

INVESTMENT Manukau City Council 2010 STATEMENT



Te Kaunihera o
MANUKAU
City Council

For an offer of secured fixed rate
bonds issued by Manukau City Council

24 August 2010

Arrangers and Joint Lead Managers



Joint Lead Managers



CO-Manager



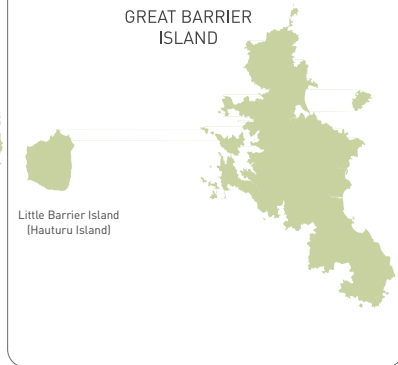


Auckland Region

Legend

 Auckland Boundary

 Kilometers
0 5 10 20



 Kilometers
0 5 10 20 30 40

Important information

(The information in this section is required under the Securities Act 1978.)

Investment decisions are very important. They often have long-term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

Choosing an investment

When deciding whether to invest, consider carefully the answers to the following questions that can be found on the pages noted below:

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Engaging an investment adviser

An investment adviser must give you a written statement that contains information about the adviser and his or her ability to give advice. You are strongly encouraged to read that document and consider the information in it when deciding whether or not to engage an adviser.

Tell the adviser what the purpose of your investment is. This is important because different investments are suitable for different purposes, and carry different levels of risk.

The written statement should contain important information about the adviser, including –

- relevant experience and qualifications, and whether dispute resolution facilities are available to you; and
- what types of investments the adviser gives advice about; and
- whether the advice is limited to investments offered by one or more particular financial institutions; and

- information that may be relevant to the adviser's character, including certain criminal convictions, bankruptcy, any adverse findings by a court against the adviser in a professional capacity, and whether the adviser has been expelled from, or prohibited from joining, a professional body; and

- any relationships likely to give rise to a conflict of interest.

The adviser must also tell you about fees and remuneration before giving you advice about an investment. The information about fees and remuneration must include –

- the nature and level of the fees you will be charged for receiving the advice; and
- whether the adviser will or may receive a commission or other benefit from advising you.

An investment adviser commits an offence if he or she does not provide you with the information required.

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This is an important document

This Investment Statement is an important document and should be read in its entirety. If you have any questions about any part of this document, please contact Manukau City Council or your financial or legal adviser.

This offer document is an investment statement for the offer of secured fixed rate bonds with an aggregate principal amount of up to \$250,000,000 with the right to accept up to a further \$100,000,000 oversubscriptions at Manukau City Council's discretion.

This Investment Statement is prepared for the purposes of the Securities Act 1978 and is dated as at 24 August 2010.

This Offer is made in reliance on the exemption contained in section 5(3A) of the Securities Act 1978 (the exemption inserted by the Securities (Local Authority Exemption) Amendment Act 2008) which permits a local authority to offer and issue debt securities with an investment statement and without a registered prospectus under the Securities Act 1978.

IMPORTANT NOTICE

Offer only in New Zealand

This Investment Statement only constitutes an offer of Bonds to New Zealand resident investors and to investors in other jurisdictions where the Bonds may be lawfully offered. No action has been or will be taken by the Issuer which would permit an offer of Bonds, or possession or distribution of any offering material, in any country or jurisdiction where action for that purpose is required (other than New Zealand). Bonds may only be offered for sale or sold in conformity with all applicable laws and regulations in any jurisdiction in which they are offered, sold or delivered. No Bondholder, or any other person, may purchase, offer, sell, distribute or deliver Bonds, or have in its possession, publish, deliver or distribute to any person, any offering material or any documents in connection with the Bonds, in any jurisdiction other than in compliance with all applicable laws and regulations. By purchasing the Bonds, each Bondholder is deemed to have indemnified the Issuer, the Arrangers, the Joint Lead Managers, the Co-Manager and the Trustee for any loss suffered by any of them by reason of any breach of the above selling restrictions.

Non-reliance

This Investment Statement does not constitute a recommendation by the Issuer, the Arrangers, the Joint Lead Managers, the Co-Manager, the Trustee, nor any of their respective directors, officers, employees or agents to subscribe for, or purchase, any of the Bonds. None of the Issuer, the Arrangers,

the Joint Lead Managers, the Co-Manager, the Trustee nor any of their respective directors, officers, employees or agents accepts any liability whatsoever for any loss arising from this Investment Statement or its contents or otherwise arising in connection with the offer of Bonds.

The Arrangers, the Joint Lead Managers, the Co-Manager and the Trustee have not independently verified the information contained in this Investment Statement. In accepting delivery of this Investment Statement, the recipient acknowledges that none of the Arrangers, the Joint Lead Managers, the Co-Manager, the Trustee nor their respective officers, employees, agents or advisers gives any warranty or representation of accuracy or reliability and they take no responsibility for it. They have no liability for any errors or omissions (including for negligence) in this Investment Statement, and each recipient waives all claims in that regard.

This Investment Statement does not constitute specific advice to any particular recipient or person. Each recipient of this Investment Statement must decide whether investment in the Bonds is appropriate having regard to its own investment objectives, financial situation and particular needs.

Definitions

A number of terms used in this Investment Statement have defined meanings which appear in the glossary on page 32, or within the relevant section of this Investment Statement in which the term is used.

All references to \$ are to New Zealand dollars unless specified otherwise.

Introduction

Manukau City Council is pleased to offer this unique opportunity to invest in the Manukau and Auckland regions through this Bond issue.

Local governance in Auckland is going through huge change, with the new Auckland Council to be established on 1 November 2010. This Bond Offer is being made to the public at the request of the Auckland Transition Agency, on behalf of the Auckland Council. It is a compelling investment, secured over the rates revenue of Manukau and taken over from 1 November 2010 by Auckland Council, at which point the investment will be secured over the rates of the Auckland Council region.

As we approach this key date, it is important that Manukau City Council and the other councils throughout the region continue managing their investments in infrastructure and assets that support our communities. The funds raised from this issue will be used for general financing requirements,

and will also be on-lent to other Existing Councils in the region, to help fund capital projects.

We commend this investment opportunity to you and we would like to thank you for supporting Manukau City Council and Auckland region.



Leigh Auton

CHIEF EXECUTIVE OFFICER

MANUKAU CITY COUNCIL



Statement by Interim Chief Executive of Auckland Council

Auckland is embarking on a new and positive direction, with the establishment of Auckland Council to lead the region on a path of growth and development that will make it an internationally competitive city.

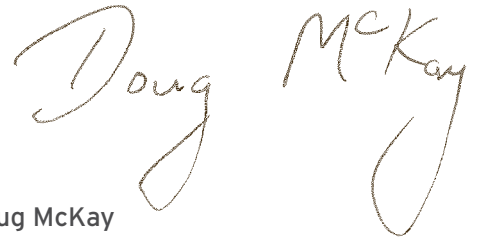
As such, this Offer represents an investment in Auckland's future.

From 1 November 2010, Auckland Council will take over the rights and obligations of Manukau City Council relating to the Bonds issued under this Investment Statement, so that funding will be readily available for the new council to undertake essential investment in regional capital infrastructure and assets.

It is intended that Auckland Council will make application for the Bonds to be listed on the NZDX market as soon as practicable following 1 November 2010. For the Bonds to be listed, Auckland Council will need to make application to NZX and satisfy the

requirements of the NZX. No application has been made to list the Bonds by the Issuer and the Bonds are not yet approved for trading. NZX accepts no responsibility for any statement in this Investment Statement. NZX is a registered exchange under the Securities Markets Act 1988.

Auckland Council also intends to obtain a credit rating as soon as practicable following 1 November 2010.



Doug McKay
INTERIM CHIEF EXECUTIVE
AUCKLAND COUNCIL

Issue Highlights

Issuer:	<p>Manukau City Council.</p> <p>From 1 November 2010, pursuant to the Local Government (Tamaki Makaurau Reorganisation) Act 2009, Auckland Council will assume all obligations and acquire all rights of Manukau City Council relating to the Bonds, including being solely responsible for all amounts payable in respect of the Bonds.</p>
Type of securities offered:	<p>The Bonds will be direct, secured, fixed rate debt obligations of the Issuer. The Bonds are secured by a charge over all rates and rates revenue of Manukau City Council, each rate arising under section 115 of the Local Government Act 2002, and all rates revenue from those rates. No other assets of Manukau City Council (other than certain proceeds of the rates and rates revenue) are subject to the charge.</p> <p>From 1 November 2010, pursuant to the Local Government (Tamaki Makaurau Reorganisation) Act 2009, Auckland Council will assume all obligations and acquire all rights of Manukau City Council in relation to the security over rates and rates revenue created by the Debenture Trust Deed.</p>
Issue Amount:	Up to \$250,000,000 with the right to accept up to a further \$100,000,000 oversubscriptions at Manukau City Council's discretion.
Opening Date:	1 September 2010.
Closing Date:	24 September 2010.
Issue Date:	29 September 2010.
Maturity Date:	29 September 2017.
Issue Price:	\$1.00 per Bond, being the Principal Amount of each Bond.
Interest Rate:	<p>The Interest Rate will be set as the higher of:</p> <ul style="list-style-type: none"> a) the Minimum Interest Rate; or b) the sum of the Swap Rate and the Issue Margin. <p>The Minimum Interest Rate and the Issue Margin will be determined by the Issuer in consultation with the Arrangers after the Bookbuild Process on the Minimum Rate Set Date. Details of the Minimum Interest Rate and the Issue Margin will be advised by the Issuer on its website at www.manukau.govt.nz under the "Bond Issue" link on that page on or before 1 September 2010.</p> <p>The final determination of the actual Interest Rate for the Bonds will be made on the Rate Set Date (expected to be 27 September 2010) and will be advised by the Issuer on its website at www.manukau.govt.nz under the "Bond Issue" link on that page.</p>
Interest Payment Dates:	<p>Interest will be payable semi-annually in arrears, in two instalments, on 29 March and 29 September in each year up to and including the Maturity Date.</p> <p>The first Interest Payment Date will be 29 March 2011.</p>
Minimum Subscription:	\$5,000 is the minimum Principal Amount of Bonds that must be subscribed for and thereafter in amounts of \$1,000.

Issue Highlights

Interest on Subscriptions:	Successful applicants will receive interest calculated on a daily basis at the then prevailing Official Cash Rate on application money paid in respect of accepted applications from the date that application money is received into the Issuer's bank account to (but excluding) the Issue Date. That interest will be paid (less any withholding tax or approved issuer levy required to be deducted) within ten Business Days of the Issue Date. For unsuccessful applications, the application money will be refunded in full within five Business Days of the Issue Date. No interest will be paid on refunds.
Use of Proceeds:	<p>The net proceeds from the sale of Bonds will be used for:</p> <ul style="list-style-type: none"> • the general financing requirements of the Existing Councils until 1 November 2010; and • the general financing requirements of Auckland Council after 1 November 2010. <p>Before 1 November 2010, Manukau City Council will on-lend some or all of the net proceeds from the sale of the Bonds to one or more of the other Existing Councils.</p> <p>The borrowing and treasury functions of the Existing Councils have been integrated in anticipation of the transition to the new Auckland Council on 1 November 2010. Please refer to page 17 for more information.</p>
NZX Listing and Quotation:	The Bonds will not be listed on the Issue Date. However, Doug McKay, the interim Chief Executive of Auckland Council, has informed Manukau City Council that it is intended that Auckland Council will make application for the Bonds to be listed on the NZDX market as soon as practicable following 1 November 2010. For the Bonds to be listed, Auckland Council will need to make application to NZX and satisfy the requirements of NZX. No application has been made to list the Bonds by the Issuer and the Bonds have not yet been approved for trading. NZX accepts no responsibility for any statement in this Investment Statement. NZX is a registered exchange under the Securities Markets Act 1988.
Unrated:	<p>The Issuer does not intend to apply to have the Bonds rated by any credit rating agency.</p> <p>However, in anticipation of the transition to the new Auckland Council on 1 November 2010, Manukau City Council has been advised that application has been made for Auckland Council to obtain a long-term issuer credit rating from one or more reputable international rating agencies. As at the date of this Investment Statement, Auckland Council has no long-term issuer credit rating. No rating agency has been involved in the preparation of this Investment Statement.</p>
How to apply:	Instructions on how to apply for the Bonds are contained on pages 18 and 19 under the heading "How much do I pay?" and in the Application Form attached at the back of this Investment Statement.
Arrangers and Bookrunners:	ANZ National Bank Limited and Craigs Investment Partners Limited.
Joint Lead Managers:	ANZ National Bank Limited, Craigs Investment Partners Limited, First NZ Capital Securities Limited and Goldman Sachs & Partners New Zealand Limited.
Co-Manager:	Forsyth Barr Limited.
Trustee:	Trustees Executors Limited.



