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Subject: Collett's Corner project to wrap up
Date: 3 June 2021 at 6:18 PM
To: Collett's Corner info@collettscorner.nz
Bcc:

Kia ora,

We are writing to share very difficult news. The board has decided that the challenges we face are too great and it would be wise to wrap up the project now rather than invest further funds.

Thank you to everyone that took the time to digest the information and vote. Also thank you to those that chose to abstain and support the outcome either way. Here are the results from the vote:

Choice	# of people	# of votes (weighted by # of shares held)	% of votes cast in favour of outcome
Continue	329	6205	48%
Wrap up	117	6603	52%
Total	446	12808	
Total # of shareholders / shares*	622	19146	

* As the Project Steward and significant shareholder, I did not take part in the vote. I support both directions equally.

We echo the sentiment of many of our shareholders, our hearts say yes, we must continue, we have come too far to give up now. We are compelled by the encouragement, ideas and commitment that we've received from many of you, particularly over the last week.

However, when we take a hard look at the reality of the financial requirements and the construction costs today, the challenges we face are too high and too many. The reasons we believe it is wise to wrap up the project now are:

- We do not want to waste anyone's time or your money if we are not confident we can overcome the challenges we face.

- Selling all 20 apartments in order to secure partial financing would be challenging. The apartments are selling slowly and it is unlikely we can sell all of them by the time we need to access financing.
- If we were to sell all 20 of the apartments we still have a funding gap of \$4m. To cover this we need to secure an additional loan, bring on more equity or sell the commercial floors.
- It is unlikely we would find other equity investors due to increased risks.
- If we found secondary lenders their costs would likely be beyond what the project can afford.
- It is unknown if we could find a buyer for the commercial floors, but from initial conversations it is going to be very challenging.
- The escalating costs of construction are unlikely to ease, the costs have gone up by \$1m since before Covid19 and likely to continue to increase. The project has no developer margin upon which to absorb any further overruns.
- Overall funding requirements are more onerous in terms of required guarantees.
- Banks are prioritising clients they have worked with in the past due to increased demand for development loans, which means even if we achieved 100% sales we may not secure a loan.

Next steps

For these reasons we believe it is best for the project to wrap up and return as much of your investment as we can. Our next steps are to close all project operations, pay due invoices and begin seeking a buyer for the site. As soon as we sell the site, we will distribute the proceeds (plus the cash currently held) to shareholders. I will send you an update on our progress once we have further news, at the same time I will confirm a date for the AGM.

Please do not hesitate to reach out with questions or comments. I have no doubt this will be disappointing for many of you. For that I am very sorry.

Ngāi mahi ano,

Camia Young

Director

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collettscorner.nz