides to the Trustee a certificate signed by two directors of Meridian certifying that there are good commercial reasons for the Ceasing Member not remaining a Guaranteeing Group Member and that at that time there is no reasonable prospect of the occurrence of a material adverse effect as a result of the Ceasing Member not remaining a Guaranteeing Group Member;
- (b) the Ceasing Member is not or has ceased to be, or immediately following (but in any event within 2 Business Days of) its release from the Trust Deed will not be, a Controlled Material Subsidiary and the company has given to the Trustee a certificate signed by two directors of Meridian confirming that the Ceasing Member is not or has ceased to be, or immediately following (but in any event within 2 Business Days of) its release from the Trust Deed will not be, a Controlled Material Subsidiary; or
- (c) the Trustee has, with the approval of an Extraordinary Resolution of Holders of Bonds (which approval shall not be unreasonably withheld and shall not be required if there are no Bonds outstanding at the relevant time) at any time, by written release signed by the Trustee, released a Ceasing Member from all or any of its obligations under the Trust Deed (to the extent provided in such release).

No release shall operate to release the relevant Guaranteeing Group Member or any other Guaranteeing Group Member from liability for the payment or fulfilment of any indebtedness or other obligations for which it is liable or obligated to the Trustee or the Holders independently of the Trust Deed.

Trustee's Statement

The Trustee's statement appears on page 43 of this prospectus.

15 OTHER TERMS OF OFFER AND SECURITIES

All the terms of the offer of Securities, and all the terms of the Securities, are set out in this prospectus, except for those implied by law or set out in a document that:

- (a) is registered with a public official; and
- (b) is available for public inspection; and
- (c) is referred to in this prospectus.

16-18 REQUIREMENTS IN RESPECT OF FINANCIAL STATEMENTS

The consolidated financial statements for the Group for the financial year ended 30 June 2009 have been registered on 16 October 2009 in accordance with the Financial Reporting Act 1993 and published in accordance with the State-Owned Enterprises Act 1986. These financial statements can be viewed on Meridian's website www.meridianenergy.co.nz/AboutUs/Reports.

Meridian has obtained an exemption from compliance with certain provisions of the Securities Act and Securities Regulations. The Securities Act (Meridian Energy Limited) Exemption Notice 2009 exempts Meridian from clauses 8, 17, 18 and 22 of schedule 2 to the Securities Regulations, regulation 26 of the Securities Regulations and section 54B(1) of the Securities Act, subject to certain conditions.

The exemption from the Securities Regulations is subject to certain conditions, including that Meridian complies with clauses 8, 17, 18 and 22 of schedule 2 of the Securities Regulations and regulation 26 of the Securities Regulations in respect of the Group rather than the Guaranteeing Group.

The exemptions from the Securities Regulations mean that the financial statements referred to in this prospectus and the auditors' report contained in this prospectus are the financial statements and auditors' report of the Group rather than the Guaranteeing Group as required by clauses 8, 17, 18 and 22 of schedule 2 of the Securities Regulations.

The Guaranteeing Group Members as at the date of the statement of financial position (30 June 2009) forming part of the financial statements referred to in this prospectus were: Meridian Energy Limited, MEL Holdings Limited, MEL (West Wind) Limited, MEL (Te Āpiti) Limited and MEL (White Hill) Limited.

Set out below, as required by the conditions to the Securities Act (Meridian Energy Limited) Exemption Notice 2009, is an unaudited pro forma statement showing the consolidated assets of the Guaranteeing Group less the consolidated liabilities of the Guaranteeing Group as at the date of the statement of financial position (30 June 2009) forming part of the financial statements referred to in this prospectus:

	TOTAL Guaranteeing Group \$	Non Guaranteeing Group (excluding Intercompany balances) \$
Balance Sheet as at 30 June 2009		
Total Cash and Bank Balances	36,531,000	11,346,000
Total Receivables	182,819,000	5,337,000
Inventories	3,646,000	3,653,000
Derivative Financial Instruments - Current	13,033,000	-
Current Tax Receivable/(Payable)	-	-
Assets Classified as Held for Sale	10,519,000	-
TOTAL CURRENT ASSETS	246,548,000	20,336,000
Non-current prepayments	-	-
Investments in Subsidiaries	96,263,000	-
Equity Accounted Joint Ventures	-	2,211,000
Available for Sale Investments	6,993,000	-
Advances to Non Guaranteeing Group	159,192,000	-
Derivative Financial Instruments - Non-current	113,983,000	-
Intangible Assets	19,667,000	23,966,000
Deferred Tax Asset	-	449,000
Property Plant & Equipment	6,658,632,000	84,483,000
TOTAL NON CURRENT ASSETS	7,054,730,000	111,109,000
Current Portion Term Borrowings	(123,166,000)	-
Liabilities Classified as Held for Sale	(194,000)	-
Total Payables	(157,604,000)	(12,868,000)
Provisions	(514,000)	(858,000)
Current Tax Receivable/(Payable)	(28,467,000)	426,000
Advances from Non Guaranteeing Group	(228,011,000)	-
Derivative Financial Instruments - current liabilities	(33,567,000)	-
TOTAL CURRENT LIABILITIES	(571,523,000)	(13,300,000)
Term Borrowings	(1,128,695,000)	-
Derivative Financial Instruments - non current liabilities	(106,402,000)	-
Deferred Tax	(1,296,449,000)	(4,782,000)
TOTAL NON CURRENT LIABILITIES	(2,531,546,000)	(4,782,000)
TOTAL CONSOLIDATED ASSETS LESS LIABILITIES (NET ASSETS)	4,198,209,000	113,363,000

The directors of Meridian confirm that the aggregate amount of the total tangible assets of Group Members that are not Guaranteeing Group Members (excluding balances with other members of the Group) as at the date of the statement of financial position (30 June 2009) forming part of the financial statements referred to in this prospectus is \$107,030,000⁶, which is not more than 20% of the amount of the total tangible assets of the Group (excluding balances with other members of the Group).

