RUAPEHU ALPINE LIFTS Ltd (Administrators Appointed)

Report by Joint and Several Administrators pursuant to Section 239AU of the Companies Act 1993

June 2023

Table of Contents

Important Notice

Watershed Meeting	The purpose of the Watershed Meeting is to decide the future of Ruapehu Alpine Lifts Limited (Administrators Appointed) (**RAL** or the **Company**). Prior to the Watershed Meeting, as the Voluntary Administrators, we are required to investigate the affairs of the Company and prepare a report on the Company's business, property, affairs and financial circumstances and provide opinions on certain matters. That is the purpose of this report. The Watershed Meeting of creditors of RAL (**Watershed Meeting**) will be held at: ● Ōrākei Bay - 231 Ōrākei Bay Road, Remuera, Auckland ● Powderhorn Chateau - 194 Mangawhero Terrace (bottom of Mountain Road), Ohakune ● Wharewaka Function Centre - Taranaki Wharf, 2 Taranaki Street, Wellington on **Tuesday 20 June 2023** commencing at **11.00am**. Registration for all attendees will open at 10:15am. Please note that the meeting will be restricted to creditors and employees of the Company. The meeting will be closed to media.
Statutory requirements	All information contained in this report is provided in accordance with Section 239AU of the Companies Act 1993 (the Act).
Basis of reporting	The statements and opinions expressed herein have been made in good faith, and on the basis that all information relied upon is true and accurate in all material respects, and not misleading by reason of omission or otherwise.
Information available	We have not independently verified the accuracy of information provided to us, and have not conducted any form of audit in respect of the Company. Accordingly, we express no opinion on the reliability, accuracy, or completeness of the information provided to us and upon which we have relied. Whilst all care and attention has been taken in compiling this report, we do not accept any liability whatsoever arising from this report. The statements and opinions expressed in this report are based on information available as at the date of the report. We reserve the right, but will be under no obligation, to review or amend our report, if any additional information, which was in existence on the date of this report was not brought to our attention, or subsequently comes to light.
Other	Certain numbers in tables throughout this report have been rounded and therefore may not add exactly. Unless otherwise stated all amounts are expressed in New Zealand dollars.

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To all creditors of Ruapehu Alpine Lifts Limited (Administrators Appointed)

13 June 2023

Ruapehu Alpine Lifts Limited (Administrators Appointed) ("the Company") - Watershed Meeting

John Fisk and Richard Nacey ("the Administrators") were appointed Voluntary Administrators of Ruapehu Alpine Lifts on 11 October 2022 following a resolution of the Directors of the Company. The Administrators have been working with key stakeholders to find a way forward for the ski fields and operations on Mount Ruapehu that results in the best outcome for creditors, and also allows continued skiing and riding on both sides of the Maunga in winter 2023 and beyond.

The Administrators have provided notice that the Watershed Meeting of Creditors will be held on 20 June 2023 at 11:00am concurrently at Auckland, Ohakune, and Wellington. This report is provided to all creditors of the Company in accordance with section 239AU(3)(a) and (b) of the Companies Act 1993.

This report provides information about:

- the company's business, property, affairs, and financial circumstances; and
- any other matter material to the creditors' decisions to be considered at the meeting.

In addition, the reports sets out the Administrators' opinion, with reasons for that opinion, about each of the following matters:

- whether it would be in the creditors' interests for the company to execute a deed of company arrangement;
- whether it would be in the creditors' interests for the administration to end; and
- whether it would be in the creditors' interests for the company to be placed in liquidation.

The Administrators also provide a statement setting out the details of the proposed deed of Company arrangement.

This report should be read in conjunction with the Important Notice on page 3 and Restrictions on page 30.

Yours sincerely

John Fisk
Partner

Richard Nacey
Partner

Key Messages and Administrators' Opinion

John Fisk and Richard Nacey were appointed Voluntary Administrators of Ruapehu Alpine Lifts on 11 October 2022. The Administrators have been working with key stakeholders to find a way forward for the ski fields and operations on Mount Ruapehu that results in the best outcome for creditors, and also allows continued skiing and riding on both sides of the Maunga in winter 2023 and beyond.
The Administrators have three options to present to creditors:

1. Execute the Deed of Company Arrangement ("DOCA") proposed by the Ruapehu Skifield Stakeholders Association ("RSSA"). This DOCA proposes to retain the current company structure; and relies on life pass holders purchasing new life passes retain their right to ski, and crowd funding to generate capital. The Administrators are of the view the DOCA has a number of practical and financial obstacles. **We understand that the Crown is likely to vote against the proposed DOCA, and that ANZ will vote with the Crown. If this occurs, the resolution is not expected to pass.**

2. Execute a "pre-packaged liquidation". The terms of this option have been developed by the Crown and involves the sale of the Whakapapa and Turoa ski fields to two new entities, Whakapapa Holdings Limited ("WHL") and Pure Tūroa Limited ("PTL").

   Immediately on execution of this option, both WHL and PTL will be capitalised by their shareholders (including the Crown as a 25% shareholder in each purchaser) and with Crown loans for working capital requirements. All pre-VA trade creditors will be paid within 10 days, employees will be offered immediate employment and there will be minimal disruption to opening for winter 2023.