Auckland Council's profile

Although Manukau City Council is the Issuer, it is Auckland Council's profile which will be most relevant to Bondholders. The Auckland Regional Council and the seven existing territorial authorities in the Auckland region, including Manukau City Council, will be dissolved on 31 October 2010. In their place the Local Government (Tamaki Makaurau Reorganisation) Act 2009 establishes a new unitary authority, the Auckland Council, which comes into existence on 1 November 2010.

The newly established Auckland Council will govern the Auckland region, which is home to more than 1.3 million people - approximately one-third of New Zealand's population.

Auckland is also a vastly multicultural region with more than 150 ethnicities including large Maori, Pacific and Asian populations. As New Zealand's fastest growing region, Auckland region's population is predicted to increase to 1.5 million people by March 2011 and by 2051 to more than 2.3 million people.

As at September 2009, the Auckland region had approximately 511,000 fully rateable properties with an average residential capital value of \$526,720 compared with the national average of \$402,390. There are about 156,140 business units, with the property and business service industries employing the greatest number of employees.

Activities

Auckland Council will be responsible for a wide range of activities, including regulatory functions such as the issuing of permits and consents for building activity within the Auckland region, and the enforcement of legislation governing parking, licensing and the environment. It will provide infrastructure such as city streets, and essential public services such as refuse collections and street lighting.

Auckland Council will have seven wholly owned council-controlled organisations. The organisations and their respective functions are as follows:

- Auckland Transport (a statutory entity established under section 38 of the Local Government (Auckland Council) Act 2009), which will manage all roading and transport activities;
- Watercare Services Limited, which will provide wholesale and retail water and wastewater services;

- Auckland Council Investments Limited, which will provide a commercial focus to Auckland Council's major investments, including investments in Ports of Auckland Limited, Auckland International Airport Limited and Auckland Film Studios Limited;
- Auckland Tourism, Events and Economic Development Limited, which will help lift the economic wellbeing of Auckland, enhance its ability to compete internationally, and create a consistent approach to economic development, tourism and events promotion across the Auckland region;
- Regional Facilities Auckland, which will provide a regional perspective towards Auckland's arts, culture, heritage, leisure, sports and entertainment venues;
- Auckland Council Property Limited, which will manage Auckland Council owned commercial properties; and
- Auckland Waterfront Development Agency Limited, which will own, manage and develop Auckland's waterfront properties.

Auckland Council will operate community libraries and arts centres and provide and maintain parks and reserves and sports fields. It will also provide housing for elderly people in the city.

Summary of rating powers

The power of local authorities (including Manukau City Council and Auckland Council) to rate is found in the Local Government (Rating) Act 2002. That Act allows a local authority to set and assess a general rate on each of the rateable properties in its district or region. Rates are principally assessed on a rateable property's annual value, but there are also various powers to assess uniform charges on a per property basis or by way of user charges in certain circumstances. Rates can be (and within the Auckland region, following 1 November 2010, are intended to be) assessed on a differential basis according to the type or location of the property.

All rates made in respect of any land constitute a charge on the land (section 59 of the Local Government (Rating) Act 2002), and although the owner (as recorded in the rates records) is primarily liable for the rates, local authorities also have the statutory power to recover rates outstanding from any first mortgagee. If necessary, a local authority has the power to sell the land in order to recover the outstanding rates (section 70 of the Local Government (Rating) Act 2002).

Auckland Council's profile

Under the Debenture Trust Deed, Manukau City Council has charged all rates and all rates revenue as security for the performance of its obligations under any loan or incidental arrangement that has the benefit of the Debenture Trust Deed extended to it. As a result, section 115 of the Local Government Act 2002 provides that where a receiver is appointed under section 40A or section 40B of the Receiverships Act 1993 in respect of any such obligation, that receiver may also collect a rate sufficient to pay in each year Manukau City Council's commitments in respect of the relevant loan or incidental arrangement during that year, together with the reasonable costs of administering, assessing and collecting that rate. As discussed later on this page and on page 13, the charge on rates and rates revenue of Manukau City Council will become a charge on rates and rates revenue of Auckland Council on 1 November 2010.

The Bonds will be secured by the charge created by the Debenture Trust Deed over Manukau City Council's (and after 1 November 2010, Auckland Council's) rates, each rate arising under section 115 of the Local Government Act 2002 and all rates revenue from those rates. The charge extends to certain proceeds of these assets arising directly from the collection of rates and rates revenue, but, aside from those proceeds, no other assets of Manukau City Council (or Auckland Council) are secured by the charge created by the Debenture Trust Deed. A detailed description of enforcement under the Debenture Trust Deed and the security over rates created by the Debenture Trust Deed is set out in pages 24 to 27 of this Investment Statement.

The effect of the Auckland regional governance re-organisation on the security provided for the Bonds is discussed in more detail on page 26 of this Investment Statement under the heading "What are my risks?" in the part of that section entitled "Security over Rates".

Auckland Regional Governance Re-organisation

The Local Government (Tamaki Makaurau Reorganisation) Act 2009 came into force on 25 May 2009. Under this Act, a new unitary authority called Auckland Council will be established on 1 November 2010 and a number of other local authorities, including Manukau City Council, will be dissolved.

Under section 35(1)(a) of the Local Government (Tamaki Makaurau Reorganisation) Act 2009, Auckland Council will assume the functions, duties and powers under any enactment of the Existing Councils.

Under sections 35(1)(f) and 35(1)(g) of the Local Government (Tamaki Makaurau Reorganisation) Act 2009, Auckland Council will become liable for all money payable by the Existing Councils and the rights, liabilities, contracts, entitlements, and engagements of the Existing Councils will become the rights, liabilities, contracts, entitlements and engagements of Auckland Council. Accordingly, amounts payable in respect of the Bonds will become payable by Auckland Council from 1 November 2010, and Auckland Council will assume all obligations and acquire all rights of Manukau City Council relating to the Bonds (including those relating to the security for the Bonds).

Under section 35(1)(d) of the Local Government (Tamaki Makaurau Reorganisation) Act 2009, all property belonging to the Existing Councils vests in Auckland Council on 1 November 2010.

Auckland Council will, therefore, have considerably more assets, but also considerably more liabilities, than Manukau City Council, having inherited the assets and liabilities of Manukau City Council and those of the other seven Existing Councils. Auckland Council will also, by virtue of being a local authority, have the same rating powers as those which Manukau City Council has (as described above), but it will have them in respect of the districts and regions of all of the Existing Councils, and not just the Manukau city district. Consequently, it will have a considerably larger rating base. The net effect of all of this is that Auckland Council's risk profile may be significantly different from that of Manukau City Council. It may be that Auckland Council is more creditworthy than Manukau City Council, but there is also a risk that Auckland Council will be less creditworthy (and therefore less likely to be able to meet its obligations under the Bonds) than Manukau City Council.

Under section 42(2) of the Local Government (Tamaki Makaurau Reorganisation) Act 2009, the dissolution of Manukau City Council and the transfer of its property, rights and obligations to Auckland Council is not to be treated as placing a person in breach of, or default under, any contract, or in breach of trust, or in breach of confidence, or as otherwise making the person guilty of a civil wrong. Nor is it to be treated as entitling a person to terminate or cancel or modify a contract, agreement or arrangement, enforce or accelerate the performance of an obligation or require the performance of an obligation not otherwise arising for performance. Nor does it release any surety from any obligation or invalidate or discharge any contract or security. That means that the dissolution of Manukau City Council and the transfer of its property, rights and obligations to Auckland Council will be deemed by statute not to breach the Debenture Trust Deed.

Under section 31(4)(j) of the Local Government (Tamaki Makaurau Reorganisation) Act 2009, Existing Councils must obtain the approval of the Auckland Transition Agency established under the Local Government (Tamaki Makaurau Reorganisation) Act 2009 before implementing any decision to borrow money for a period that extends beyond 30 June 2011. Manukau City Council has obtained from the Auckland Transition Agency an approval for the Bonds that it may issue under this Investment Statement.

Manukau City Council will on-lend some or all of the net proceeds of this Offer to other Existing Councils so as to avoid the need for those councils to undertake their own debt raising, thereby coordinating borrowing programmes across the Existing Councils. Where Manukau City Council on-lends funds to the other Existing Councils they will be on-lent on terms substantially similar to the interest rate and payment terms of the Bonds. Where loans are made by Manukau City Council to another Existing Council and that loan is to be secured, then Manukau City Council may take security over the rates of that Existing Council. When the Existing Councils are dissolved, the loans will become debts owing from the new Auckland Council to itself, and so any credit exposures will cease. See "What are my risks?" on page 22 of this Investment Statement.





Summary of main terms of the offer

IMPORTANT DATES

Minimum Rate Set Date: 31 AUGUST 2010	Opening Date: 1 SEPTEMBER 2010 Closing Date: 24 SEPTEMBER 2010	Rate Set Date: 27 SEPTEMBER 2010 Issue Date: 29 SEPTEMBER 2010	Interest Payment Dates: 29 MARCH AND 29 SEPTEMBER in each year until the Bonds are redeemed	First Interest Payment Date: The first Interest Payment Date will be 29 MARCH 2011	Final Interest Payment Date: THE MATURITY DATE	Maturity Date 29 SEPTEMBER 2017
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The Issuer has the right to extend or otherwise vary the Opening Date and the Closing Date. This may have a consequent effect on other dates listed above. Any change to the Closing Date will be advised by the Issuer on its website at www.manukau.govt.nz under the "Bond Issue" link on that page.

Issuer

Manukau City Council is duly constituted as a territorial authority under the Local Government Act 2002.

From 1 November 2010, pursuant to the Local Government (Tamaki Makaurau Reorganisation) Act 2009, Auckland Council will assume all obligations and acquire all rights of Manukau City Council relating to the Bonds including being solely responsible for all amounts payable in respect of the Bonds. A description of Auckland Council is set out on page 9 of this Investment Statement.

Type of Securities Offered

The Bonds will be direct, secured, fixed rate debt obligations of the Issuer. The Bonds are secured by a charge over all rates from time to time set or assessed by Manukau City Council, each rate arising under section 115 of the Local Government Act 2002, and all rates revenue in respect thereof.

The security is created under the Debenture Trust Deed and is held by the Trustee. No other assets of Manukau City Council (other than certain of the proceeds of the rates and rates revenue) are charged under the Debenture Trust Deed, or are able to be resorted to by a receiver appointed under the Debenture Trust Deed.

A detailed description of enforcement under the Debenture Trust Deed and the security over rates created by the Debenture Trust Deed (including the effect of the Auckland regional governance reorganisation on this security) is set out in pages 24 to 27 of this Investment Statement.

From 1 November 2010, pursuant to the Local Government (Tamaki Makaurau Reorganisation) Act 2009, Auckland Council will assume all obligations and acquire all rights of Manukau City Council in relation to the security over the rates and rates revenue created by the Debenture Trust Deed.

Under section 31 of the Transitional Act, if Auckland Council assumes liability for the security arrangements over rates granted by the Existing Councils in respect of loans or incidental arrangements, the Minister may recommend that consolidation of those security arrangements (including the security arrangements created by the Debenture Trust Deed) be effected by Order in Council. Any order effecting the consolidation of those existing security arrangements will (a) extinguish the existing security arrangements and (b) deem a single security document to have been granted by Auckland Council in substitution for the existing security arrangements extinguished. Under section 31(5) of the Transitional Act, the Minister must not recommend the making of an order unless he or she:

- is satisfied that the proposed single security document will comply with the requirements of any relevant enactment;
- is satisfied that no party to, or person having a benefit under, the existing security arrangements will be adversely affected by the making of the order; and
- has consulted the Minister for the time being responsible for the administration of the Securities Act 1978 on the form and substance of the proposed single security document.