The directors of Meridian confirm that the aggregate amount of consolidated profit or loss before interest and tax of Group Members that are not Guaranteeing Group Members as at the date of the statement of financial position (30 June 2009) forming part of the financial statements referred to in this prospectus is a negative contribution of \$41,742,079, which is not more than 10% of the amount of consolidated profit or loss before interest and tax of the Group.

The directors of Meridian are of the opinion that the consolidated financial statements for the Group for the financial year ended 30 June 2009, when read together with the pro forma statement set out above, provide a reasonable basis to assess the financial position of the Guaranteeing Group in relation to the Securities.

⁶ Total Assets of the Group Members that are not Guaranteeing Group members are \$131,445,000. The figure of \$107,030,000 is obtained by taking Total Assets and subtracting Intangible Assets (\$23,966,000) and further subtracting deferred tax assets (of \$449,000).

MEL (Te Uku) Limited, MEL (Central Wind) Limited and MEL (Mill Creek) Limited are not included in the unaudited pro forma statement in this section of the prospectus as they became Guaranteeing Group Members on 6 October 2009, after the date of the statement of financial position (30 June 2009) forming part of the financial statements referred to in this prospectus. The ratios and confirmations set out above in this section of the prospectus were calculated or made by reference to the Guaranteeing Group as at the date of the statement of financial position (30 June 2009) forming part of the financial statements referred to in this prospectus.

19 PLACES OF INSPECTION OF DOCUMENTS

A copy of Meridian's constitution, the consolidated financial statements for the Group and the material contracts may be inspected free of charge at Meridian's registered office at 33 Customhouse Quay, Queens Wharf, Wellington during normal business hours of 9.00am to 5.00pm on a working day (as defined in the Companies Act).

The public file in respect of Meridian can be viewed on the Companies Office website at www.companies.govt.nz. Where relevant documents are not available on the website, they may be requested by contacting the Companies Office on 0508 266 726.

20 OTHER MATERIAL MATTERS

Risks

There are a number of risks, specific to Meridian and the Guaranteeing Group Members, and of a general nature, which may affect the future operating and financial performance of Meridian, the Guaranteeing Group Members and Meridian's other subsidiaries, the ability of Meridian to make interest payments on the Securities and to redeem the Securities, the ability of the other Guaranteeing Group Members to make payments, and the market value of the Securities.

Prospective investors should note that the risk factors set out below may not be exhaustive, and should consider these risk factors in conjunction with other information disclosed in this prospectus. Each of the risks set out below could, if they eventuate, adversely affect Meridian's and each other Guaranteeing Group Member's revenues, earnings or financial conditions and, as a result, the ability of Meridian to meet its obligations under the Securities or the ability of any other Guaranteeing Group Member to meet its obligations. Changes in variables affecting risk factors may be cumulative.

Prospective investors should carefully consider the risks in this section in order to appreciate the risks associated with an investment in the Securities. Prospective investors should carefully consider these factors in light of their personal circumstances and seek professional advice from their NZX Firm adviser, accountant, lawyer or other professional adviser before deciding whether to invest.

Principal Risks

The principal risks for Holders of Securities are that they:

- (a) may be unable to recover from Meridian all or any of the principal amount of the Securities; and/or
- (b) may not receive timely, or any, interest payments in respect of the Securities; or
- (c) are unable to recover amounts payable by the other Guaranteeing Group Members,

and therefore may not receive the returns described in this prospectus or the investment statement for those Securities.

Risks related to the industry and the business of Meridian

The key risks affecting Meridian's business or financial performance, and therefore in determining Meridian's ability to make payments on the Securities, include risks that, if realised, would either reduce Meridian's revenue or increase its expenses. Meridian's revenue may reduce if:

- (a) the price at which Meridian sells electricity into the wholesale market falls below the price now expected by Meridian in its current business and in its planning for new generation investments. This could be due to:
 - (i) excess supply, for example high inflows to hydro electric generating stations or a new, economical gas discovery supporting lower cost thermal generation or as a fuel in its own right; or
 - (ii) transmission constraints;
- (b) competitor activity results in a significant change to Meridian's customer base;
- (c) New Zealand Aluminium Smelters Limited ceases smelting aluminium in New Zealand and does so in a timeframe that gives insufficient time to build additional transmission in the Southland area. This could result in transmission of electricity available from Meridian's Manapouri Power Station out of Southland being constrained, therefore reducing Meridian's generation revenue until that transmission is built;
- (d) there is Government intervention in the electricity industry or in Meridian's business, whether formal, informal or threatened, in its role as regulator of the industry or Meridian's shareholder including intervention which:
 - (i) reduces the current and future price of electricity below that now anticipated by Meridian; or
 - (ii) reduces or changes the composition of Meridian's assets.

See the section entitled 'Ministerial review of electricity market performance 2009' on page 11 of this prospectus;

- (e) changes are made to the regulation or structure of the electricity industry including any which deprived Meridian of its current ability to mitigate its risks by integrating its generating and retailing businesses or which reduces the current and future price of electricity below that now anticipated by Meridian;
- (f) there is a downturn in the general state of the New Zealand economy;
- (g) an earthquake or similar disaster affects Meridian's assets or those of its customers or Transpower. A major disaster could reduce Meridian's generation capacity, reduce its customers' demand for electricity or affect transmission;
- (h) there is a loss of generation due to unplanned asset failure;
- (i) constraints are imposed on the consents held by Meridian to use water at one of its hydro generation plants which reduce the quantity or flexibility of generation at that plant or reform occurs which re-allocates water from existing consent holders to other uses;

- (j) the conditions of Meridian's hydro and wind generation environmental consents operate in a manner which prevents Meridian using the full capacity of its generation investments; or
- (k) Meridian's customers or counterparties fail to meet their obligations in accordance with agreed terms.