3. If resolutions to execute either the Deed of Company Arrangement or to execute the "pre packaged liquidation" do not pass, the Administration will end and control of the Company will be returned to the Directors. The Administrators consider this to be the worst case outcome as the Company is hopelessly insolvent. An application to have the Company placed into liquidation has been filed in the High Court, to take effect in the event neither resolution (to execute a DOCA or to go into liquidation) is passed. It may be possible for the liquidator to then complete a transaction with PTL and WHL, but if not there is potential for closure of operations at Tūroa and Whakapapa.

The Administrators are required to provide an opinion as to whether they consider it would be in the creditors' interests to vote to implement each of the three options presented.

The Administrators are of the view that the best outcome for creditors from the watershed meeting is for the Company to be placed into liquidation. Immediately on the appointment of liquidators, agreements for the sale and purchase of the assets of the Company will be signed with Whakapapa Holdings Limited and Pure Turoa Limited.

If creditors wish to adopt the recommendation of the Administrators, which is to execute a "pre-packaged" liquidation, then creditors should vote as follows:

Resolution A: To execute a deed of company arrangement	**Vote - "Against"**
Resolution B: That the Company be placed into liquidation	**Vote - "For"**

When voting, if creditors are of the view that they would support either resolution being approved, then they are able to vote "For" for both Resolutions (creditors are not restricted to only supporting one resolution).

It is important to note that in the event neither Resolution A or B gains the requisite majority to pass (which is 50% by total number of votes, and 75% by total claim value), the Administration will end, the Company will be returned to the Directors, and the court application which has been filed to have the Company placed in liquidation will be heard.

The Watershed meeting report provides additional detail regarding the Company's business, property, affairs and financial circumstances, the work the Administrators have carried out to date, and an evaluation of the Deed of Company Arrangement proposed by the RSSA and the "Pre-Packaged" Liquidation proposal driven by the Crown. We also discuss the implications of the Company being returned to the Directors.

1 Summary of the Company's business, affairs, financial circumstances and property

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NEW ZEALAND'S PEAK ADVENTURE

1. The Company's Business and Affairs

Background and History

- The Company was incorporated in 1953 as a limited-purpose public benefit entity, with a capital structure designed to ensure RAL operated in the best interests of recreational users of the mountain. As a not-for-profit entity, any historical annual surpluses have been reinvested into RAL.
- RAL operates the Whakapapa and Tūroa Ski Areas on Mt Ruapehu. RAL owns the assets of the two ski areas and has concession agreements from the Department of Conservation (DoC) to operate, and relationship agreements from local Iwi that cover values, principles, and the approach to protecting Mt Ruapehu.
- The Whakapapa and Tūroa Ski Areas are the two largest commercial ski areas in New Zealand and are nationally and internationally recognised tourism assets. The introduction of the Sky Waka gondola at Whakapapa in recent years has made the area a key attraction throughout the winter and summer seasons. The recreational activities and services provided by RAL at the Ski Areas make a significant economic contribution to their surrounding communities and the region:
  - RAL is one of the largest employers in the region, employing up to 700 staff in peak winter season, and 150 staff over summer months.
  - It is estimated that 880 additional jobs are created throughout the region as a result of RAL's operations.[1]
  - In excess of $100m is spent in the region every winter from the c.400,000 winter visitors with summer spending increasing, representing an ongoing opportunity.[2]
  - For every $1 spent on the mountain approximately $5 is spent off the mountain.

[1] *Mt Ruapehu Whakapapa Gondola Feasibility Study*
[2] *Monthly Regional Tourism Spend Estimates provided by MBIE and RAL visitor records*

- Skiing in the Tongariro National Park commenced in 1913 with the formation of the Ruapehu Ski Club. Since then, the Whakapapa Ski Area, on the northern slopes of Mt Ruapehu, has grown to be the largest ski area in Aotearoa New Zealand. Whakapapa covers 550 hectares, has a base elevation of 1,630m, 675m vertical drop, and 12 lifts.
- In 2000, RAL acquired the Tūroa Alpine Resort from its receivers. This provided an additional 500 hectares with a base elevation of 1,600m, 722m vertical drop, and 8 lifts. Prior to the 2000 receivership Tūroa was owned by an overseas based private individual.
- RAL currently has 2,391 shareholders. One of the shareholders is The Ruapehu Alpine Lifts Trust, which owns c.55% of the shares.
- RAL's capital structure was put in place to prevent equity capital from being raised, and to prevent the business being sold to commercial interests; it is constitutionally prohibited from issuing shares that result in a shareholder holding in aggregate more than 100 shares (with the exception of the RAL Trust) and making any distributions or providing any benefits whatsoever to shareholders.
- In 2019 the Company completed works on "the Sky Waka" gondola. The project was predominantly funded through the issue of $13.5m worth of bonds, together with a loan of $10m from the Crown and a loans from Ruapehu District Council of $0.5m.
- With the exception of the Sky Waka, the Company has been impacted of years of under investment, resulting in continued year on year increases in the level of deferred maintenance required.
- Following three years of challenging trading conditions as a result of restrictions in place due to Covid-19, and poor snow seasons, the Company experienced cash flow difficulties. The Directors appointed John Fisk and Richard Nacey as Voluntary Administrators on 11 October 2022.

1. The Company's Business and Affairs

Factors Leading to Voluntary Administration

The Company has experienced a number of consecutive challenging years, which has ultimately resulted in increased cash flow pressure. In turn the cash reserves of the Company have been exhausted, and the Directors made the decision to appoint voluntary administrators.