The effect of this is discussed in further detail on pages 26 and 27 of this Investment Statement.

Summary of main terms of the offer

Issue Amount

Up to \$250,000,000 with the right to accept up to a further \$100,000,000 oversubscriptions at Manukau City Council's discretion.

Credit Rating

The Issuer does not intend to apply to have the Bonds rated by any credit rating agency. However, in anticipation of the transition to the new Auckland Council on 1 November 2010, the Issuer has been advised that application has been made for Auckland Council to obtain a long-term issuer credit rating from one or more reputable international rating agencies. As at the date of this Investment Statement, Auckland Council has no long-term issuer credit rating. No rating agency has been involved in the preparation of this Investment Statement.

Currency

New Zealand dollars.

Interest Rate

The Interest Rate payable on the Bonds will be the higher of:

- a) the Minimum Interest Rate; or
- b) the sum of the Swap Rate and the Issue Margin.

The Minimum Interest Rate and the Issue Margin will be determined by the Issuer in consultation with the Arrangers after the Bookbuild Process on the Minimum Rate Set Date. Details of the Minimum Interest Rate and the Issue Margin will be advised by the Issuer on its website at www.manukau.govt.nz under the "Bond Issue" link on that page on or before 1 September 2010. The final determination of the actual Interest Rate for the Bonds will be made on the Rate Set Date (expected to be 27 September 2010) and will be advised by the Issuer on its website at www.manukau.govt.nz under the "Bond Issue" link on that page.

Interest Payment Dates

The Issuer will pay interest on the Bonds on 29 March and 29 September each year, in two equal instalments. The first Interest Payment Date will be 29 March 2011.

If the Bonds are redeemed on a date other than 29 March or 29 September of any year, the last interest payment will be a smaller amount, because interest will be calculated on a daily basis and will have accrued for a shorter period.

Interest will be calculated on the Principal Amount of each Bond for the relevant period ending on the relevant Interest Payment Date. Interest will be paid to the registered holder of the Bond as at the record date, which is 10 days prior to the relevant Interest Payment Date.

Payments

If a payment date falls on a day that is not a Business Day, the relevant payment will be made on the next day which is a Business Day, without adjustment, interest or additional payment.

Interest and principal will be paid by direct credit to the Bondholder's bank account.

Interest on Subscription

Investors will receive interest calculated on a daily basis at the prevailing Official Cash Rate on application money paid in respect of accepted applications from the date that application money is received into the Issuer's bank account to (but excluding) the Issue Date. That interest will be paid (less any withholding tax or approved issuer levy required to be deducted) within 10 Business Days of the Issue Date.

Where an application is not accepted the application money will be refunded in full within five Business Days of the Issue Date. No interest will be paid on refunds.

Issue Price

The Issue Price of each Bond is \$1.00, being the Principal Amount of a Bond.

Minimum Subscription

\$5,000 is the minimum Principal Amount of Bonds that must be subscribed for. Thereafter Bonds must be subscribed for in Principal Amounts of \$1,000.

Form of Bonds

The Bonds will be entered onto the register maintained by the Registrar. No certificate of title in respect of the Bonds will be issued to Bondholders, however, the Registrar may issue a statement of holding (which does not constitute a certificate of title). Title to the Bonds passes by transfer and registration. The Issuer and the Registrar will rely on the Register for the purpose of determining entitlements to interest payments and for the repayment of the Principal Amount of the Bonds when they are redeemed.

Summary of main terms of the offer

Listing

Auckland Council interim Chief Executive Doug McKay has informed Manukau City Council that it is intended that Auckland Council will make application for the Bonds to be listed on the NZDX market as soon as practicable following 1 November 2010. For the Bonds to be listed, Auckland Council will need to make application to NZX and satisfy the requirements of NZX. No application has been made to list the Bonds by the Issuer and the Bonds have not yet been approved for trading. NZX accepts no responsibility for any statement in this Investment Statement. NZX is a registered exchange under the Securities Markets Act 1988.

Use of proceeds

The net proceeds from the sale of Bonds will be used for:

- the general financing requirements of the Existing Councils until 1 November 2010; and
- the general financing requirements of Auckland Council after 1 November 2010.

Before 1 November 2010, Manukau City Council will on-lend some or all of the net proceeds of this Offer to one or more of the other Existing Councils so as to avoid the need for those Existing Councils to undertake their own individual debt raising, thereby co-ordinating borrowing programmes across the Existing Councils.

Where Manukau City Council on-lends funds to other Existing Councils they will be on-lent on terms substantially similar to the interest rate and payment terms of the Bonds. Where those loans are to be secured, Manukau City Council may take security over the rates of that Existing Council. When the Existing Councils are dissolved and Auckland Council is formed, the loans will become debts owing from the new Auckland Council to itself, so any credit exposures will cease. See "What are my risks?" on page 22 of this Investment Statement.

Who may apply for Bonds

Bonds are offered to New Zealand resident investors and investors in other jurisdictions where the Bonds may be lawfully offered.

Instructions on how to apply for the Bonds are contained on page 18 of this Investment Statement under the heading "How much do I pay?" and in the Application Form.

Arrangers and Bookrunners

ANZ National Bank Limited and Craigs Investment Partners Limited.

Joint Lead Managers

ANZ National Bank Limited, Craigs Investment Partners Limited, First NZ Capital Securities Limited and Goldman Sachs & Partners New Zealand Limited.

Co-Manager

Forsyth Barr Limited.

Registrar and Paying Agent

Link Market Services Limited (Computershare Investor Services Limited has been appointed to be the Registrar and Paying Agent to the Auckland Council from 1 November 2010).

Trustee

Trustees Executors Limited.

Allocation Policy

The Issuer reserves the right to refuse all or any part of an application without giving any reason.

Refunds

If the Issuer accepts an application in part only, the balance of the application money will be refunded within five Business Days of the Issue Date. If the Issuer declines to accept an application, the application money will be refunded in full within five Business Days of the Issue Date. No interest will be paid on refunds.

New Zealand Taxation

Resident withholding tax (RWT) will be deducted from interest payments to New Zealand residents who have not provided the Registrar with a valid RWT exemption certificate. Approved issuer levy will be deducted from interest paid to Bondholders who are not resident in New Zealand for tax purposes, unless the Bondholder requests that non-resident withholding tax be deducted at the applicable rate instead.

A more detailed description of the applicable New Zealand taxes is set out under "New Zealand Taxation" on page 20 of this Investment Statement.

Governing Law

New Zealand.

No Underwriting

The Offer is not underwritten.

No Guarantee

No payment in respect of the Bonds (whether they be payments of principal, interest or otherwise) are guaranteed by the Crown, the Trustee, or any other person.



Answers to important questions

What sort of Investment is this?

The Bonds are secured, fixed rate debt obligations of Manukau City Council ranking equally and without any preference among themselves. By purchasing Bonds an investor is, therefore, becoming a lender to the council, and becomes entitled to be paid interest by the council on the Principal Amount of the Bonds. A more detailed description of the Interest Rate which applies to the Bonds and how the rate is determined is set out under the heading "What returns will I get?" on page 19 of this Investment Statement.

From 1 November 2010, pursuant to the Local Government (Tamaki Makaurau Reorganisation) Act 2009, Auckland Council will assume all obligations and acquire all rights of Manukau City Council relating to the Bonds, including being solely responsible for all amounts payable in respect of the Bonds.

The Bonds are secured by a charge over the rates and rates revenue of Manukau City Council, which is covered in more detail on pages 26 and 27 of this Investment Statement. No other assets of Manukau City Council (other than certain of the proceeds of the rates and rates revenue) are charged under the Debenture Trust Deed, or are able to be resorted to by a receiver appointed under the Debenture Trust Deed. From 1 November 2010, pursuant to the Local Government (Tamaki Makaurau Reorganisation) Act 2009, Auckland Council will assume all obligations and acquire all rights of Manukau City Council in relation to the security over rates and rates revenue created by the Debenture Trust Deed.

The Bonds will rank equally with all other indebtedness of the Issuer secured under the Debenture Trust Deed from time to time. This secured indebtedness is currently a mix of council debt from its own borrowing, contingent liabilities arising from the council entering into secured guarantees of the indebtedness of its subsidiaries, and amounts owing to the council's counterparties

under interest rate swaps. As at 30 June 2009, (the date of the council's last audited financial statements), the amount of secured council debt from its own borrowing was \$304.7 million and it had secured contingent liabilities of \$162.0 million. The council has also granted security under the Debenture Trust Deed in respect of its obligations under interest rate swaps it has entered into. As at 30 June 2009, these were valued (on a "marked to market basis") as a net liability of the council of \$3.6 million.

As at 31 July 2010 the amount of secured council debt from its own borrowing was \$419.9 million and it had secured contingent liabilities of \$162.0 million. Its interest rate swaps were valued as at 31 July 2010 (the most recent valuation prior to the date of this Investment Statement) as a net liability of the council of \$11.0 million.

The council may from time to time, without the consent of the Trustee or Bondholders, incur further secured indebtedness that ranks equally with the Issuer's obligations to Bondholders. There is no restriction on the amount of secured debt (including Bonds) which the council may issue or incur.

The Bonds will be issued under, have the benefit of, and are subject to, the provisions of the Debenture Trust Deed. A copy of the Debenture Trust Deed is available for inspection at Manukau City Council, 31-33 Wiri Station Road, Manukau 2241. A copy is also filed with the Registrar of Companies and can be viewed on the Companies Office website: www.business.govt.nz/companies.

The Bonds pay interest in arrear, in two equal instalments on 29 March and 29 September in each year, at a fixed rate until the maturity date applicable to those Bonds. A more detailed description of the Interest Rate which applies to the Bonds and how the rate is determined is set out under the heading "What returns will I get?" on page 19 of this Investment Statement.

Answers to important questions

Who is involved in providing it for me?

Issuer

The issuer of the Bonds is Manukau City Council. Manukau City Council is duly constituted as a territorial authority under the Local Government Act 2002. Manukau City Council can be contacted at:

Manukau City Council
31-33 Wiri Station Road
Private Bag 76917
Manukau 2241

The names of each Manukau City Council councillor as at the date of this Investment Statement are set out below:

Mayor:

His Worship the Mayor, Len Brown

Councillors:

Arthur Anae
Colleen Brown MNZM JP
Maggie Burrill
Anne Candy QSO JP
David Collings
Alf Filipaina
Efu Koka
Daniel Newman
Dick Quax
Jami-Lee Ross
Sharon Stewart QSM
Sylvia Taylor
Gary Troup
Sir John Walker
Bob Wichman
Michael Williams

From 1 November 2010, pursuant to the Local Government (Tamaki Makaurau Reorganisation) Act 2009, Auckland Council will assume all obligations and acquire all rights of Manukau City Council relating to the Bonds including being solely responsible for all amounts payable in respect of the Bonds.

Issuer's Activities

Manukau City Council is a territorial authority and, as such, is responsible for, and has a range of mandatory and discretionary functions relating to the regulation, management and direction of Manukau city. Its principal functions are:

- promoting and facilitating community well-being and development;
- ensuring environmental health and safety (including building control, civil defence, and environmental health matters);
- providing and managing infrastructure (roading and transport, sewerage, water, stormwater);
- promoting and facilitating recreation and culture; and
- resource management, including land use planning and development control.

Manukau City Council was established as a local authority in 1989 under the Local Government Act 1974 by the amalgamation of a number of smaller local authorities.

Auckland Council will be established on 1 November 2010 under the Local Government (Tamaki Makaurau Reorganisation) Act 2009, and eight other local authorities, including Manukau City Council, will be dissolved.

Trustee

The trustee in respect of the Bonds is Trustees Executors Limited. The Trustee can be contacted at:

Trustees Executors Limited
Level 12, 45 Queen Street
PO Box 4197, Shortland Street
AUCKLAND 1140

How much do I pay?

Each Bond has an Issue Price of \$1.00 and applications must be for a minimum Principal Amount of \$5,000 and thereafter in multiples of \$1,000, which is payable in full at the time that an application to subscribe for Bonds is made. No other amounts are payable.

Applications must be made on the Application Form contained at the back of this Investment Statement and in accordance with the instructions on that Application Form. Applications must be accompanied by payment in full.