Meridian's expenses could increase if:

- (a) a lack of inflows to South Island hydro lakes results in:
 - (i) Meridian's generation decreasing (and therefore its revenue decreasing); and
 - (ii) the wholesale price of electricity increasing (reflecting the reduction in supply).

If this occurs, Meridian must pay high wholesale prices to supply electricity to its retail customers. Some of that supply is at fixed prices so cannot be increased commensurately;

- (b) transmission constraints reduce the quantity of electricity able to be supplied from cheaper generation sources, resulting in the wholesale electricity price at nodes at which Meridian's customers are being supplied being higher;
- (c) there are changes to the amount or timing of Meridian's current or future capital or operating expenditure, including due to unplanned asset failure;
- (d) there is an interruption of supply to the aluminium smelter at Tiwai Point for which Meridian is held liable (the company that supplies electricity to the aluminium smelter, RTA Power (NZ) Limited, is Meridian's major customer). The aluminium smelter is particularly sensitive to interruption in its supply of electricity and is likely to face significant re-start costs if it is without electricity for a long period of time;
- (e) Meridian's operations damage third parties' property and Meridian is liable to compensate them, for example, if Meridian damages the High Voltage Direct Current (HVDC) Cable in the course of the construction of the West Wind wind farm; or
- (f) Meridian is required to contribute more to the cost of Transpower's grid than Meridian now anticipates. Transpower's grid requires upgrading to maintain reliability and growing customer demand.

Generally these risks would need to be either extreme in their impact on Meridian or be combined with other risks before they would result in Meridian being unable to meet its debts when they fall due. However, a number of these risks may be increased if Meridian fails to adapt to the new environment following the implementation of the reforms to the electricity sector.

Risks specific to the Securities

Transfer risk

If a Holder transfers his or her Securities before they are redeemed the price at which they are able to sell their Securities may be less than the price paid for them. This is because changes in market interest rates and other factors can affect the market value of the Securities. For example, if market interest rates go up, the market value of the Securities may go down, and vice versa.

The price at which Holders are able to sell their Securities may also be affected by a deterioration, whether real or perceived, in the creditworthiness of Meridian, the other Guaranteeing Group Members or the Group, a lack of persons wishing to buy Securities, or the lack of an established market or demand for the Securities.

Market, liquidity and yield considerations

Depending on market conditions and other factors, investors seeking to sell relatively small or relatively large amounts of Securities may not be able to do so at prices comparable to those that may be available to other investors. Any secondary market for the Securities will also be affected by a number of other factors independent of the creditworthiness of Meridian, the other Guaranteeing Group Members or the Group. These factors may include the time remaining to the maturity of the Securities, the outstanding amount of the Securities, the amount of such Securities being sold in the secondary market from time to time, any legal restrictions limiting demand for the Securities, the availability of comparable securities and the level, direction and volatility of market interest rates generally. Such factors will also affect the market value of the Securities.

No investor should purchase Securities unless the investor understands and is able to bear the risk that the Securities may not be readily saleable, that the value of Securities will fluctuate over time, and that such fluctuations may be significant and could result in significant losses to the investor. This is particularly the case for investors whose circumstances may not permit them to hold the Securities until maturity.

Credit Rating

Meridian has issuer credit ratings from Standard & Poor's of BBB+ (stable outlook) long term and A-2 short term. The Securities Notice for a Series will specify if the Series is rated. Further detail on Standard & Poor's credit ratings is set out on page 39 of this Prospectus.

The rating of Meridian and, if applicable, the Securities may change over time, depending on, amongst other things, the business, operational and financial performance of Meridian, the other Guaranteeing Group Members and the Group as a whole. The Interest Rate that applies to a Series of Securities will not be adjusted for any such changes in the credit rating of Meridian or the Series.

The ratings are not a recommendation to buy, sell or hold the Securities and the ratings may be subject to revision or withdrawal at any time by Standard & Poor's. Any downward revision or withdrawal of the rating of the Securities or Meridian may have an effect on the ability of investors to sell the Securities, and the market price of the Securities (and therefore the proceeds received from a sale of the Securities).

No limitation on issuing debt

Meridian may from time to time issue additional Securities or debt obligations which rank equally with, or ahead of, the Securities without the consent of Holders. Such further debt obligations may be issued on such terms as Meridian thinks fit.

Limited rights of Holders to enforce directly

No Holder of Securities of a Retail Series is entitled to enforce any of its rights or remedies under the Trust Deed (including the guarantee) directly against Meridian or the other Guaranteeing Group Members unless the Trustee fails to do so having become bound to enforce those rights or remedies in accordance with the Trust Deed. The terms of the Trust Deed are summarised in more detail on page 21.

Holders of STNs have very limited rights

As described on page 5 and on page 28, the rights of Holders of STNs are limited by the Trust Deed. Under the Trust Deed, Holders of STNs have no right to convene or attend a meeting of Holders of Securities unless:

- (a) a series of Bonds has been declared immediately due and payable and the event of default in respect of which the declaration was made is continuing unremedied, in which case Holders of each Series of STNS may convene and attend a meeting of Holders of STNs or a Class of STNs for the purposes of considering whether a direction is to be given to the Trustee to declare the STNs of that Series to be immediately due and payable; or
- (b) Meridian, if required by law or otherwise considers it desirable, convenes a meeting of Holders of STNs or a Class of STNs.

Other than as described above, Holders of STNs have no ability to request or compel the Trustee to exercise any of its rights or powers.

Holders of STNs are bound by an Extraordinary Resolution of Holders of Bonds except in very limited circumstances. The duties of the Trustee are required to be construed and interpreted to take account of the special features of STNs, including the limited rights of Holders of STNs.

Consequences of insolvency

In a liquidation of Meridian, the rights of Holders to repayment of principal and interest in respect of Securities will, unless the Securities Notice for Securities of that Series specifies otherwise, rank after the claims of:

- (a) persons to whom preferential payments must be made (including creditors of Meridian preferred by law); and
- (b) prior ranking creditors.