Factors leading to Voluntary Administration

Based on the information provided by the Directors and from the Administrators' own enquiries, a number of key issues have been identified which adversely impacted the Company's performance in the lead up to the Voluntary Administration.

These issues are as follows:

- RAL's financial performance over the last three seasons was significantly impacted by factors outside the Company's control:
  - The FY20 and FY21 seasons were heavily impacted by COVID-19 restrictions; and
  - The FY22 season was one with warmer/wet weather conditions which made snow retention difficult.
- Significant working capital requirements due to deferred maintenance and a historical over-reliance on Life Pass sales for funding.
- Due to the above factors, RAL's cash reserves and available funding lines were exhausted and level of debt was unsustainable.
- The Company had been trying to work through these cash flow constraints and requested further support from secured creditors, which was ultimately not available.
- In light of the Company's financial position, and the anticipated cash flow shortfalls over the summer period, the Directors decided to appointment Voluntary Administrators on 11 October 2022.

2. The Company's Financial Circumstances and Property

Ruapehu Alpine Lifts Limited - Profit and Loss Statement

- The table opposite sets out a summarised statement of financial performance of the Company for the financial years ending 30 November 2020 to 30 November 2022.
- RAL's financial performance has varied significantly historically, with the last three seasons providing increasing challenges as a result of two years impacted by COVID-19 restrictions, and a bad snow year in FY22.
- The adverse conditions faced by RAL reduced visitor numbers substantially, and in turn reduced the revenue received. The Company has a relatively high fixed cost base, which means a drop in revenue has a material impact on profitability.
- As shown in the table opposite, RAL's profitability, measured by EBITDA (earnings before interest, tax, depreciation and amortisation) has deteriorated from FY20 to FY22.
- Over the last three years the Company has not generated sufficient profitability after meeting its debt servicing obligations to be able to reinvest in its asset base at a level equivalent to depreciation. As such, there has been a substantial increase in the level of deferred maintenance required on the mountain.
- The three poor performing trading seasons in a row have had the impact of exhausting RAL's cash reserves and available funding lines, ultimately resulting in the Company being in an insolvent position.

Year ending 30 November NZD in 000s	Actual FY20	Actual FY21	Actual FY22
Visitor Days (#)	**327,452**	**298,454**	**218,017**
Revenue			
Day Passes	8,529	5,216	2,558
Sightseeing	2,483	2,239	2,611
Happy Valley passes (incl HV sledding)	715	523	1,263
Season Passes	7,320	6,611	6,603
Life Passes	3,117	1,672	1,807
Subtotal - Passes	**22,164**	**16,260**	**14,843**
Other Revenue	7,621	7,861	6,301
Total Revenue	**29,784**	**24,121**	**21,145**
Cost of Sales	(1,893)	(1,854)	(1,167)
Gross Profit	**27,891**	**22,268**	**19,977**
Expenditure			
Fixed Commitments	(5,059)	(4,531)	(4,903)
Overheads & Other	(3,045)	(3,370)	(3,837)
Whakapapa Operations	(1,773)	(1,749)	(1,623)
Tūroa Operations	(1,229)	(1,567)	(1,119)
Labour	(9,389)	(11,795)	(9,910)
Total Expenditure	**(20,494)**	**(23,012)**	**(21,392)**
EBITDA	**7,397**	**(745)**	**(1,415)**
Depreciation & Amortisation	(10,289)	(7,926)	(6,876)
EBIT	**(2,892)**	**(8,671)**	**(8,291)**

2. The Company's Financial Circumstances and Property

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Assets and Liabilities

As at the date of the appointment of Voluntary Administrators, the balance sheet of RAL showed a negative net equity position.

It is likely that the break up realisable value of the fixed assets on the balance sheet is substantially less than the book value of $53m. In part this is due to the specialised nature of the assets, together with the substantial costs that would be involved in removing them from the Maunga.

Assets and liabilities of the Company

- The reported assets and liabilities of the Company as at the date of Administration, 11 October 2022, are set out in the table opposite. This information is based on the Company's management accounts, information provided by the Directors, and other information available to the Administrators,
- Key observations are as follows:
  - The asset values on the balance sheet are based on net book values and have not been independently verified during the Administration.
  - It is important to note that the book value of the assets on the balance sheet may differ substantially from the market value of the assets, particularly in an insolvency scenario.
  - Liabilities due to employees, Inland Revenue, landlords and other suppliers/creditors were frozen as at the date of Voluntary Administration, being 11 October 2022.
  - The majority of the employee entitlements comprises outstanding wages and holiday pay. The Administrators have paid outstanding holiday pay and wages due to employees as at 11 October 2022, which has substantially reduced this liability.
  - The balance sheet does not include any contingent liability in respect to potential remediation of the ski fields in the event the DoC concessions are cancelled.