Applicants who are not members of the NZClear System must pay for the Bonds applied for by completing the direct debit section on the Application Form or by a personal cheque or, if the application is for Bonds of an aggregate Principal Amount of \$500,000 or more, by bank cheque or other method acceptable to the Issuer.

All cheques must be in New Zealand dollars drawn on a New Zealand branch of a financial institution and submitted with a correctly completed Application Form. Cheques should be made payable to "Manukau City Council Bond Offer" and crossed "Not Transferable" and must not be post-dated.

Answers to important questions

Direct debits will be processed and the payment amount deducted from the applicant's bank account on the day the Application Form is received by the Registrar. Direct debits cannot be post-dated. Applicants must ensure that the account they provide for direct debit is an account that is eligible to be direct debited. Applicants are encouraged to check with their bank if they are unsure whether an account is eligible to be direct debited. Failed direct debits may lead to the application being rejected.

A completed Application Form together with the completed direct debt section or a cheque should be sent or delivered, so as to be received by no later than 3pm on the Closing Date (being 24 September 2010), to:

Postal address:

Link Market Services Limited
PO Box 91976
Auckland 1142

Physical Address:

Link Market Services Limited
Level 16, Brookfields House
19 Victoria Street West, Auckland

Applications for Bonds may also be lodged with any Joint Lead Manager, the Co-Manager or any Primary Market Participant. Applications must be sent or delivered in time to enable the application to be forwarded to the Registrar for receipt by 3pm on the Closing Date (being 24 September 2010, or such other date that the Issuer may determine in consultation with the Arrangers).

Applicants who are members of the NZClear System, or who are able to have payments made on their behalf through the NZClear System, may settle their application for Bonds on the Issue Date through the NZClear System with the Registrar (BKRE30). Please contact the registry to arrange payment.

The Issuer reserves the right to refuse all or any part of an application without giving any reason. Any application money received in respect of such an application will be returned (without interest) to the applicant as soon as reasonably practicable and, in any event, within five Business Days after the Issue Date.

If the Issuer accepts an application in part only, the balance of the application money will be refunded (without interest) to the applicant within five Business Days of the Issue Date.

Where an applicant's payment for Bonds is dishonoured, the Issuer may cancel any Bonds issued to that applicant, and may pursue the defaulting applicant for damages suffered by the Issuer.

There is no cooling off period in respect of the Bonds which would allow an investor to cancel its application for Bonds or investment in the Bonds.

What are the charges?

No charges, other than the Issue Price, will be payable to Manukau City Council or an associated person of Manukau City Council by an applicant for Bonds.

The Arrangers, the Joint Lead Managers, the Co-Manager and other approved financial intermediaries will receive a brokerage fee from the Issuer in respect of applications submitted bearing the relevant entity's stamp.

What returns will I get?

The information set out in this section should be read in conjunction with the information set out under the heading "What are my risks?" on pages 22 to 27 of this Investment Statement. Certain events could reduce or eliminate the returns intended to be derived from the Bonds.

It is not possible to quantify as at the date of this Investment Statement the exact amount of returns Bondholders will receive, and therefore no such amount can be promised by the Issuer.

Interest Rate

The Interest Rate payable on the Bonds will be the higher of:

- a) the Minimum Interest Rate; or
- b) the sum of the Swap Rate and the Issue Margin.

The Minimum Interest Rate and the Issue Margin will be determined by the Issuer in consultation with the Arrangers after the Bookbuild Process on the Minimum Rate Set Date. Details of the Minimum Interest Rate and the Issue Margin will be advised by the Issuer on its website at www.manukau.govt.nz under the "Bond Issue" link on that page on or before 1 September 2010. The final determination of the actual Interest Rate for the Bonds will be made on the Rate Set Date (expected to be 27 September 2010) and will be advised by the Issuer on its website at www.manukau.govt.nz under the "Bond Issue" link on that page.

The Issuer will pay interest on the Bonds in arrear on 29 March and 29 September each year, in two equal instalments. The first Interest Payment Date will be 29 March 2011.

If the Bonds are redeemed on a date other than 29 March or 29 September of any year, the last interest payment will be a smaller amount, because interest will be calculated on a daily basis and have accrued for a shorter period.

Interest will be calculated on the Principal Amount of each Bond for the relevant period ending on the relevant Interest Payment Date. Interest will be paid to the registered holder of the Bond as at the record date, which is 10 days prior to the relevant Interest Payment Date.

Answers to important questions

Principal Amount

Manukau City Council is legally liable to pay the Bondholder the returns on the Bonds. However, from 1 November 2010 pursuant to the Local Government (Tamaki Makaurau Reorganisation) Act 2009, Auckland Council will assume the obligation to pay all amounts due on the Bonds, including repayment of the Principal Amount of the Bonds on the Maturity Date.

The principal factors that will determine the returns to Bondholders are:

- the Interest Rate attaching to the Bonds;
- the financial position of Manukau City Council (and, following the reorganisation, Auckland Council), being the entity legally liable to pay the returns;
- each Bondholder's individual tax circumstances, as described below under the heading "New Zealand taxation";
- if a Bondholder chooses to sell their Bonds prior to the Maturity Date, the effect of market interest rates and other factors on the price at which they may be sold; and
- other risk factors described under the heading "What are my risks?" on pages 22 to 27 of this Investment Statement.

Payments

If a payment date falls on a day that is not a Business Day, the relevant payment will be made on the next day which is a Business Day, without adjustment, interest or additional payment.

Interest and principal will be paid by direct credit to the Bondholder's bank account.

New Zealand taxation

The following information is not professional or legal advice and does not cover all New Zealand tax issues. It is a general guide only, based on current legislation and likely New Zealand Inland Revenue practice. Taxation laws can change, and such changes could affect your tax position regarding any investment in the Bonds. You should seek qualified, independent financial and taxation advice before deciding to invest.

Resident withholding tax (RWT) will be deducted, where appropriate, from all interest payments made to Bondholders who are New Zealand tax resident or who are engaged in business in New Zealand through a fixed establishment in New Zealand (**Resident Bondholders**), or who have not provided satisfactory evidence that they are not Resident Bondholders. Such deduction will be at the rate required or permitted by law, unless that Bondholder provides the Registrar with a current RWT exemption certificate issued under section 32H of the Tax Administration Act 1994 or any successor or predecessor provision. The Bondholder must notify the Registrar if an RWT exemption certificate provided to the Registrar is subsequently withdrawn.

RWT rates for non-corporate Resident Bondholders (including natural persons and corporate trustees and Maori authorities)

- Non-corporate Resident Bondholders that supply their IRD number to the Registrar may elect (at any time) for RWT to be deducted at a rate of 21%, 33% or 38%. From 1 October 2010, these rates reduce to 17.5%, 30% and 33% respectively. If, prior to 1 October 2010, a non-corporate Resident Bondholder has elected the 21%, 33% or 38% RWT rate, then from 1 October 2010, the rate will be automatically adjusted to 17.5%, 30% or 33% respectively, without the Resident Bondholder taking any action.
- Non-corporate natural person Resident Bondholders who have a reasonable expectation that their income for the income year will be \$14,000 or less, and trustees of certain testamentary trusts, who in each case supply their IRD number to the Registrar, may elect for RWT to be deducted at a rate of 12.5%. From 1 October 2010, this rate reduces to 10.5%. If, prior to 1 October 2010, a non-corporate natural person Resident Bondholder has elected the 12.5% rate, then from 1 October 2010, the rate will be automatically adjusted to 10.5%, without the Resident Bondholder taking any action.
- Non-corporate Resident Bondholders who do not supply their IRD number to the Registrar or who do not make an election will have RWT deducted at a rate of 38%. From 1 October 2010, this rate reduces to 33%.



Answers to important questions

RWT rates for Corporate Resident Bondholders (other than corporate trustees and Maori authorities):

- Corporate Resident Bondholders that supply their IRD number to the Registrar may elect (at any time) for RWT to be deducted at a rate of 30% or 38%. From 1 October 2010, the 30% rate remains but the 38% rate reduces to 33%. If, prior to 1 October 2010, a corporate Resident Bondholder has elected the 38% RWT rate, then from 1 October 2010, the rate will be automatically adjusted to 33%, without the corporate Resident Bondholder taking any action.
- Corporate Resident Bondholders that supply their IRD number to the Registrar but who do not make an election will have RWT deducted at a rate of 30%.
- Corporate Resident Bondholders who do not supply their IRD number to the Registrar will have RWT deducted at a rate of 38%. From 1 October 2010, this rate reduces to 33%.

The Issuer will register the Bonds with Inland Revenue for the purposes of the approved issuer levy (AIL) regime and, unless otherwise instructed in writing by the Bondholder, Manukau City Council will, where it is lawfully able, deduct AIL (currently 2% of amounts treated as interest) from interest payments made or credited to Bondholders who are not Resident Bondholders (**Non-Resident Bondholders**, i.e. Bondholders who are not New Zealand tax resident and do not engage in business in New Zealand through a fixed establishment in New Zealand). Non-Resident Bondholders may request by written notice to the Registrar that AIL not be deducted from interest paid or credited in respect of their Bonds, and that non resident withholding tax (NRWT) be deducted instead. Such deduction will be at the rate required by law, as reduced by any applicable double tax agreement, where the Non-Resident Bondholder provides satisfactory evidence to the Registrar of entitlement to such reduced rate.

Neither the Issuer, the Trustee, the Registrar nor any other person is obliged to gross-up the amount of any interest payment or otherwise pay an additional amount to Bondholders as a consequence of the deduction of any withholding tax or AIL. If any of the Issuer, the Trustee or the Registrar becomes liable to make any payment of, or on account of, tax payable by any Bondholder, then the Issuer, the Trustee or the Registrar shall be indemnified by the relevant Bondholder in respect of such liability.

No guarantee

No payments in respect of the Bonds (whether they be payments of principal, interest or otherwise) are guaranteed by the Crown, the Trustee, or any other person.

What are my risks?

The principal risk for investors is that they may not be able to recover their original investment and returns on the Bonds described above in the section "What returns will I get?" The inability to recover their original investment and the returns could arise (among other reasons) because the Issuer is insolvent. Investors could receive none of or less than the returns mentioned above if the Issuer becomes insolvent for any reason. The factors and risks described in this section may also affect the ability of the Issuer to pay interest on, or redeem, the Bonds.

No holder of Bonds will, in any circumstances, be liable to pay any further amounts, in addition to the amount paid for the Bonds, to Manukau City Council or any other person in respect of the Bonds.

Market risk

If a Bondholder wishes to sell his or her Bonds, rather than holding them to maturity, the price at which that Bondholder is able to sell may be less than the price they paid for them, because rising interest rates or other factors may make the Bonds less attractive to buyers.

There is not currently an established market for the Bonds. Any market for the Bonds that develops may become illiquid or cease to exist, meaning the Bondholders may be forced to hold their Bonds until the Maturity Date.

Auckland Council interim Chief Executive Doug McKay has informed Manukau City Council that it is intended that Auckland Council will make application for the Bonds to be listed on the NZDX market as soon as practicable following 1 November 2010. For the Bonds to be listed, Auckland Council will need to make application to NZX and satisfy the requirements of NZX. No application has been made to list the Bonds by the Issuer and the Bonds have not yet been approved for trading. NZX accepts no responsibility for any statement in this Investment Statement. NZX is a registered exchange under the Securities Markets Act 1988.

None of these risks will affect Manukau City Council's obligation (and, after 1 November 2010, Auckland Council's obligation) to repay the full Principal Amount on the Maturity Date.

Answers to important questions

Credit Risk

Until 1 November 2010, the Issuer relies upon the Manukau city economy for revenue and the properties within Manukau city for its rating revenue. After 1 November 2010, the Issuer will rely upon the Auckland regional economy and the properties within that region for its rating revenue. The revenue to be obtained from those sources is dependant upon economic factors affecting general trading circumstances (e.g. local or global recessions), property values within Manukau city (and then the Auckland region), regulatory risk (e.g. government regulation), changes to taxation regimes and financial markets (e.g. rising interest rates) and specific natural disasters.

The Issuer's creditworthiness may decline due to circumstances beyond its control and for reasons that are not specific to the Issuer, e.g. a recession in Auckland or New Zealand or regulatory change.