Claims of the Holders of Securities will thereafter rank equally with the claims of all other creditors of Meridian in respect of obligations expressed to rank equally with the Securities and ahead of Meridian's shareholders and other creditors in respect of obligations expressed to rank after the Securities.

Neither Meridian's nor any other Guaranteeing Group Member's liabilities are secured by mortgages or security interests over their property generally. Under the Trust Deed, Meridian and the other Guaranteeing Group Members agree not to create any security over their property, other than for specific exceptions. These exceptions are set out on pages 22 to 25 of this prospectus. If Meridian or any other Guaranteeing Group Member has granted security over any of its property pursuant to one of these exceptions, the holder of that security will, in the event of the insolvency of that company, rank ahead of Holders of Securities in relation to any claim on the property subject to that security.

As the guarantee of Meridian's obligations in the Trust Deed is an unsecured, unsubordinated obligation of the Guaranteeing Group Members, in the liquidation or winding up of a Guaranteeing Group Member, Holders' rights to payment of any amounts owing under that guarantee will rank after the claims of:

- (a) persons to whom preferential payments must be made (including creditors of the Guaranteeing Group Member preferred by law); and
- (b) prior ranking creditors (if any).

Claims of Holders of Securities under the guarantee will thereafter rank equally with the claims of all other creditors of the Guaranteeing Group Member in respect of obligations expressed to rank equally with the guarantee and ahead of the Guaranteeing Group Member's shareholders and other creditors in respect of obligations expressed to rank after the guarantee.

Other risks

Other risks (if any) that apply to a Series of Securities will be specified in the Securities Notice for the Series.

There are no material matters relating to the offer of Securities other than the matters set out elsewhere in this prospectus and contracts entered into in the ordinary course of business by Meridian.

Credit Ratings

Meridian has issuer credit ratings from Standard & Poor's of BBB+ (stable outlook) long term and A-2 short term. The long term and short term issuer credit ratings descriptions published by Standard & Poor's are set out below.⁷

A Standard & Poor's issuer credit rating is a current opinion of an obligor's overall financial capacity (its creditworthiness) to pay its financial obligations. Short-term issuer credit ratings reflect the obligor's creditworthiness over a short-term time horizon.

Standard & Poor's Long-Term Issuer Credit Ratings

AAA: An obligor rated 'AAA' has extremely strong capacity to meet its financial commitments. 'AAA' is the highest issuer credit rating assigned by Standard & Poor's.

AA: An obligor rated 'AA' has very strong capacity to meet its financial commitments. It differs from the highest-rated obligors only to a small degree.

A: An obligor rated 'A' has strong capacity to meet its financial commitments but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in higher-rated categories.

BBB: An obligor rated 'BBB' has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

BB, B, CCC, and CC: Obligor's rated 'BB', 'B', 'CCC', and 'CC' are regarded as having significant speculative characteristics. 'BB' indicates the least degree of speculation and 'CC' the highest. While such obligors will likely have some quality and protective characteristics, these may be outweighed by large uncertainties or major exposures to adverse conditions.

BB: An obligor rated 'BB' is less vulnerable in the near term than other lower-rated obligors. However, it faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions which could lead to the obligor's inadequate capacity to meet its financial commitments.

B: An obligor rated 'B' is more vulnerable than the obligors rated 'BB', but the obligor currently has the capacity to meet its financial commitments. Adverse business, financial, or economic conditions will likely impair the obligor's capacity or willingness to meet its financial commitments.

CCC: An obligor rated 'CCC' is currently vulnerable, and is dependent upon favourable business, financial, and economic conditions to meet its financial commitments.

CC: An obligor rated 'CC' is currently highly vulnerable.

⁷ Source: http://www2.standardandpoors.com/spf/pdf/fixedincome/Ratings_Definitons_Update.pdf

Plus (+) or minus (-)

The ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative standing within the major rating categories.

Standard & Poor's Short-Term Issuer Credit Ratings

A-1: An obligor rated 'A-1' has strong capacity to meet its financial commitments. It is rated in the highest category by Standard & Poor's. Within this category, certain obligors are designated with a plus sign (+). This indicates that the obligor's capacity to meet its financial commitments is extremely strong.

A-2: An obligor rated 'A-2' has satisfactory capacity to meet its financial commitments. However, it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in the highest rating category.

A-3: An obligor rated 'A-3' has adequate capacity to meet its financial obligations. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

B: An obligor rated 'B' is regarded as vulnerable and has significant speculative characteristics. Ratings of 'B-1', 'B-2', and 'B-3' may be assigned to indicate finer distinctions within the 'B' category. The obligor currently has the capacity to meet its financial commitments; however, it faces major ongoing uncertainties which could lead to the obligor's inadequate capacity to meet its financial commitments.

B-1: Obligors with a 'B-1' short-term rating have a relatively stronger capacity to meet their financial commitments over the short-term compared to other speculative-grade obligors.

B-2: Obligors with a 'B-2' short-term rating have an average speculative-grade capacity to meet their financial commitments over the short-term compared to other speculative-grade obligors.

B-3: Obligors with a 'B-3' short-term rating have a relatively weaker capacity to meet their financial commitments over the short-term compared to other speculative-grade obligors.

C: An obligor rated 'C' is currently vulnerable to non-payment and is dependent upon favourable business, financial, and economic conditions for it to meet its financial commitments.

Based on the methodology adopted by Standard & Poor's at the date of this prospectus for assigning credit ratings, it is expected that any change in Meridian's long term or short term issuer credit rating will result in a similar change to any credit rating of the Securities. Standard & Poor's may in the future alter the methodology used to assign credit ratings and so alter the relationship between Meridian's issuer credit rating and the issue credit rating of the Securities.

The ratings referred to in this Prospectus are not a recommendation to buy, sell or hold the Securities, and the ratings may be subject to revision or withdrawal at any time by Standard & Poor's. Any downward revision or withdrawal of the rating may have an adverse effect on the market price for the Securities.