RAL Balance Sheet as at 11 October 2022
NZD in 000s

Current assets		**Equity**	
Cash	79	Share capital	98
Accounts Receivable & Prepayments	1,527	Retained Equity	(2,970)
Stock on hand	1,083		
RAL Stakeholder account	74		
Total Current Assets	**2,764**		
Current Liabilities			
Revenue in Advance	(97)		
Accounts Payable	(1,974)		
Employee entitlements	(890)		
GST Payable	(172)		
Bank Overdraft	(7,075)		
Current Portion of Term Loan	(5,900)		
Total Current Liabilities	**(16,108)**		
Non-Current assets			
Fixed Assets	52,829		
Total Non-Current Assets	**52,829**		
Non-Current Liabilities			
MBIE Loan	(10,000)		
RDC loan	(500)		
RAL Gondola Bonds	(13,500)		
Life Pass revenue in advance	(13,357)		
PGF Convertible note	(5,000)		
Total Non-Current Liabilities	**(42,357)**		
Net Assets	**(2,872)**	**Total Equity**	**(2,872)**

3. Voluntary Administration Appointment

Voluntary Administration Appointment

John Fisk and Richard Nacey, of PwC, were appointed Voluntary Administrators of the Company on 11 October 2022.

The primary objective on a Voluntary Administration is to maximise the chances that a company, or as much as possible of its business, continues in existence as a going concern in order to maximise the returns to creditors and shareholders.

Appointment of Administrators

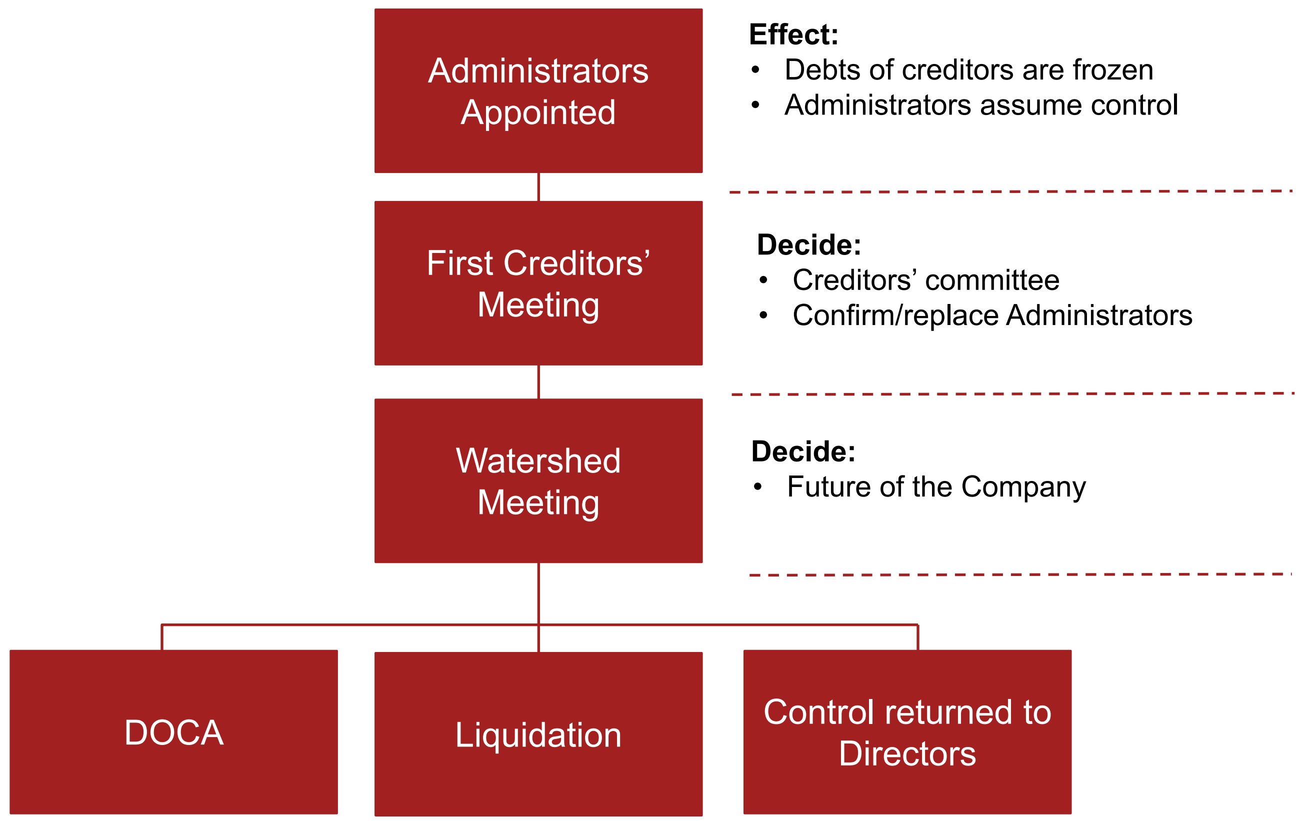
- John Fisk and Richard Nacey (the Administrators) were appointed joint and several Administrators of the Company on 11 October 2022 at the request of the Directors, pursuant to section 239I of the Companies Act 1993.
- At the date of appointment the Company had 4 directors, as follows:
  - Geoff Taylor (Chair)
  - John Foley
  - Chris Swasbrook
  - Jamie Tuuta

Objective of Voluntary Administration

The Act sets out the objectives of a Voluntary Administration as:

- To maximise the chances that a company, or as much as possible of its business, continues in existence as a going concern in order to maximise the returns to creditors and shareholders, or
- If it is not possible for a company or its business to continue operating, to then develop alternative strategies to provide a better return to creditors and shareholders than would result from a winding up of the company.
- Upon appointment of Administrators, all claims against a company in administration are frozen with the exception of the rights of secured creditors.