If the Issuer's financial performance is worse than expected, the future market price of a Bond may be less than the Issue Price paid for it.

Manukau City Council will on-lend some or all of the net proceeds of this Offer to other Existing Councils so as to avoid the need for those councils to undertake their own debt raising, thereby coordinating borrowing programmes across the Existing Councils. These loans will result in Manukau City Council having some credit exposure to those other Existing Councils. However, when the Existing Councils are merged to form Auckland Council, the loans will become debts owing from the new Auckland Council to itself, and so any credit exposures will cease.

Where Manukau City Council on-lends funds to the other Existing Councils they will be on-lent on terms substantially similar to the interest rate and payment terms of the Bonds. Where a loan is made by Manukau City Council to another Existing Council and that loan is to be secured, then Manukau City Council may take security over the rates of that other Existing Council. Each of those other Existing Councils, and the value of the loans made to them, is subject to similar risks as referred to above and below but that risk will be borne by Manukau City Council.

When the new Auckland Council comes into existence to replace the Existing Councils, the Bonds will become debt obligations of Auckland Council as described under the heading "Auckland Regional Governance Re-organisation" on page 10 of this Investment Statement.

Auckland Council and Issuer credit profile change

Under the Local Government (Tamaki Makaurau Reorganisation) Act 2009, the Auckland Regional Council and the seven existing territorial authorities in the Auckland region, including Manukau City Council, will be dissolved on 31 October 2010. In their place the Local Government (Tamaki Makaurau Reorganisation) Act 2009 establishes a new unitary authority, the Auckland Council, which comes into existence on 1 November 2010.

Under section 35(1) of the Local Government (Tamaki Makaurau Reorganisation) Act 2009, Auckland Council will assume the functions, duties and powers under any enactment of Manukau City Council and the other Existing Councils.

Under sections 35(1)(f) and 35(1)(g) of the Local Government (Tamaki Makaurau Reorganisation) Act 2009, Auckland Council will become liable for all money payable by the Existing Councils and the rights, liabilities, contracts, entitlements, and engagements of the Existing Councils will become the rights, liabilities, contracts, entitlements and engagements of Auckland Council. Accordingly, amounts payable in respect of the Bonds will become payable by Auckland Council from 1 November 2010, and Auckland Council will assume all obligations and acquire all rights relating to the Bonds.

Under section 35(1)(d) of the Local Government (Tamaki Makaurau Reorganisation) Act 2009, all property belonging to the Existing Councils vests in Auckland Council on 1 November 2010.

Auckland Council will, therefore, have considerably more assets, but also considerably more liabilities, than Manukau City Council, having inherited the assets and liabilities of Manukau City Council and those of the other seven Existing Councils. Auckland Council will also, by virtue of being a local authority, have the same rating powers as those which Manukau City Council has (as described above), but it will have them in respect of the districts of all of the Existing Councils, and not just the Manukau city district. Consequently, it will have a considerably larger rating base. The net effect of all of this is that Auckland Council's risk profile may be significantly different from that of Manukau City Council. It may be that Auckland Council is more creditworthy than Manukau City Council, but there is also a risk that Auckland Council will be less creditworthy (and therefore less likely to be able to meet its obligations under the Bonds) than Manukau City Council.

Answers to important questions

Under section 42(2) of the Local Government (Tamaki Makaurau Reorganisation) Act 2009, the dissolution of Manukau City Council and the transfer of its property, rights and obligations to Auckland Council is not to be treated as placing a person in breach of, or default under, any contract, or in breach of trust, or in breach of confidence, or as otherwise making the person guilty of a civil wrong. Nor is it to be treated as entitling a person to terminate or cancel or modify a contract, agreement or arrangement, enforce or accelerate the performance of an obligation or require the performance of an obligation not otherwise arising for performance. Nor does it release any surety from any obligation or invalidate or discharge any contract or security. That means that the dissolution of Manukau City Council and the transfer of its property, rights and obligations to Auckland Council will be deemed not to breach the Debenture Trust Deed.

The effect of the Local Government (Tamaki Makaurau Reorganisation) Act 2009 on the security for the Bonds is discussed further below under the heading "Security over Rates".

Government Regulation

The structure and powers of Manukau City Council are defined by statute and could be impacted by changes in those statutes. The Local Government (Tamaki Makaurau Reorganisation) Act 2009, the Local Government (Auckland Council) Act 2009 and Transitional Act are examples of this occurring, and others could occur in the future.

There may also be a number of orders in council, including orders relating to the consolidation of security given by the Existing Councils and orders relating to the transfer of assets between Auckland Council and council-controlled organisations.

Consequences of insolvency

No holder of Bonds will be liable to pay any further amounts, in addition to the amount paid for the Bonds, to Manukau City Council or any other person in respect of the Bonds if Manukau City Council (or, following 1 November 2010, Auckland Council) becomes insolvent.

Enforcement Events under the Debenture Trust Deed

The Bonds are constituted by the Debenture Trust Deed, and the money payable in respect of the Bonds, including interest, is secured by the Debenture Trust Deed.

If an Enforcement Event occurs and is subsisting, the Trustee may in its discretion declare all Bonds to be immediately due and payable. The Trustee is required to make such a declaration if it is directed to by an Extraordinary Resolution or by the Majority of Securityholders. A declaration by the Trustee that all Bonds are immediately due and payable requires the Issuer to pay to Bondholders the Principal Amount outstanding together with accrued interest calculated on a daily basis from the last Interest Payment Date on which interest was paid.

The Enforcement Events under the Debenture Trust Deed include the following events:

- a failure to pay any Principal Amount within two Business Days of its due date;
- a failure to pay any interest on the Bonds within seven Business Days of its due date;
- a failure to pay any other material amount payable under the Debenture Trust Deed within 30 days after a final demand in writing has been made for that amount;
- any material breach by the Issuer of a covenant, condition or other provision contained in the Debenture Trust Deed continues for more than 30 days after the Issuer is required in writing by the Trustee to remedy it;
- a receiver is appointed, or an encumbrancer takes possession or exercises a power of sale, in respect of all, or a material part of, the Charged Assets, unless the Issuer satisfies the Trustee that such event will not have a material adverse effect on the Issuer's ability to meet its payment obligations under the Bonds; or
- one of the above events occurs in respect of other debt secured under the Debenture Trust Deed.

Enforcement of security under the Debenture Trust Deed

The security under the Debenture Trust Deed is held by the Trustee. The Trustee holds the benefit of that security for all Securityholders, including the Bondholders. All Securityholders rank equally with each other in respect of the Charged Assets. Consequently, the Bonds will rank equally with all other indebtedness of the Issuer secured under the Debenture Trust Deed from time to time.

This secured indebtedness is currently a mix of council debt from its own borrowing, contingent liabilities arising from the council entering into secured guarantees of the indebtedness of its subsidiaries, and amounts owing to the council's counterparties under interest rate swaps. As at 30 June 2009 (the date of the Issuer's last audited financial statements), the amount of secured council debt from its own borrowing was \$304.7 million and it had secured contingent liabilities of \$162.0 million. The council has also granted security under the Debenture Trust Deed in respect of its obligations under interest rate swaps it has entered into. As at 30 June 2009, these were valued (on a "marked to market basis") as a net liability of the council of \$3.6 million.

As at 31 July 2010 the amount of secured council debt from its own borrowing was \$419.9 million and it had secured contingent liabilities of \$162.0 million. Its interest rate swaps were valued as at 31 July 2010 (the most recent valuation date prior to the date of this Investment Statement) as a net liability of the council of \$11.0 million.

The Issuer may from time to time, without the consent of the Trustee or Bondholders, incur further secured indebtedness that ranks equally with the Issuer's obligations to Bondholders. There is no restriction on the amount of debt which the Issuer may issue.

If an Enforcement Event occurs, then the Trustee can take enforcement action under the Debenture Trust Deed. However, the Bondholders may not be the only Securityholders under the Debenture Trust Deed, so the Trustee's decision about whether or not to take enforcement action may be influenced by factors other than the interests of Bondholders only.

The Trustee is only required to enforce the Debenture Trust Deed if directed to do so by the Majority of Securityholders or an Extraordinary Resolution. As there are other Securityholders under the Debenture Trust Deed, there is a risk that the Bondholders will not constitute the Majority of Securityholders or be able to pass an Extraordinary Resolution without the cooperation of other Securityholders. If this is the case, the Trustee will not have to act in accordance with their directions. To the extent that other Securityholders constitute the Majority of Securityholders or can pass an Extraordinary Resolution, the Trustee may be directed to act in accordance with the instructions of those other Securityholders. This could happen even if those instructions were against the interests of the Bondholders.



Answers to important questions

The Trustee's ability to take enforcement action under the Debenture Trust Deed is subject to the limitations, obligations and restrictions contained in the Debenture Trust Deed.

On 1 November 2010 the new Auckland Council will assume Manukau City Council's obligations under the Debenture Trust Deed.

If the Debenture Trust Deed and the security arrangements of the other Existing Councils are consolidated, the charge over the rates and rates revenue of Auckland Council under that consolidated charging document will extend to provide security for the Bonds, which become debt obligations of Auckland Council from 1 November 2010.

Security over Rates

The Debenture Trust Deed creates a charge over all rates from time to time set or assessed by Manukau City Council, each rate arising under section 115 of the Local Government Act 2002, and all rates revenue from those rates. The charge extends to certain proceeds of these assets arising directly from the collection of rates or rates revenue.

The Debenture Trust Deed allows the Trustee to appoint a receiver where an Enforcement Event under the Debenture Trust Deed has occurred. Where a receiver has been appointed, that receiver is able to raise a rate under section 115 of the Local Government Act 2002 to repay Securityholders pursuant to the Debenture Trust Deed. The rate raised in this way is not able to be shared by other creditors of Manukau City Council who do not have the benefit of the Debenture Trust Deed.

The Transitional Act (section 30) confirms that a receiver is able to raise a rate under section 115 of the Local Government Act 2002 to repay Securityholders pursuant to the Debenture Trust Deed as if that security had been charged by Auckland Council. This will mean that a receiver will be able to raise a rate over the entire Auckland Council ratepayer region, which is a larger rating base than the Manukau city district.

With respect to the other assets that comprise the Charged Assets, the security is first ranking except to the extent that other security is preferred by law. The Trustee has the earliest registered financing

statement on the Personal Property Securities Register in respect of the Charged Assets. This is important in establishing that its security is first ranking, but does not guarantee that the Trustee (and therefore the Bondholders through the Trustee) has first ranking security in respect of these other assets.

The charge created by the Debenture Trust Deed together with the charges created by the other Existing Councils will rank equally with each other following the formation of Auckland Council. This is because section 30(3) of the Transitional Act deems those charges to rank equally.

The Debenture Trust Deed only charges the Charged Assets (the rates and rates revenue of Manukau City Council). No other assets of Manukau City Council (other than certain of the proceeds of the rates and rates revenue) are charged under the Debenture Trust Deed, or are able to be resorted to by a receiver appointed under the Debenture Trust Deed. In the event that recovery under the Debenture Trust Deed cannot be made, there is no right of recourse to any other assets of Manukau City Council under the Debenture Trust Deed.

The claims of creditors with security over assets of Manukau City Council other than the Charged Assets will rank ahead of the Bondholders in respect of those assets or any proceeds of them. The council is not restricted in its ability to grant security over such assets from time to time.

Under section 35(1)(g) of the Local Government (Tamaki Makaurau Reorganisation) Act 2009, all rights, liabilities, contracts, entitlements, and engagements of the Existing Councils will become the rights, liabilities, contracts, entitlements and engagements of Auckland Council. Therefore, from 1 November 2010 pursuant to the Local Government (Tamaki Makaurau Reorganisation) Act 2009, Auckland Council will assume all obligations and acquire all rights of Manukau City Council under the security over the rates and rates revenue created by the Debenture Trust Deed. Other Existing Councils have also granted charges over their rates and rates revenue, which means that when Auckland Council is formed, it may assume the obligations in respect of a number of charges over its rates and rates revenue, and not just the charge created by the Debenture Trust Deed.