Analytic services provided by Standard & Poor's are the result of separate activities designed to preserve the independence and objectivity of ratings opinions. Credit ratings issued by Standard & Poor's are solely statements of opinion and not statements of fact or recommendations to purchase, hold, or sell any securities or make any other investment decisions. Accordingly, any user of credit ratings issued by Standard & Poor's should not rely on any such ratings or other opinion issued by Standard & Poor's in making any investment decision. Ratings are based on information received by Standard & Poor's. Other divisions of Standard & Poor's may have information that is not available to the division of Standard & Poor's that has assigned or will assign a credit rating to Meridian and the Securities. Standard & Poor's has established policies

and procedures to maintain the confidentiality of non-public information received during the ratings process.

DIRECTORS' STATEMENT

After due enquiry in relation to the period between 30 June 2009, being the date of the latest statement of financial position of Meridian referred to in this prospectus, and the date of registration of this Prospectus, the directors of Meridian are of the opinion that none of the following has materially and adversely changed:

- (a) the trading or profitability of Meridian and the other Guaranteeing Group Members;
- (b) the value of the assets of Meridian and the other Guaranteeing Group Members; or
- (c) the ability of Meridian and the other Guaranteeing Group Members to pay their liabilities due within the next twelve months.

TRUSTEE'S STATEMENT

29 October 2009

The Directors
Meridian Energy Limited
33 Customhouse Quay
Queens Wharf
WELLINGTON

Dear Directors

Clause 14(3) of Schedule 2 to the Securities Regulations 2009 requires us to confirm that the offer of debt securities ("the Securities") set out in the Prospectus complies with any relevant provisions of the Trust Deed dated 1 December 2008. These provisions are those which:

- (a) Entitle Meridian Energy Limited to constitute and issue under or with the benefit of the Trust Deed (as the case may be) the Securities offered in the Prospectus; and
- (b) Impose restrictions on the right of Meridian Energy Limited to offer the Securities; and

are described in the summary of the Trust Deed in the Prospectus.

The Auditors have reported on certain financial information set out or referred to in the Prospectus and our statement does not refer to that information or any other financial information or any other material in the Prospectus which does not relate to the Trust Deed.

We confirm that the offer of the Securities set out in the Prospectus complies with any relevant provisions of the Trust Deed. We have given the above confirmation on the basis:

- (a) Set out above; and
- (b) That the Trustee relies on the information supplied to it by Meridian Energy Limited pursuant to the Trust Deed and does not carry out an independent check of that information.

The Trustee draws your attention to the explanation of the Trustee's duties described under the heading "Duties of the Trustee" contained in the Prospectus.

The Trustee does not guarantee the repayment of the Securities or the payment of interest thereon.

Yours sincerely
Trustees Executors Limited

Sean Roberts
Business Manager
Corporate Trust

AUDITORS' REPORT

29 October 2009

The Directors
Meridian Energy Limited
Queens Wharf
33 Customhouse Quay
P O Box 10 840
Wellington

Dear Directors

AUDITORS' REPORT FOR INCLUSION IN PROSPECTUS

The Auditor-General is the auditor of Meridian Energy Limited (the 'Company') and subsidiaries (the 'Group'). The Auditor-General has appointed me, Jamie Schmidt, using the staff and resources of Deloitte, to carry out the audit of the prospectus. As auditors of the Company and the Group, we have prepared this report pursuant to clause 22 of Schedule 2 of the Securities Regulations 2009 as amended by clause 6(1)(a) of the Securities Act (Meridian Energy Limited) Exemption Notice 2009 for inclusion in a prospectus to be dated 29 October 2009 for the issue of Renewable Energy Notes and Bonds.

This report is made solely to the directors, in accordance with clause 22 of Schedule 2 to the Securities Regulations 2009 as amended by clause 6(1)(a) of the Securities Act (Meridian Energy Limited) Exemption Notice 2009. Our audit has been undertaken so that we might state to the directors those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law and subject to Section 61 of the Securities Act 1978, we do not accept or assume responsibility to anyone other than the directors as a body, for our audit work, for this report, or for the opinions we have formed.

Board of Directors' Responsibilities

The board of directors (the 'directors') are responsible for the preparation and presentation of:

- (a) the financial statements as required by clause 17 of Schedule 2 of the Securities Regulations 2009 as amended by clauses 5 and 6 of the Securities Act (Meridian Energy Limited) Exemption Notice 2009, that comply with the regulations and subject to these regulations comply with generally accepted accounting practice in New Zealand; and give a true and fair view of the state of affairs of the Company and the Group as at 30 June 2009 and its financial performance and cash flows for the financial year ended on that date; and
- (b) the summary of financial statements of the Group for the financial years ended 30 June 2009, 2008, 2007, 2006 and 2005, as required by clause 8 of Schedule 2 of the Securities Regulations 2009 as amended by clauses 5 and 6 of the Securities Act (Meridian Energy Limited) Exemption Notice 2009; and
- (c) the details and amounts in respect of the ranking of securities of the Group as at 30 June 2009 as required by clause 13 of Schedule 2 of the Securities Regulations 2009.

Auditors' Responsibilities

It is our responsibility to:

- (a) report in accordance with clauses 22(3) and 22(4) of Schedule 2 of the Securities Regulations 2009 as amended by clause 6(1)(a) of the Securities Act (Meridian Energy Limited) Exemption Notice 2009, on the auditors' report on the financial statements of the Group as at 30 June 2009 and for the year ended on that date; and

- (b) report in accordance with clause 22(1)(h) of Schedule 2 of the Securities Regulations 2009 as amended by clause 6(1)(a) of the Securities Act (Meridian Energy Limited) Exemption Notice 2009:
- (i) on the amounts included in the summary of financial statements for the financial years ended 30 June 2009, 2008, 2007, 2006 and 2005 presented by the directors; and
 - (ii) on the amounts included in the ranking of securities of the Group as at 30 June 2009 presented by the directors.