- The voluntary administration provides a moratorium period during which the Administrators assume control of the company’s business, property and affairs.
- Key stages of the Administration process are summarised in the diagram below.



3. Actions taken by the Administrators

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NEW ZEALAND'S PEAK ADVENTURE

Actions taken by the Administrators

The Administrators have continued to trade the business, while taking steps to ensure all routine maintenance is carried out over the summer period.

The Administrators have also carried out a preliminary investigation into any potential recoveries or actions that may be available in a liquidation.

Upon Appointment

- Upon appointment the Administrators contacted all key stakeholders of the business advising them of the appointment and requested their on-going support during the Administration process.
- The Administrators attended the Company's operations on Mount Ruapehu, where a meeting was held with employees to advise them of the situation and provide information directly. Calls were made to those staff not working that day.
- The Administrators met with Iwi representatives and briefed them on the VA process and sought their views.
- The Administrators have ensured the Company's three main secured creditors have been kept fully informed, as well as liaising with other creditors and key stakeholders (including with representatives of the large Life Pass holder group).
- Holding weekly Creditors' Committee meetings to provide updates as to the progress of the Administration and to receive any views from groups of creditors.
- With assistance from PwC's actuarial team, the Administrators carried out a valuation of the claims of all life pass holders.
- The Administrators have sought, and been granted, approval by the High Court to utilise electronic voting methods at the Watershed Meeting.

Ongoing trading

The Administrators continued the Company's trading whilst assessing options to rehabilitate or restructure the business. This included:

- Seeking, and being granted approval for funding from the Crown and ANZ to allow the Company to continue to trade whilst carrying out routine maintenance over the summer season. This funding included a facility of $0.5m for payment of Administrators fees and legal expenses. The Administrators sought and obtained orders to limit their liability in respect of those funding arrangements;
- Maintaining operational oversight of the business;
- Securing, insuring and maintaining the fixed assets of the Company;
- Monitoring trading performance and approving trading obligations;
- Addressing employee, landlord and other creditor issues;
- Preparing the ski fields for the 2023 winter season; and
- Meeting administrative and statutory obligations.

Preliminary Investigation

- The Administrators have undertaken preliminary investigations on any potential recoveries or actions available in a liquidation. This includes any transactions that appear to be voidable pursuant to the Companies Act 1993 whereby a liquidator (if appointed) may be able to recover money or property for the benefit of creditors.
- No avenues for recovery from the above preliminary investigation were identified by the Administrators.

3. Actions taken by the Administrators

Actions taken by the Administrators

The Administrators have also made two applications to the High Court to extend both the Watershed Meeting convening period and the 14 day notice period for employees. Both sealed orders have been provided to creditors of the Company.

The Administrators initiated a process for the sale of the business and assets of RAL.

Following discussions with the Crown, and the likely requirement for Crown support for any bid, the Administrators facilitated introductions between interested parties and the Crown. The Crown then assumed primary responsibility for development of one of the proposals submitted to the Administrators.

Extension of the Watershed Meeting Convening period

- Under section 239 AT of the Companies Act 1993 an Administrator must convene a Watershed Meeting (by distributing a notice of meeting) within the "convening period" for the Company. The meeting must be held within 5 days of the notice of meeting being sent. The convening period is 20 working days after the date on which the Administrators are appointed. An Administrator can extend the convening period on application to the High Court.
- The Administrators sought, and were granted two extensions of this convening period. First to the 9th May 2023, and then, following another application to the High Court, to the 13th of June 2023.

Extension of the 14 day notice period for employees

- Under section 239Y of the Companies Act 1993 the Administrators become personally liable for wages and salary owed by the Company under an existing employment contract unless this is terminated by the Administrator within 14 days of appointment.
- In order to reduce disruption to staff, an application was made to Court to extend the notice period to 5 working days after the end of the Watershed Meeting convening period (to align with the date of the Watershed Meeting). The application was granted by the High Court.

Sale of the business

The Administrators commenced a sale process for the assets and business of RAL, this included:

- Seeking expressions of interest from third parties in either both or one of the ski fields. This included researching and contacting interested parties that had not already expressed interest to the Administrators;
- Establishing a virtual data room and the provisions of further operational and financial information on RAL to interested parties (after completion of non-disclosure agreements);
- Receiving indicative bids on the business and assets of RAL;
- Facilitating introductions between interested parties and Crown Regional Holdings Limited (“CRHL”) to continue negotiations when it became apparent that Crown support would be required to successfully execute a transaction.
- With the likely requirement for some level of further Crown investment, the Crown was well placed to develop a proposal for consideration by the Administrators.

3. Actions taken by the Administrators

Actions taken by the Administrators (continued)

During the Voluntary Administration the Administrators were granted a loan facility of $10.5m by the Crown and ANZ, which was required to ensure adequate funds were available to allow continued operations on the Maunga.

Receipts and Payments during the period of the Administration

- The table opposite provides a summary of the receipts and payments for the Administration period, from the date of our appointment on 11 October 2022 to 9 June 2023.
- On appointment there were no funds available in the Company bank account for the Administrators to apply to the continued trading of the Company.
- As mentioned previously, the Administrators were granted a loan facility of $10.5m by the Crown and ANZ. The Administrators expect this facility will be fully drawn as at the date of the Watershed Meeting, and the Crown has confirmed that no additional funding will be available from this facility after the Watershed Meeting.
- As at the date of this report, the estimated Administrators' fees and legal costs that will remain unpaid as at 20 June 2023 will be $1.2m.