Answers to important questions

Under section 31 of the Transitional Act, if Auckland Council assumes liability for the security arrangements over rates granted by the Existing Councils in respect of loans or incidental arrangements, the Minister may recommend that consolidation of those security arrangements (including the security arrangements created by the Debenture Trust Deed) be effected by Order in Council. Any order effecting the consolidation of those existing security arrangements will (a) extinguish the existing security arrangements and (b) deem a single security document to have been granted by Auckland Council in substitution for the existing security arrangements extinguished. Under section 31(5) of the Transitional Act, the Minister must not recommend the making of an order unless he or she:

- (a) is satisfied that the proposed single security document will comply with the requirements of any relevant enactment;
- (b) is satisfied that no party to, or person having a benefit under, the existing security arrangements will be adversely affected by the making of the order; and
- (c) has consulted the Minister for the time being responsible for the administration of the Securities Act 1978 on the form and substance of the proposed single security document.

Can the investment be altered?

The investment can only be altered by an amendment to the terms of the Bonds.

Terms of the Bonds which are contained in the Debenture Trust Deed may be amended by agreement between the Trustee and Manukau City Council in certain cases, such as the correction of manifest errors or to comply with legislative changes, or if, in the opinion of the Trustee, the amendment is not prejudicial to the general interests of Bondholders.

From 1 November 2010, pursuant to the Local Government (Tamaki Makaurau Reorganisation) Act 2009, Auckland Council will have transferred to it the rights, liabilities, contracts, entitlements and engagements of Manukau City Council under the Debenture Trust Deed. Accordingly, after that date the Debenture Trust Deed may be amended in the manner described above by Auckland Council and the Trustee.

Other amendments to the terms of the Bonds may only be made if they are sanctioned by Securityholders by an Extraordinary Resolution or through legislation.

If the security arrangements of the Existing Councils (including the Debenture Trust Deed) are consolidated under section 31 of the Transitional Act, the terms of the Bonds will be contained in, and any amendment of the terms of the Bonds will be subject to the procedural requirements of, the consolidated security document.

The amount which an applicant is required to pay to subscribe for the Bonds will always be the Issue Price, and cannot be increased.

How do I cash in my investment?

Maturity Date

The Principal Amount of the Bonds will be repaid by the Issuer on the Maturity Date (29 September 2017).

Selling or transferring Manukau City Council Bonds

Bondholders are entitled to sell or transfer their Bonds at any time, subject to the terms of the Debenture Trust Deed and applicable securities laws and regulations. The price may differ from the price paid for the Bonds, and Manukau City Council does not guarantee that any Bondholder will be able to find a buyer.

You should not attempt to sell or transfer any Bonds until the Bonds have been allotted. None of the Issuer, the Trustee, the Arrangers, the Joint Lead Managers, the Co-Manager nor any of their respective officers or employees, nor any other person, accepts any liability or responsibility should any applicant for Bonds attempt to sell any Bonds prior to allotment.

Bonds may be transferred by means of any commonly used transfer form.

Sales or transfers of Bonds must be conducted in multiples of \$1,000, provided that neither the transferor nor the transferee is left holding Bonds with an aggregate Principal Amount of less than \$5,000 (unless it is zero).

You should direct any inquiries about buying or selling the Bonds to your usual investment adviser. Brokerage at applicable rates is likely to be payable by a Bondholder on any transfer of the Bonds effected through such a person.

Answers to important questions

There is not currently an established market for the Bonds.

Auckland Council interim Chief Executive Doug McKay has informed Manukau City Council that it is intended that Auckland Council will make application for the Bonds to be listed on the NZDX market as soon as practicable following 1 November 2010. For the Bonds to be listed, Auckland Council will need to make application to NZX and satisfy the requirements of NZX. No application has been made to list the Bonds by the Issuer and the Bonds have not yet been approved for trading. NZX accepts no responsibility for any statement in this Investment Statement. NZX is a registered exchange under the Securities Markets Act 1988.

Manukau City Council is not prohibited from purchasing Bonds itself, but this is not currently intended.

Early repayment of Manukau City Council Bonds

Unless an Enforcement Event occurs, the Principal Amount of the Bonds will be repaid on the Maturity Date (29 September 2017). The Bondholders have no right to require redemption of the Bonds, except in the case of an Enforcement Event. Consequently, Bondholders have no right to cash in their investment in the Bonds, other than following an Enforcement Event or by selling their Bonds (should a market exist for those Bonds).

If an Enforcement Event occurs under the Debenture Trust Deed, the Trustee may (among other things) declare the Bonds immediately due and payable, and is required to do so if directed to do so by an Extraordinary Resolution or by the Majority of Securityholders (such Enforcement Events are

described in the section "What are my risks?" under the headings "Enforcement Events under the Debenture Trust Deed" and "Enforcement of security under the Debenture Trust Deed" on pages 24 to 26 of this Investment Statement).

The Trustee is only required to enforce the Debenture Trust Deed if directed to do so by the Majority of Securityholders or an Extraordinary Resolution. As there are other Securityholders under the Debenture Trust Deed, there is a risk that the Bondholders will not constitute the Majority of Securityholders or be able to pass an Extraordinary Resolution without the cooperation of other Securityholders, and therefore the Trustee would not have to act in accordance with their directions. To the extent that other Securityholders constitute the Majority of Securityholders or can pass an Extraordinary Resolution, the Trustee may be directed to act in accordance with their instructions, notwithstanding that such instructions may be against the interests of the Bondholders.

If, under the Debenture Trust Deed, the Trustee appoints a receiver under section 40A or section 40B of the Receiverships Act 1993, that receiver is only able to raise a rate sufficient to meet the Issuer's obligations to Bondholders (and in respect of other Securityholders) as if the Bonds (and such other secured indebtedness) had not been accelerated. That rate is not able to be shared by other creditors of Manukau City Council who do not have the benefit of the Debenture Trust Deed.

The Trustee's ability to take enforcement action under the Debenture Trust Deed is subject to the limitations, obligations and restrictions contained in the Debenture Trust Deed.



Who do I contact with inquiries about my investment?

Inquiries about the Bonds can be made to:

The Registrar

Link Market Services Limited

Level 16, Brookfields House

19 Victoria Street West

Auckland

PO Box 91976

Auckland 1142

Email: Lmsenquiries@linkmarketservices.com

Telephone: 09 375 5998

OR

The Issuer

Manukau City Council

31-33 Wiri Station Road

Private Bag 76917

Manukau 2241

Attention: Manager Financial Strategy and Treasury

Telephone: 09 262 8900

OR

The Trustee

Trustees Executors Limited

Level 12, 45 Queen Street

PO Box 4197, Shortland Street

Auckland 1140

Attention: Business Manager, Corporate Trust

Telephone: 09 308 7100

Is there anyone to whom I can complain if I have problems with the investment?

Any complaints about the Bonds can be made to:

The Registrar

Link Market Services Limited

Level 16, Brookfields House

19 Victoria Street West

Auckland

PO Box 91976

Auckland 1142

Email: Lmsenquiries@linkmarketservices.com

Telephone: 09 375 5998

OR

The Issuer

Manukau City Council

31-33 Wiri Station Road

Private Bag 76917

Manukau 2241

Attention: Manager Financial Strategy and Treasury

Telephone: 09 262 8900

OR

The Trustee

Trustees Executors Limited

Level 12, 45 Queen Street

PO Box 4197, Shortland Street

Auckland 1140

Attention: Business Manager, Corporate Trust

Telephone: 09 308 7100

There is no ombudsman to whom complaints can be made about the Bonds.

What other information can I obtain about this investment?

General Issuer documents

There are a number of documents that provide further information about the activities and finances of Manukau City Council. Of these, the principal documents are:

- The most recent audited financial statements and consolidated financial statements of Manukau City Council, which have a balance date of 30 June 2009. These financial statements are deemed to be incorporated by reference in this Investment Statement.
- The most recent unaudited interim financial statements and consolidated financial statements, which have a balance date of 31 December 2009. These financial statements are deemed to be incorporated by reference in this Investment Statement.

These documents can all be downloaded free of charge from Manukau City Council's website, which is www.manukau.govt.nz, or are available, and will be sent to any Bondholder or prospective investor, free of charge upon request from Manukau City Council.

These documents are also available for inspection free of charge at Manukau City Council's office at 31-33 Wiri Station Road, Manukau.

Copies of the Local Government Act 2002 (under which the Issuer is constituted), the Local Government (Rating) Act 2002, the Local Government (Tamaki Makaurau Reorganisation) Act 2009, the Local Government (Auckland Council) Act 2009 and the Local Government (Auckland Transitional Provisions) Act 2010 can be viewed free of charge at: www.legislation.govt.nz.

Annual Report/Annual Plan under Auckland Regional Governance Reorganisation

To effect the transition of Manukau City Council to Auckland Council and to allow for continuity of financial reporting and a closing balance date of 31 October 2010 the Local Government (Tamaki Makaurau Reorganisation) Act 2009 has changed the annual planning and financial reporting requirements of Manukau City Council. These changes are described on the next page.



Annual Report

The Local Government (Tamaki Makaurau Reorganisation) Act 2009 (as amended by the Local Government (Auckland Council) Act 2009) does not require Manukau City Council to prepare an annual report for the 2009/2010 financial year. In its place the Local Government (Tamaki Makaurau Reorganisation) Act 2009 requires Manukau City Council to prepare financial statements for the 16 month period from 1 July 2009 to 31 October 2010, and these are to be adopted by Auckland Council.

Auckland Council will prepare its first set of financial accounts for the 8 month period from 1 November 2010 to 30 June 2011. After 30 June 2011, Auckland Council will prepare financial statements for 12 month periods.

Annual Plan

In place of the annual plan for the financial year commencing 1 July 2010 Manukau City Council is only required by the Local Government (Tamaki Makaurau Reorganisation) Act 2009 (as amended

by the Local Government (Auckland Council) Act 2009) to prepare a planning document for the period from 1 July 2010 to 31 October 2010 (being the period from the commencement of the financial year until the date on which each Existing Council is dissolved and Auckland Council is established).

The Auckland Transition Agency is required to prepare a planning document for Auckland Council for the 20-month period commencing on 1 November 2010 and ending 30 June 2012. It is also required to prepare a long-term council community plan for the period 1 November 2010 to 30 June 2019.

Debenture Trust Deed

The Debenture Trust Deed contains information about the rights of Bondholders, the security created over the Charged Assets and the manner in which that security becomes enforceable. It is available for inspection at Manukau City Council's office at 31-33 Wiri Station Road, Manukau. A copy is also filed with the Registrar of Companies and can be viewed on the Companies Office website: www.business.govt.nz/companies.

Glossary

Accounts Receivable	Accounts receivable, as defined in the Personal Property Securities Act 1999.
Application Form	The application form attached to this Investment Statement.
Arrangers	ANZ National Bank Limited and Craigs Investment Partners Limited.
Auckland Council	A new unitary authority to be established under the Local Government (Tamaki Makaurau Reorganisation) Act on 1 November 2010, as more fully described on page 9.
Auckland Transition Agency	The entity of that name established under the Local Government (Tamaki Makaurau Reorganisation) Act 2009.
Bonds	The debt securities which are described in this Investment Statement.
Bondholder	The holder of a Bond, as recorded in the Register.
Bookbuild Process	The process conducted by the Arrangers before the Opening Date whereby institutional investors, Primary Market Participants and other financial intermediaries will be invited to apply for an allocation of Bonds. On the basis of those applications, the Issuer, in consultation with the Arrangers will determine the Minimum Interest Rate, Issue Margin and the firm allocations to institutional investors, Primary Market Participants and other financial intermediaries.
Business Day	A day (other than a Saturday or a Sunday) on which registered banks (within the meaning of the Reserve Bank of New Zealand Act 1989) are open in Auckland and Wellington for the transaction of general banking business.
Charged Assets	<p>All rates from time to time set or assessed by Manukau City Council (or, after 1 November 2010, Auckland Council), each rate arising under section 115 of the Local Government Act 2002, and all rates revenue in respect thereof. The charge extends to certain proceeds of these assets arising directly from the collection of rates or rates revenue, which constitute Accounts Receivable, Negotiable Instruments or Money.</p> <p>(No other assets of Manukau City Council (or Auckland Council) form part of the Charged Assets under the Debenture Trust Deed, or are able to be resorted to by a receiver appointed under the Debenture Trust Deed).</p>
Co-Manager	Forsyth Barr Limited.
Debenture Trust Deed	The Debenture Trust Deed between Manukau City Council and the Trustee dated 15 October 1999 (as amended from time to time, including by a deed of modification dated 27 February 2004).
Enforcement Event	Has the meaning given to that term in the Debenture Trust Deed, as summarised on page 24.
Existing Councils	Manukau City Council, Auckland City Council, North Shore City Council, Franklin District Council, Papakura District Council, Rodney District Council, Waitakere City Council and Auckland Regional Council but excludes the assets, liabilities, rights, obligations, and other matters of Franklin District Council transferred to Hauraki District Council or Waikato District Council under the boundary adjustment order made under section 35 of the Local Government (Auckland Council) Act 2009 that gives effect to the Local Government Commission's determination of the boundaries of Auckland in accordance with section 33 of that Act.