This report has been prepared for inclusion in the prospectus for the purpose of meeting the requirements of clause 22 of Schedule 2 of the Securities Regulations 2009 as amended by clause 6(1)(a) of the Securities Act (Meridian Energy Limited) Exemption Notice 2009. We disclaim any assumptions of responsibility for reliance on this report or the amounts included in the financial statements, the summary financial statements and the amounts included in the ranking of securities for any other purpose other than that for which they were prepared. In addition, we take no responsibility for, nor do we report on, any part of the prospectus not specifically mentioned in this report.

Basis of Opinion on the Summary of Financial Statements

We have undertaken procedures to provide reasonable assurance that the amounts set out in the summary of financial statements on pages 16 to 18 of this prospectus, pursuant to clause 8 of Schedule 2 of the Securities Regulations 2009 as amended by clauses 5 and 6(1)(a) of the Securities Act (Meridian Energy Limited) Exemption Notice 2009, have been correctly taken from the audited financial statements of the Group for the financial years ended 30 June 2009, 2008, 2007, 2006 and 2005. For a better understanding of the financial position and results of the Group's operations for the financial period the summary financial information should be read in conjunction with the related annual financial statements.

Basis of Opinion on the Ranking of Securities

We have undertaken procedures to provide reasonable assurance that the amounts set out in the ranking of securities on page 19, pursuant to clause 13 of Schedule 2 of the Securities Regulations 2009 as amended by clauses 5 and 6(1)(a) of the Securities Act (Meridian Energy Limited) Exemption Notice 2009, have been correctly taken from the audited financial statements of the Group as at 30 June 2009.

Other than in our capacity as auditor and the provision of other assurance services including carbon emissions audits and review of the half year financial statements, we have no relationship with or interests in Meridian Energy Limited or any of its subsidiaries.

Unqualified Opinion on the Financial Statements

We report that:

- in accordance with clause 22(3) of Schedule 2 of the Securities Regulations 2009 as amended by clause 6(1)(a) of the Securities Act (Meridian Energy Limited) Exemption Notice 2009, the financial statements of the Group as at 30 June 2009 and for the year ended on that date, subject to these Regulations, complied with generally accepted accounting practice in New Zealand at the date of the auditors' report on those financial statements (being 26 August 2009); and
- in accordance with clause 22(4) of Schedule 2 of the Securities Regulations 2009 as amended by clause 6(1)(a) of the Securities Act (Meridian Energy Limited) Exemption Notice 2009, the auditors' report, dated 26 August 2009, on the financial statements of the Group as at 30 June 2009 and for the year ended on that date, was unqualified and did not refer to a fundamental uncertainty in any respect.

Unqualified Opinion on the Summary of Financial Statements

In our opinion the amounts set out in the summary of financial statements, on pages 16 to 18 of this prospectus, as required by clause 8 of Schedule 2 of the Securities Regulations 2009 as amended by clauses 5 and 6(1)(a) of the Securities Act (Meridian Energy Limited) Exemption

Notice 2009, have been correctly taken from the audited financial statements of the Group for the financial years ended 30 June 2009, 2008, 2007, 2006 and 2005 from which they were extracted.

Unqualified Opinion on the Ranking of Securities

In our opinion the amounts set out in the ranking of securities, on page 19 of this prospectus, as required by clause 13 of Schedule 2 of the Securities Regulations 2009 as amended by clauses 5 and 6(1)(a) of the Securities Act (Meridian Energy Limited) Exemption Notice 2009, have been correctly taken from the audited financial statements of the Group for the year ended 30 June 2009.

In terms of Regulation 18(1)(c)(ii) of the Securities Regulations 2009 we hereby give our consent to the inclusion in the above mentioned prospectus of this report in the form in which it is included. We also confirm that we have not, before delivery of this prospectus for registration, withdrawn our consent to the issue thereof.

Yours faithfully

J L Schmidt
On behalf of the Auditor-General
Deloitte

GLOSSARY

In this prospectus:

"**Board**" means the board of directors of Meridian.

"**Bonds**" means bonds with a tenor of more than 18 months issued under the Trust Deed.

"**Business Day**" means a day (other than a Saturday or Sunday) on which registered banks are generally open for business in Wellington, Auckland and, to the extent specified in the relevant Securities Notice for a Series, the city or cities specified in that Securities Notice.

"**Class**" means a category of Securities which in the reasonable opinion of Meridian (in consultation with the Trustee if in relation to a Retail Series) at any particular time, for any particular purpose, constitute a separate class of Securities and "**Class of Holders**" means the Holders of those Securities.

"**Companies Act**" means the Companies Act 1993.

"**Extraordinary Resolution**" has the meaning given to it in the Trust Deed.

"**Guaranteeing Group Members**" means the companies that are from time to time guaranteeing group members under the Trust Deed. As at the date of this prospectus, the guaranteeing group members are Meridian, MEL Holdings Limited, MEL (West Wind) Limited, MEL (Te Āpiti) Limited, MEL (White Hill) Limited, MEL (Te Uku) Limited, MEL (Central Wind) Limited and MEL (Mill Creek) Limited, and "**Guaranteeing Group**" means the group comprised of all Guaranteeing Group Members.

"**Group**" means, at any time, Meridian and each of its subsidiaries and its associates (as determined by generally accepted accounting practice), and "**Group Member**" means a member of the Group.

"**Holder**" means the holder of a Security.

"**Interest Payment Dates**" means, in relation to a Series, the dates specified as interest payment dates in the Securities Notice of the Series.

"**Interest Rate**" means, in relation to a Security, the interest rate applicable to that Security, as recorded in the Register in respect of that Security.

"**Issue Date**" means, in relation to a Security, the date on which that Security is issued to a Holder in the Series, as recorded in the Register in respect of that Security.