Statement of Position

- The Directors were asked to complete a Statement of Position in respect of the Company (the Directors' Statement) pursuant to section 239AF of the Act. This was tabled at the first meeting of creditors on 21 October 2022 pursuant to section 239AF(3) of the Act.
- The Directors' Statement contains summary information about the assets and liabilities of the Company as at the date of Voluntary Administration and the Directors' views on the reasons leading to the appointment of Administrators.

Ruapehu Alpine Lifts Limited Statement of Receipts and Payments for the period 11 October 2022 to 9 June 2023	$'000's
Receipts	
Funding from secured creditors	8,738
Pre-Administration receivables	184
Cash on hand at appointment	63
Trading receipts	1,304
Sale of fixed assets	178
Total Receipts	**10,466**
Payments	
Payroll costs	3,454
Preferential employee distribution	623
Insurance	1,302
Property leases	46
Supplier payments	2,572
Voluntary Administrators' fees and costs	542
Net GST payment	218
Total Payments	**8,757**
Opening cash at bank	0
Net cash movement	1,709
Closing cash at bank	**1,709**

4. First Creditors' Meeting and Creditors' Committee

Initial Creditors' Meeting and Creditors' Committee

A Creditors' Committee was formed following the first meeting of creditors. The Creditors' Committee has met on a weekly basis during the course of the Administration.

First meeting of creditors

- As is required under the Act, the first meeting of creditors was held on Friday 21 October 2022 concurrently at Whakapapa, Auckland, and Wellington.
- The principal purpose of the meeting was to consider whether to replace the Administrators and whether to appoint a creditors' committee.
- The meeting also gave creditors an opportunity to ask the Administrators questions in relation to the administration.
- No alternative Administrator was nominated, and therefore the matter was not voted on with John Fisk and Richard Nacey being confirmed as Administrators.
- The matter of whether to appoint a creditors' committee was voted upon. For the resolution to be passed it required a majority in number (i.e. over 50%) representing at least 75% in value of those voting on the resolution.
- The resolution to appoint a creditors' committee was passed at the meeting. The representatives on the creditors committee are as follows:
  - Malcolm Frew, ANZ Bank - Representing secured creditors
  - Sharon Cresswell (later replaced by Romay Rundgren), The Lines Company - Representing unsecured creditors
  - James Fisher, Ruapehu Alpine Lifts - Representing the employees
  - Greg Stebbing - Representing the Bond Holders
  - Sam Clarkson - Representing the Life Pass Holders
  - Robert Krebs - Representing the Life Pass Holders


Skiers, Tūroa Ski Area at sunset

2 The Future of the Company

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NEW ZEALAND'S PEAK ADVENTURE

5. Voting Process

There are three Resolutions that will be tabled at the Watershed meeting.

The Resolutions will be voted on at the Watershed Meeting, with the resolution to execute a DOCA being first, followed by the resolution to place the Company into liquidation. Resolution C will be deemed to have been passed if neither of the earlier resolutions are passed.

The outcome of voting in respect to a resolution needs to be determined before moving to vote on the next resolution.

Creditors are able to vote in favour of more than one resolution if they wish.

The Resolutions to be voted on

The resolutions to be voted on at the Watershed Meeting are as follows:

- Resolution A: “It is resolved that the Company execute the proposed deed of company arrangement referred to in the statement of details of proposed deed of company arrangement provided with the notice of watershed meeting dated 13 June 2023”
- Resolution B: “It is resolved that the Company be placed in liquidation”
- Resolution C: “It is resolved that the Administration end and control of the Company be returned to the Company's directors”

Resolution A will be voted on first. If Resolution A passes, a deed of company arrangement will be executed, and no further voting will take place.

If Resolution A does not pass, Resolution B will then be voted on.

If Resolution B fails, Resolution C will be deemed to have passed, and the Administration of the Company will come to an end.

Each creditor will be invited to vote “For”, “Against” or “Abstain” for each resolution presented at the watershed meeting.

Please note that if the Watershed meeting ends without a resolution having been passed to either execute a deed of company arrangement, or to appoint liquidators of the Company, then the Administration will end and control of the Company will be returned to the Company's Directors.

5. Voting Process

There are a number of methods of voting on the outcome of the Watershed Meeting.

In order for a resolution to be passed at the meeting, it will need the support of at least 50% of creditors that vote on the resolution by number, and to be supported by creditors totalling at least 75% of the value of those creditors that vote on the resolution.

Requirements for a resolution to pass

A resolution is adopted if a majority in number and representing 75% in value of the creditors voting, whether in person, or by proxy vote or by postal vote, vote in favour of the resolution.

Voting Process

Creditors of the Company are able to vote on the above resolutions in one of the following ways:

1. ***Electronically, through the link provided by email with this document:*** All creditors received an internet link to an online voting platform provided by Link Market Services, which allows creditors to vote on the resolutions from the date of receipt of the link, until 11am on Sunday 18 June 2023. Given restrictions in the capacity of the meeting locations, the Administrators would encourage creditors to vote electronically ahead of the meeting.

   To vote electronically, click on the link provided in the email sent to you with this report and follow the on screen directions.