Glossary

Extraordinary Resolution	<p>Has the meaning given to that term in the Debenture Trust Deed, which may be summarised as a resolution passed:</p> <p>(a) at a meeting of Securityholders, properly convened and held, at which at least 75% of those Securityholders voting at the meeting, vote in favour of the resolution; or</p> <p>(b) in writing signed by 75% of the Securityholders entitled to vote on that resolution, having, in aggregate, 75% of the nominal value of the Stock issued under the Debenture Trust Deed.</p> <p>The term Stock is defined in the Debenture Trust Deed and includes debenture stock (including the Bonds) and “security stock” (which is issued in a nominal amount and secures obligations other than debenture stock).</p>
Interest Payment Date	29 March and 29 September in each year until the Bonds are redeemed, provided that the first Interest Payment Date shall be 29 March 2011.
Interest Rate	The rate of interest per annum payable on the Principal Amount of each Bond as set by the Issuer in consultation with the Arrangers and announced on the Rate Set Date.
Investment Statement	This Investment Statement for the Offer of Bonds dated 24 August 2010.
Issue Amount	Up to \$250,000,000 with the right to accept up to a further \$100,000,000 oversubscriptions at Manukau City Council’s discretion.
Issue Date	In respect of a Bond, the date recorded in the Register as the Issue Date (expected to be 29 September 2010).
Issue Margin	The Issue Margin will be expressed as a percentage per annum, and will be determined by the Issuer in consultation with the Arrangers following the Bookbuild Process on the Minimum Rate Set Date.
Issue Price	\$1.00 per Bond, being the Principal Amount of each Bond.
Joint Lead Managers	ANZ National Bank Limited, Craigs Investment Partners Limited, First NZ Capital Securities Limited and Goldman Sachs & Partners New Zealand Limited.
Majority of Securityholders	<p>Has the meaning given to that term in the Debenture Trust Deed, which may be summarised as Major Stockholders (being Securityholders that hold more than \$5,000,000 in nominal amount of “Stock” under the Debenture Trust Deed) holding in aggregate 75% or more in nominal amount of Stock held by all Major Stockholders, provided that if the Stock held by such Securityholders does not comprise in aggregate 50% or more in nominal amount of Stock, such other holders of Stock the aggregate nominal amount of whose Stock together with the aggregate nominal amount of Stock held by the Securityholders referred to above comprises 50% or more in nominal amount of Stock.</p> <p>The term Stock is defined in the Debenture Trust Deed and includes debenture stock (including the Bonds) and “security stock” (which is issued in a nominal amount and secures obligations other than debenture stock).</p>
Manukau City Council or council or Issuer	Manukau City Council, a territorial authority listed in Schedule 2 to the Local Government Act 2002.
Maturity Date	29 September 2017.

Glossary

Minimum Interest Rate	The minimum Interest Rate applicable, expressed as a percentage per annum, determined by the Issuer in consultation with the Arrangers following the Bookbuild Process on the Minimum Rate Set Date.
Minimum Rate Set Date	The date on which the Issue Margin and the Minimum Interest Rate will be set (expected to be 31 August 2010).
Minister	Minister of Local Government.
Money	Money, as defined in the Personal Property Securities Act 1999.
Negotiable Instruments	Negotiable instruments, as defined in the Personal Property Securities Act 1999.
NZClear System	The securities clearing and settlement facility maintained and operated by the Reserve Bank of New Zealand and known as the NZClear System.
NZDX	The New Zealand debt market operated by NZX.
NZX	NZX Limited.
Offer	The offer of Bonds made in this Investment Statement.
Official Cash Rate	On any day/date, the interest rate set by the Reserve Bank of New Zealand and displayed on its website at www.rbnz.govt.nz as the "OCR rate".
Primary Market Participant	Any company, firm, organisation or corporation designated as such from time to time by NZX pursuant to rule 3.18 of the NZX Participant Rules.
Principal Amount	\$1.00 per Bond.
Rate Set Date	The date on which the Interest Rate on the Bonds will be set (expected to be 27 September 2010).
Register	The register of Bonds maintained by the Registrar.
Registrar	Link Market Services Limited (Computershare Investor Services Limited has been appointed to be the Registrar and Paying Agent to the Auckland Council from 1 November 2010).
Securityholders	Those persons who have the benefit of the security under the Debenture Trust Deed extended to them.
Swap Rate	The semi-annual mid market swap rate for an interest rate swap of a term matching the Issue Date to the Maturity Date as calculated by the Arrangers according to market convention, with reference to the Reuters page "ICAPAUKIWISWAP" at or about 11am on the Rate Set Date.
Transitional Act	Local Government (Auckland Transitional Provisions) Act 2010.
Trustee	Trustees Executors Limited.

Application Instructions

Applications to subscribe for Bonds must be made on the Application Form contained in this Investment Statement.

A = Application Details

Insert your full name(s), address and telephone numbers. Applications must be in the name(s) of natural persons, companies or other legal entities, up to a maximum of three names per application. Use the table below to see how to write your name correctly.

Type of investor:	Correct way to write name:	Incorrect way to write name:
Individual person	JOHN SMITH	J SMITH
More than one person	JOHN SMITH MICHELLE SMITH	J & M SMITH
Company	ABC LIMITED	ABC
Trusts	JOHN SMITH (JOHN SMITH FAMILY TRUST A/C)	SMITH FAMILY TRUST
Partnerships	JOHN SMITH MICHAEL SMITH (JOHN SMITH AND SONS A/C)	JOHN SMITH & SONS
Clubs and unincorporated associations	JANE SMITH (SMITH INVESTMENT CLUB A/C)	SMITH INVESTMENT CLUB
Superannuation funds	JOHN SMITH LIMITED (SUPERANNUATION FUND A/C)	JOHN SMITH SUPERANNUATION FUND

B = Application Payment Details

Payment must be made in New Zealand dollars for immediate value by cheque drawn on a New Zealand bank account (or, if the application is for Bonds of an aggregate subscription amount of \$500,000 or more, by bank cheque), direct debit, through the NZClear system (institutional investors only) or by prior arrangement. Complete the amount of Bonds applied for. Note the minimum amount and minimum integral multiples that are stated in the Application Form. Advise payment method and bank account details for future dividends.

OPTION 1:

If you choose the direct debit option you must tick the box authorising the Registrar to direct debit the bank account nominated on the Application Form, on the day the Application Form is received by the Registrar, for the amount applied for on the Application Form. You cannot specify a direct debit date and you must ensure that:

- the bank account details supplied are correct;
- the application funds in the bank account for direct debit are available on the day the Registrar receives the Application Form;
- the person(s) giving the direct debit instruction has/have the authority to operate the account solely/jointly;
- the bank account you nominate is a transactional account eligible for direct debit transactions. If you are uncertain you should contact your bank;
- should your direct debit fail, your application will be rejected; and
- if requested, a direct debit authority form will be provided to you by the Registrar. Refer to the contact details in section G of the Application Form.

OPTION 2:

Cheques must be drawn on a New Zealand registered bank and must be made in New Zealand dollars. Cheques must be made payable to "Manukau City Council Bond Offer", crossed "Not Transferable" **and must not be post-dated as cheques will be banked on day of receipt.** If an applicant's cheque is dishonoured, the Issuer may cancel that applicant's allotment of Bonds and pursue any other remedies available to it at law.

OPTION 3:

Investors who are members of NZClear may, by prior arrangement with the Registrar, settle their applications for the Bonds on the Issue Date through the NZClear system.

C = Holder number details

If you have other investments registered under a Common Shareholder Number ("CSN") you must supply your CSN in the space provided. The name and address details on your application form must correspond with the registration details under that CSN.

D = Provide your IRD number and tick the relevant RWT box

Resident withholding tax ("RWT") will be deducted from any interest paid to you on subscription money (unless you provide a valid RWT exemption certificate or you are a non resident Bondholder). Tick the RWT box that applies to you. If you are exempt from RWT, please tick the exempt box and attach a photocopy of your RWT exemption certificate. The 30% rate is only applicable to corporate resident Bondholders and should not be selected by an individual.

E = Electronic investor correspondence

By supplying your email address the Issuer will be able to deliver your investor correspondence to you electronically where possible. This is a much more environmentally friendly, cost effective and timely option than paper based investor mail outs.

F = Signing and Dating

Read the Investment Statement and Application Form carefully and sign and date the Application Form. The Application Form must be signed by the applicant(s) personally, or by two directors of a company (or one director if there is only one director, whose signature must be witnessed), or in either case by a duly authorised attorney or agent. If the Application Form is signed by an attorney, the power of attorney document is not required to be lodged, but the attorney must complete the certificate of non-revocation of power of attorney on the reverse of the Application Form. If the Application Form is signed by an agent, the agent must complete the certificate of agent on the reverse of the Application Form.

Joint applicants must each sign the Application Form.

G = Closing Date and Delivery

This Offer will close at 3pm on 24 September 2010 (being the Closing Date). Applicants should remember that the Closing Date may be changed at the sole discretion of the Issuer. The Issuer reserves the right to refuse to accept applications received by the Registrar after the Closing Date. Your Application Form should be delivered in accordance with the instructions contained in the Application Form.

IMPORTANT CONDITIONS

The applicant is irrevocably bound by the terms and conditions set out in the Debenture Trust Deed dated 15 October 1999 (as amended) ("Debenture Trust Deed"), the Investment Statement and this Application Form. A joint application must be signed by both or all applicants and, unless otherwise advised, such joint Bondholders will be treated as joint tenants with right of survivorship. Only the address of the first named of the joint Bondholders will be recorded on the register for the Bonds and all interest payments, notices, etc will be sent to that address. An application by a company must be signed by two directors or by an attorney or a duly authorised signatory. An application by a trust must be signed on behalf of the trust by one or more duly authorised signatories of the trust and you must give the names of the trustee(s) for registration purposes. No notice of any trust in respect of any Bonds will be entered in the register of the Bonds or be otherwise recognised, and Manukau City Council will regard the trustees as the legal owners of the Bonds. Applications signed by an attorney or duly authorised signatories must be accompanied by relevant evidence of authority, including, in the case of signature under a power of attorney, the completion of the certificate of non-revocation of power of attorney included in the Application Form, and, in the case of signature by an agent, the completion of the certificate of non-revocation of agency included in the Application Form.

Terms defined in the Investment Statement have the same meaning in the Application Form and these Application Instructions.

Right to reject offer

Manukau City Council has the right to accept or reject all or part of this offer or withdraw the invitation to apply for Bonds without giving any reason. No interest will be paid on money refunded to applicants. If this Application Form is not completed correctly or if the accompanying payment is for the wrong amount, it may still be treated as valid. Manukau City Council's decision as to whether to treat an application as valid, and how to construe, amend or complete it, shall be final. You will not, however, be treated as having applied to purchase more Bonds than the number indicated on this Application Form, or more Bonds than those for which payment has been made.

Indemnity

By applying for Bonds, each applicant indemnifies Manukau City Council, the Arrangers, the Joint Lead Managers, the Co-Manager, the Trustee and their respective officers and employees in respect of any loss, cost, liability or expense sustained or incurred by any of them by reason of any breach of the selling restrictions relating to the Bonds.