"**Issue Price**" means, in relation to an offer of a Series of Securities, the issue price specified in the Securities Notice of the Series.

"**Listing Rules**" means the listing rules of NZX Limited (including any person or authority which may in the future assume and perform the functions of NZX Limited) in force from time to time.

"**Maturity Date**" means, in relation to a Security, the date for the repayment of that Security, being the date recorded as such in the Register in respect of that Security.

"**Meridian**" means Meridian Energy Limited.

"**Principal Amount**" means, in relation to a Security, the amount (other than interest) payable on repayment or redemption of that Security, being the amount recorded as such in respect of that Security in the Register.

"Register" means, in relation to a Series, the register of Securities maintained by the Registrar for that Series.

"Registrar" means Computershare Investor Services Limited.

"RENs" means STNs issued under the Trust Deed known as Renewable Energy Notes.

"Retail Series" means a Series of Securities that are offered or sold to members of the public.

"Securities" means Bonds or STNs.

"Securities Act" means the Securities Act 1978.

"Securities Notice" means a notice relating to an offer of a Series of Securities. It is described in more detail on page 2.

"Securities Regulations" means the Securities Regulations 2009.

"Series" means a Series of Securities constituted and issued pursuant to a Supplemental Trust Deed, and described in a Securities Notice.

"Standard & Poor's" means Standard & Poor's (Australia) Pty Limited.

"STNs" means short term notes with a tenor of 18 months or less issued under the Trust Deed.

"Supplemental Trust Deed" means, in relation to a Series, a deed supplemental to the Trust Deed that constitutes the Series.

"Trust Deed" means the trust deed dated 1 December 2008 entered into by Meridian, the other Guaranteeing Group Members and the Trustee.

"Trustee" means Trustees Executors Limited.

"Wholesale Series" means a Series of Securities which are not permitted to be offered or sold to members of the public.

DIRECTORY

Registered Office of Meridian

33 Customhouse Quay
Queens Wharf
Wellington

Board of Directors of Meridian

Wayne Robert Boyd
Raymond Watson
Margaret Anne Blackburn
Catherine Margaret Drayton
Stephen Reindler
Christopher John Moller
Brett Hiirini Shepherd
Anne June Urlwin

Company Secretary of Meridian

Jason Stein

Registrar

Computershare Investor Services Limited
159 Hurstmere Road
Takapuna
North Shore City 0622
Private Bag 92119
Victoria Street West
Auckland 1142

Trustee

Trustees Executors Limited
10 Customhouse Quay
PO Box 3222
Wellington

Auditors of Meridian

Jamie Schmidt
on behalf of the Office of the Auditor-General
Deloitte
PO Box 1990
Wellington

Solicitors for Meridian

Russell McVeagh
Level 24, Vodafone on the Quay
157 Lambton Quay
Wellington

Solicitors for the Trustee

Simpson Grierson
HSBC Tower
195 Lambton Quay
PO Box 2402
Wellington

Signed by each Director of Meridian:

Wayne Robert Boyd
Director

Raymond Watson
Director

Margaret Anne Blackburn
Director

Catherine Margaret Drayton
Director

Stephen Reindler
Director

Christopher John Moller
Director

Brett Hiirini Shepherd
Director

Anne June Urlwin
Director

APPENDIX 1

Securities Notice for RENs

1. **Description of the RENs:**
 - (a) **STNs:** RENs are short term notes with an original tenor of 18 months or less.
 - (b) **Terms and Interest Rates:** Over time Meridian will offer RENs with different Terms and Interest Rates. The Terms and Interest Rates that are available at any time will be specified on www.meridianenergy.co.nz/investments and on the current Rate Card. Meridian may change the Interest Rates or the Terms that are available or cease offering RENs at any time without giving notice.
 - (c) **Investors required to select:** Investors will be required to select the Term and corresponding Interest Rate that will apply to their investment at the time they make their application for RENs. Meridian will confirm the Issue Date, the Maturity Date and Interest Rate that apply to an investment after accepting an investor's application.
 - (d) **Interest Rate change:** Meridian may, at any time and without notice, change the Interest Rate that is available for a particular Term. If this occurs and the Interest Rate that an investor has selected is no longer available when Meridian receives the investor's application, then:
 - (i) if the Interest Rate which is available at that time is higher than the Interest Rate that was selected by an investor in his or her application, Meridian will accept the application at the then higher applicable Interest Rate; or
 - (ii) if the Interest Rate which is available at that time is less than the Interest Rate that was selected by an investor in his or her application, Meridian will contact the investor within 14 days of receipt of the application to discuss whether he or she wishes to continue with the investment at the then lower applicable rate or to have the application returned.
 - (e) **Status:** The RENs are direct, unsecured and unsubordinated debt obligations of Meridian.
 - (f) **Rating:** The RENs have been assigned an issue credit rating of BBB+ long term, A-2 short term by Standard & Poor's.
 - (g) **Lead Manager:** Westpac Institutional Bank, a division of Westpac Banking Corporation, New Zealand branch (ABN 33 007 457 141), Level 15, PWC Tower, 188 Quay Street, Auckland. None of the Lead Manager nor any of its directors, officers or employees, nor any other person, guarantees the payment of interest or any other amounts payable on or in relation to the Securities or the amount of returns which investors may receive as Holders of Securities.
2. **Features of the RENs:** In relation to each REN:
 - (a) **Issue Date:** Meridian will advise Holders of the Issue Date after accepting their application.
 - (b) **Maturity Date:** Meridian will confirm the Maturity Date to Holders after accepting their application for RENs with a particular Term and Interest Rate.