2. ***Electronically, by appointing a proxy:*** Creditors may choose to appoint a proxy to attend the meeting in person and vote on their behalf. Creditors can appoint the Chair of the watershed meeting to act as their proxy, or another individual can be appointed as a proxy. There is a space on the online form where you are able to nominate your proxy, if you choose to vote in this manner.

   When appointing a proxy, creditors are able to provide direction as to how they should vote for each resolution, or can leave the decision as regard to voting to the proxy. Where the Chair has been appointed as a proxy, and where no direction has been provided as to how they should vote, they will then vote in a manner that they believe will represent the best outcome for creditors.

   To appoint a proxy, click on the internet link provided in the email sent to you with this report and follow the on screen directions.

3. ***By postal vote or nomination of a proxy by post:*** Creditors may exercise their vote by post or can nominate a proxy by post. If you would like to vote by post or nominate a proxy by post, please complete the pre-populated postal or proxy form included with the notice of meeting invite and return this to nz_RAL@pwc.com by 11am Sunday 18 June 2023.

4. ***In person at the Watershed Meeting:*** Creditors are able to vote in person at the Watershed Meeting in each of the three locations where the meeting is being held. Creditors will be required to registered at the meeting, and will be asked to provide identification. We note that the numbers at each of the three locations will be limited, and would therefore recommend that creditors vote electronically ahead of the meeting.

   Registration for those attending in person will open from 10:15am on the 20th of June 2023 at each venue.

Given the large number of creditors of Ruapehu Alpine Lifts Limited, and capacity limits at each of the three meeting venues, we would encourage creditors to vote electronically ahead of the meeting.

6. Overview of DOCA proposed by RSSA

Deed of Company Arrangement

A DOCA has been provided to the Administrators for consideration, and for voting on at the Watershed Meeting.

The DOCA proposes to retain the business and assets of RAL in the current company structure, and involves changes to the constitution, a new Board of Directors, and some secured creditors writing off a portion of their debt. Life Pass Holders will be required to purchase a new life pass for $1,150 including GST to retain their right to ski at RAL using a life pass.

If the DOCA is approved, it is expected that the new Board of Directors will quickly seek to raise capital through a crowdfunding provider.

Overview

- A Deed of Company Arrangement ("DOCA") has been provided to us for consideration by the Ruapehu Skifields Stakeholders Association ("RSSA").
- In summary, this proposed DOCA would retain Ruapehu Alpine Lifts Limited as the operator of the Whakapapa and Tūroa skifields, but there would be changes to the shareholding structure and constitution, Board of Directors, and there would be a range of proposed debt compromises (varying by creditor). The Company would also seek to raise capital from life pass holders, and through crowd funding.
- The key terms of the DOCA are summarised below, with the DOCA being provided to creditors with this report.

Key Terms

A summary of the key terms and their proposed impact on key stakeholders of RAL under this option are as follows:

- As noted above, under the proposed DOCA the current Ruapehu Alpine Lifts Limited entity would be retained and would continue trading as the operator of the Whakapapa and Tūroa skifields.
- Subject to the approval of shareholders in accordance with RAL's constitution, the proposal does envisage the current Board of Directors of RAL being replaced, with a new board appointed as follows:
  - Independent Chairman - to be confirmed
  - John Sandford
  - Peter Thomson
  - Jason Platt
  - Sam Clarkson
  - Robert Krebs
- There will also be two special advisors appointed as observers to the Board of Directors. These will be a nominee appointed by the Ruapehu District Council, and Gary Traveller (or a nominee) appointed by the bond holders.
- In addition to the Board of Directors and special advisors to the Board of Directors, there will also be a new Creditors Committee appointed. This will include representatives from all creditor classes.
- The current shareholding structure of RAL includes the Ruapehu Alpine Lifts Trust, a Shareholding Trust (the "Shareholding Trust") owning 55% of the shares in RAL. The Company will seek the retirement of the existing trustees and the appointment of new trustees, failing which the Company intends to seek a court order to dissolve the trust and vest its assets in the beneficiaries of the trust (the other shareholders of RAL).
- There are a number of changes to the constitution of the Company proposed. These changes will provide more flexibility regarding the shareholding structure. The Company will seek the approval of shareholders in order to make those changes to the constitution. If these changes were to result in a material adverse tax effect, then these changes will not be made.
- The operating concessions with the Department of Conservation will remain unchanged, as the ski fields will be operated by the same entity. Existing iwi relationship agreements with the Ngāti-Rangi Trust (2017) and Ngāti Tuwharetoa - Te Pae Maunga (2015) will remain in place.
- The Company will commence a programme to remove or remediate abandoned infrastructure on the mountain.
- All staff will remain in their current roles, with current employment agreements retained.

6. Overview of DOCA proposed by RSSA

Deed of Company Arrangement

The DOCA proposes that most creditors compromise the payment terms of their debt. This will either include the forgiving of a portion of debt, or extended payment terms.

We note that RSSA has not obtained agreement to forgive any debts owed to ANZ or CRHL at the date of this report.

It is also important to note that the repayment of the amounts owing to creditors is to be made quarterly (i) in the order set out in the DOCA and (ii) only to the extent that funds are available (after actual and anticipated capital and operating expenditure) to make the repayments.

Treatment of parties who were creditors at 11 October 2022

The DOCA will be binding on all Company Creditors, subject to section 239 ACT of the Companies Act (1993). This section of the Act allows for secured creditors and lessors of property to retain certain rights.