Agreement of conditions

By signing the Application Form I/we agree:

- 1 I / we have received, read and understood the Investment Statement and make this offer to subscribe for Bonds in New Zealand.
- 2 I / we agree to be bound by the terms and conditions set out in the Debenture Trust Deed, the Investment Statement and the Application Form.
- 3 I / we agree to accept the Bonds applied for or such lesser amount as may be allocated by Manukau City Council.
- 4 I / we agree the Application Form was distributed with the Investment Statement.
- 5 I / we acknowledge that I / we am / are not in a jurisdiction which prohibits the making of this offer to subscribe for Bonds and that I / we am / are not acting for a person in such a jurisdiction.
- 6 All of the information that I / we have given on the Application Form is true and correct.
- 7 I / we understand that, by completing this Application Form, I / we will be providing personal information ("the information") about me / us, which will be held securely by Manukau City Council and/or the Registrar. I / we have the right to access and correct the information subject to the provisions of the Privacy Act 1993.
- 8 In the case of joint Bondholders, the joint Bondholders agree that, only the address of the first named joint Bondholder will be recorded by the Registrar and all interest payments, notices etc will be sent to the address of the first Bondholder.

Personal Information Rights

Personal information provided by you will be held by the Issuer and the Registrar at their respective addresses shown in the Directory on the back cover of this Investment Statement or at such other place as is notified upon request. This information will be used for the purpose of managing your investment. You have a right to access and correct any personal information about you under the Privacy Act 1993.

Attach NZ\$
cheque here

Broker's Stamp

Adviser's Code

Manukau City Council Secured Fixed Rate Bonds

Application Form

Before completing this Application Form, applicants should read the Investment Statement to which this application relates.

A. Application details - please print in BLOCK LETTERS

First Name(s):

Family Name:

First Name(s):

Family Name:

First Name(s):

Family Name:

Corporate Name or <<On Account>>:

Postal Address:

Daytime Ph. No.

Mobile No.

B. Application & Payment - Important

Applications must be accompanied by payment in full. Payment must be by either direct debit by selecting option 1 and completing the bank account section below, or a cheque payable to "Manukau City Council Bond Offer" and crossed "Not Transferable". Payment must be in New Zealand currency based on \$1.00 per Bond and may be sent or delivered to the Registrar, Link Market Services Limited, the Joint Lead Managers, the Co-Manager (addresses set out in the directory at the back of the Investment Statement) or any Primary Market Participant. Applications must be sent or delivered in time to enable the application to be forwarded to the Registrar for receipt by 3pm on the Closing Date (being 24 September 2010). Payments will only be recorded as being received on a day if it is a Business Day and they are received before 3pm. Otherwise they will be deemed to be received on the next Business Day. Applications must be for a minimum of **\$5,000** of Bonds with the same Maturity Date and, thereafter, in multiples of **\$1,000**.

Amount of Bonds applied for:

\$

I attach a cheque in the amount of

\$

being payment for the Bonds applied for.

Please choose **ONLY ONE** payment option to pay for your Bonds. Please tick the box next to your selected payment option:

Option 1

Please direct debit my bank account stated below for the amount of Bonds applied for above (or any lesser amount as determined by the Issuer). By ticking this box and signing this application form, I agree that Link Market Services Limited is authorised to direct debit my account for the full amount of Bonds applied for (or any lesser amount as determined by the Issuer). **All future interest payments will also be credited to this account unless Link Market Services Limited is advised otherwise in writing.**

Option 2

Please find attached my payment by cheque. I have supplied my bank account details below for the purpose of direct crediting any future interest payments.

Option 3

Payment will be made via NZClear as arranged with Link Market Services Limited (authorised institutional investors only).

New Zealand dollar bank account details for direct debit of Bond payment and/or for the direct credit of all future interest payments

Name of Bank:

Name of Account:

Bank/Branch

Account No

Suffix

THE OPTION BELOW IS NOT APPLICABLE IF YOU HAVE SELECTED TO PAY BY DIRECT DEBIT:

If you have paid by cheque you may choose to have your future interest direct credited to your Cash Management Account:

Name of financial intermediary where Cash Management Account is held:

Cash Management Client Account number:

C. Holder number

Please note that the application must be in the same name as the CSN below otherwise the application will be deemed made without a CSN and a base registry number will be allocated.

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

For NZClear members only:

Please insert your NZClear Mnemonic here

D. IRD number & Tax rate

Only one IRD number is required in respect of joint applications

 - -

RWT tax rate (select only one by ticking ✓ the appropriate box):

12.5% 21% 30%¹
 33% 38% Exempt²

¹ The 30% rate can only be elected by a corporate resident bondholder (see page 20 of the Investment Statement for further information).

² If you hold an RWT exemption certificate from IRD, please tick ✓ the box "exempt" above and attach a copy of your exemption certificate for noting.

E. Electronic correspondence & reporting:

Bondholder communications can be delivered to you electronically. Please provide your email address below if you wish to receive your communications by email. If you do not provide an email address, Bondholder correspondence will be mailed to you at the postal address provided in section A.

F. Signature(s) of applicant(s):

I/we hereby acknowledge that I/we have received and read the Investment Statement, and apply for the dollar amount of Bonds shown above and agree to accept such Bonds (or such lesser number as may be allotted to me/us) on and subject to the terms and conditions set out in the Investment Statement. All applicants on the Application Form must sign. If you are signing under Power of Attorney or as Agent please complete section H below.

Signature(s)

Signature(s)

Signature(s)

Date - - 2010

G. Send application form and cheque to our registry (Link Market Services) at:

By mail:
Manukau City Council Bond Offer, C/- Link Market Services Limited, PO Box 91976, Auckland 1142

or deliver to:
Link Market Services Limited, Level 16, Brookfields House, 19 Victoria Street West, Auckland

Applications for Bonds may also be lodged with any Joint Lead Manager, the Co-Manager or any Primary Market Participant. Applications must be sent or delivered in time to enable the application to be forwarded to the Registrar for receipt by 3pm on the Closing Date (being 24 September 2010).

H. Certificate of non-revocation of power of attorney/agent:

(Complete this section if you are acting on behalf of someone for whom you have Power of Attorney, or for whom you act as agent)

Please select representative:

Power of Attorney Agent

I

(Name of Attorney/Agent)

of

(Address and Occupation of Attorney/ Agent)

HEREBY CERTIFY:

1. THAT as Attorney/Agent of

under a deed/agreement dated the

day of the ('Donor') appointed

me his/her/its Attorney on the terms and conditions set out in the Power of Attorney.

2. THAT I have executed the application for Bonds on the face hereof as attorney/ agent under the said Power of Attorney/ deed/ agreement and pursuant to the powers conferred on me

3. THAT at the date hereof, I have not received notice of revocation of that appointment by death or liquidation of the Donor or otherwise.

Signed at

this day of 2010

Signature of Attorney/Agent

Attach NZ\$
cheque here

Broker's Stamp

Adviser's Code

Manukau City Council Secured Fixed Rate Bonds

Application Form

Before completing this Application Form, applicants should read the Investment Statement to which this application relates.

A. Application details - please print in BLOCK LETTERS

First Name(s):

Family Name:

First Name(s):

Family Name:

First Name(s):

Family Name:

Corporate Name or <<On Account>>:

Postal Address:

Daytime Ph. No.

Mobile No.

B. Application & Payment - Important

Applications must be accompanied by payment in full. Payment must be by either direct debit by selecting option 1 and completing the bank account section below, or a cheque payable to "Manukau City Council Bond Offer" and crossed "Not Transferable". Payment must be in New Zealand currency based on \$1.00 per Bond and may be sent or delivered to the Registrar, Link Market Services Limited, the Joint Lead Managers, the Co-Manager (addresses set out in the directory at the back of the Investment Statement) or any Primary Market Participant. Applications must be sent or delivered in time to enable the application to be forwarded to the Registrar for receipt by 3pm on the Closing Date (being 24 September 2010). Payments will only be recorded as being received on a day if it is a Business Day and they are received before 3pm. Otherwise they will be deemed to be received on the next Business Day. Applications must be for a minimum of **\$5,000** of Bonds with the same Maturity Date and, thereafter, in multiples of **\$1,000**.

Amount of Bonds applied for:

\$

I attach a cheque in the amount of

\$

being payment for the Bonds applied for.

Please choose **ONLY ONE** payment option to pay for your Bonds. Please tick the box next to your selected payment option:

Option 1

Please direct debit my bank account stated below for the amount of Bonds applied for above (or any lesser amount as determined by the Issuer). By ticking this box and signing this application form, I agree that Link Market Services Limited is authorised to direct debit my account for the full amount of Bonds applied for (or any lesser amount as determined by the Issuer). **All future interest payments will also be credited to this account unless Link Market Services Limited is advised otherwise in writing.**

Option 2

Please find attached my payment by cheque. I have supplied my bank account details below for the purpose of direct crediting any future interest payments.

Option 3

Payment will be made via NZClear as arranged with Link Market Services Limited (authorised institutional investors only).

New Zealand dollar bank account details for direct debit of Bond payment and/or for the direct credit of all future interest payments

Name of Bank:

Name of Account:

Bank/Branch

Account No

Suffix

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If you have paid by cheque you may choose to have your future interest direct credited to your Cash Management Account:

Name of financial intermediary where Cash Management Account is held:

Cash Management Client Account number:

C. Holder number

Please note that the application must be in the same name as the CSN below otherwise the application will be deemed made without a CSN and a base registry number will be allocated.

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I/we hereby acknowledge that I/we have received and read the Investment Statement, and apply for the dollar amount of Bonds shown above and agree to accept such Bonds (or such lesser number as may be allotted to me/us) on and subject to the terms and conditions set out in the Investment Statement. All applicants on the Application Form must sign. If you are signing under Power of Attorney or as Agent please complete section H below.

Signature(s)

Signature(s)

Signature(s)

Date - - 2010

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(Complete this section if you are acting on behalf of someone for whom you have Power of Attorney, or for whom you act as agent)

Please select representative:

Power of Attorney Agent

I

(Name of Attorney/Agent)

of

(Address and Occupation of Attorney/ Agent)

HEREBY CERTIFY:

1. THAT as Attorney/Agent of

under a deed/agreement dated the

day of

the ('Donor') appointed

me his/her/its Attorney on the terms and conditions set out in the Power of Attorney.

2. THAT I have executed the application for Bonds on the face hereof as attorney/ agent under the said Power of Attorney/ deed/ agreement and pursuant to the powers conferred on me

3. THAT at the date hereof, I have not received notice of revocation of that appointment by death or liquidation of the Donor or otherwise.

Signed at

this day of 2010

Signature of Attorney/Agent



[DIRECTORY]

ISSUER

Manukau City Council
31-33 Wiri Station Road
Private Bag 76917
MANUKAU 2241

Attention: Manager Financial
Strategy and Treasury
Telephone: 09 262 8900

ISSUERS' SOLICITORS

Simpson Grierson
HSBC Tower
195 Lambton Quay
WELLINGTON

Telephone: 04 499 4599
www.simpsongrierson.com

ARRANGER, BOOKRUNNER AND JOINT LEAD MANAGER

ANZ National Bank Limited
Level 7
1 Victoria Street
PO Box 540
Wellington 6011
Telephone: 0800 269 476

ARRANGER, BOOKRUNNER AND JOINT LEAD MANAGER

Craig's Investment
Partners Limited
158 Cameron Road
PO Box 13155
Tauranga Central
Tauranga 3141
Telephone: 0508 226 226

JOINT LEAD MANAGER

First NZ Capital
Securities Limited
Level 10, Fujitsu Tower
282-292 Lambton Quay
PO Box 3394
Wellington 6140
Telephone: 0800 005 678

JOINT LEAD MANAGER

Goldman Sachs & Partners
New Zealand Limited
Level 38, Vero Centre
48 Shortland Street
PO Box 887
Auckland 1010
Telephone: 0800 555 555

CO-MANAGER

Forsyth Barr Limited
Level 9, Forsyth Barr House,
The Octagon
Private Bag 1999
Dunedin 9054
Telephone: 0800 367 227

REGISTRAR

Link Market Services Limited
Level 16, Brookfields House
19 Victoria Street West
Auckland
PO Box 91976
Auckland 1142
Email: lmsequities@linkmarketservices.com
Telephone: 09 375 5998

TRUSTEE

Trustees Executors Limited
Level 12, 45 Queen Street
PO Box 4197, Shortland Street
AUCKLAND 1140
Telephone: 09 308 7100
www.trustees.co.nz

TRUSTEES' SOLICITORS

Minter Ellison Rudd Watts
88 Shortland Street
PO Box 3798
AUCKLAND 1140
Telephone: 09 353 9700
www.minterellison.co.nz