- (c) **Early Repayment:** Meridian is not obliged to repay RENs prior to their Maturity Date. However if Meridian (at its sole discretion) accepts a Holder's request for their RENs to be repaid prior to their Maturity Date, the Interest Rate applicable to those RENs for the entire Term will be reduced to 2% less than the Interest Rate ("**Original Interest Rate**") applicable to the RENs as at the Issue Date, such that upon any such early repayment, the investor will be repaid:
- (i) the Principal Amount of the RENs;
plus
 - (ii) any accrued interest at the Original Interest Rate from (and including) the Interest Payment Date immediately preceding the Holder's request to (but excluding) the date nominated by Meridian for the early repayment of the RENs ("**Early Repayment Date**");
less
 - (iii) an amount equal to 2% per annum of the principal amount of the Holder's RENs, calculated on a daily basis from (and including) the Issue Date of the RENs to (but excluding) the Early Repayment Date.
- (d) **Issue Price:** \$1 per REN.
- (e) **Minimum application:** \$2,000, and in integral multiples of \$500 thereafter.
- (f) **Interest Rate:** Meridian will confirm the Interest Rate to Holders after accepting their application.
- (g) **Interest Payment Date:** Each of the last day of March, June, September and December during the term of the REN, and the Maturity Date or Early Repayment Date.
- (h) **Interest calculation:** Interest will be calculated on the Principal Amount of each REN and on the basis of the number of days from, and including, one Interest Payment Date (or the Issue Date in the case of the first interest payment) to, but excluding, the next Interest Payment Date (or the Maturity Date or Early Repayment Date, in the case of the last interest payment) and shall accrue from day to day.
- (i) **Transfers:** Transfers of RENs must be made in minimum amounts of \$500, and integral multiples of \$500 thereafter, subject to a minimum holding of \$2,000.

3. **Reinvestment/repayment on the Maturity Date:**

- (a) **Notice of maturing investment:** Meridian will notify Holders by mail not less than 14 days before the Maturity Date of their RENs, advising Holders of the details of their maturing investment. At the same time (unless Meridian has ceased offering RENs at that time), Holders will be asked whether they wish to:
- (i) reinvest the Principal Amount of their RENs and if so, to select, from the options available at that time on www.meridianenergy.co.nz/investments and in the current Rate Card, the Term and the Interest Rate that will apply to the reinvestment; or
 - (ii) have the Principal Amount of each of their RENs repaid on the Maturity Date; or

- (iii) reinvest the Principal Amount of their RENs, as set out in (i) above, and apply to invest more money in multiples of \$500 upon the reinvestment of their RENs.
- (b) **Automatic reinvestment:** If, by 12:00 noon on the Maturity Date of a Holder's RENs, the Registrar has not received any instructions from the Holder, the Holder's investment will, subject to paragraph (d) below, be reinvested in RENs for the same term to maturity as the initial investment (at the relevant Interest Rate specified on www.meridianenergy.co.nz/investments and in the current Rate Card).
- (c) **Holder may advise:** If a Holder anticipates being away prior to an investment maturing, the Holder may contact the Registrar beforehand to advise their reinvestment instructions.
- (d) **Refusal to reinvest:** Meridian reserves the right to refuse to reinvest any amounts or to accept any application for further reinvestment. If Meridian refuses to reinvest any amount the relevant portion of the Principal Amount of the RENs will be repaid to the Holder on the Maturity Date. If Meridian refuses to accept any application for further investment, whether in whole or in part, the relevant balance of the application monies will be refunded as soon as practicable. No interest will be paid on any application monies that are refunded to the applicant.

4. **Transfer of RENs**

- (a) **Refusal to register transfers:** Holders are entitled to sell or transfer their RENs at any time subject to the terms of the Trust Deed and applicable securities laws and regulations. The Trustee may decline to register a transfer of RENs for the reasons set out in the Trust Deed.
- (b) **No sales before allotment:** Applicants for RENs should not attempt to sell RENs until they know whether, and how many, RENs have been allotted to them. Neither Meridian nor any of its directors or employees or any other person accepts any liability or responsibility should any applicant for RENs attempt to sell or otherwise deal with any RENs before receiving a statement recording the number of RENs (if any) allotted to them.
- (c) **Minimum transfers and holdings:** The minimum amount of RENs a Holder can transfer is \$500, and integral multiples of \$500 thereafter. However, no transfer of RENs or any part of a Holder's interest in a REN will be registered if the transfer would result in the transferor or the transferee holding or continuing to hold RENs with an aggregate principal amount of less than the minimum holding of \$2,000.
- (d) **Reliance on documents:** Meridian and the Registrar will be entitled to accept and assume the authenticity and genuineness of any instrument of transfer or other document, and will not incur any liability for registering any instrument of transfer which is subsequently discovered to be a forgery or otherwise defective, unless Meridian or the Registrar had actual notice of such forgery or defect at the time of registration of such instrument of transfer.
- (e) **No established market:** In Meridian's opinion, there is no established market for the sale of RENs, and none is likely to develop.

5. **Risks: No secondary market for STNs**

An investor should not subscribe for RENs unless he or she intends to hold them to maturity. Meridian is not obliged to repay a Holder's RENs before the Maturity Date.

The RENs have not been approved for trading on a securities market operated by a registered exchange or otherwise and will not be listed. There is no established market for the sale of RENs and in Meridian's opinion none is likely to develop. It may therefore be difficult for a Holder to sell his or her RENs. If a Holder is able to sell his or her RENs, the price obtained for them may differ from the amount paid to purchase them. If Meridian (at its sole discretion) accepts a request by a Holder to repay their RENs before their Maturity Date, the Interest Rate on those RENs for the entire term of the investment will be reduced and Meridian will be entitled to deduct the amount of any overpayment of interest from the principal amount repayable to the Holder.

6. **Definitions:** In this Securities Notice, unless the context otherwise requires:

"**Early Repayment Date**" has the meaning given to that term in clause 2(c)(ii) of this Securities Notice.

"**Rate Card**" means the rate card published by Meridian from time to time that specifies the Terms and Interest Rates that are currently available for RENs.

"**Term**" means the term to maturity of the RENs as specified on www.meridianenergy.co.nz/investments and on the Rate Card.