The proposed DOCA envisages a number of creditors compromising their position or treatment. We note that in the case of secured creditors (such as the ANZ and CRHL), the secured creditors will need to vote in favour of the DOCA (in the case of their pre-VA debt and security) and agree contractually (in respect of their post-VA funding) for the proposed adjustment and forgiveness of their debt to be effective.

The Administrators outstanding fees and costs will be paid in full. This includes all liabilities entered into by the Administrators during the course of their appointment

The proposed treatment of creditors and the order of payment of creditors (to the extent funds allow) is as follows:

- Creditors with a purchase money security interest ("PMSI"), assignees of accounts receivable, and preferential creditors (predominantly the Inland Revenue) will be paid in full.
- Secured creditors:
  - It is assumed that ANZ will forgive c.$12.8m, with $2.4m retained and repaid in full within 10 years. Terms and conditions of the debt will also be amended.
  - It is assumed that CRHL will forgive $15.0m of debt, with c.$8.0m to be retained and repaid in full within 10 years. Terms and conditions of the debt will also be amended.
  - Tourism Bond Holders (with debt of $13.5m) will be paid in full in line with the current terms of the bonds.
- The short term bridging finance of $2m, provided through a line of credit.
- The loan from Ruapehu District Council of $0.5m will be repaid over a 10 year period.
- Trade creditors (owed less than $50,000) will be paid in full within 1 year. We expect this will include the unsecured non preferential portion of employee claims. Trade creditors (owed more than $50,000) will be paid in full over 5 years.
- The DOCA will extinguish all claims arising from Life Passes. Life Pass holders will be offered new life passes for $1,150 incl. GST. Those life pass holders who do not purchase a new life pass, or buy another valid pass will not be able to ski on the mountain.

Capitalising the Business

- The RSSA are arranging a $2m bridging finance facility to allow the Company to reach the start of the 2023 winter season. Execution of the DOCA will be conditional on these funds being available at the date of the Watershed Meeting. We have been advised that RSSA may request that the proposed DOCA is not voted on if it is apparent, before the Watershed Meeting, that the necessary funding will not be available. It is envisaged the loan will be secured by way of a General Security Agreement over the assets of the Company (subordinate to existing secured creditors and to the claims of pre-VA unsecured creditors under the DOCA). The loan is conditional on the Directors and the trustees in the Shareholding Trust being replaced.
- The Company will offer shares through a licenced equity crowdfunding provider following execution of the DOCA. The proposal envisages $2m will be raised in the first tranche of equity investment.
- As noted above, life pass holders will be required to pay $1,150 to purchase a new life pass to retain their rights to ski on the mountain. The proposal assumes 7,500 life pass holders will elect to make this payment, generating $7.5m (plus GST).
- A season pass campaign will be launched as soon as possible for the 2023 winter season.

6. Overview of DOCA proposed by RSSA

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NEW ZEALAND'S PEAK ADVENTURE

Administrators opinion of the proposed DOCA

The Administrators are required (in accordance with section 239AU of the Act) to provide an opinion, with reasons for that opinion, as to whether it is in the creditors' interests for the Company to execute a Deed of Company Arrangement.

The Administrators are of the view that it is not in the best interests of creditors for the Company to execute the proposed DOCA, as there is an alternative proposal (being a pre-packaged liquidation) that is likely to provide a better outcome for creditors. The Administrators are of the view there are a number of material risks to the proposed DOCA:

Repayment of creditors on extended terms

- We understand that the immediate funding available if the DOCA were executed does not provide for the full repayment of creditors, and instead, creditors will be paid over extended periods of time and in a priority waterfall, and subject to sufficient funds being available. As a result, there is substantial uncertainty for creditors, and they are reliant upon a range of factors occurring including:
    - *ANZ and CRHL agreeing to reschedule their post administration debt to allow repayment of $10.4m over 10 years*: We are not aware of any agreement with ANZ and CRHL to alter the repayment terms.
    - *Short term funding being provided to the Company on execution of the DOCA:* Provision of this funding is subject to the Board of Directors being replaced and the Shareholding Trustees being replaced. Both of these changes are subject to the cooperation of third parties.
    - *Capital raised through equity crowdfunding:* The Company must successfully raise sufficient capital to fund operations and capital investment, which in the case of the proposed $2m facility, will be paid prior to the claims of unsecured creditors. Any capital raise is subject to uncertainty, and while surveys have been completed by the RSSA with positive results, a level of uncertainty remains. We also understand there will be a limit of $2m able to be raised in any one year from retail investors, in the absence of a prospectus being issued.
    - *Life pass holders paying a collective $7.5m to purchase new life passes:* The DOCA assumes that 7,500 life pass holders will purchase new life passes. While surveys have been completed showing positive interest in this proposal, uncertainty remains as to the number of life pass holders that will choose purchase a life pass to retain their rights to ski on the Maunga, and the resulting quantum of cash that can be raised from life pass holders.
    - *Ongoing trading:* The ability of the Company to make payment to creditors will also be reliant on the profitability of ongoing trading. If the Company does not trade profitably then the capital from the short-term funding facility, equity crowdfunding, and life pass holders will be applied to any trading shortfall prior to being paid to creditors.

ANZ and CRHL forgiving their debt and release their security

- The agreement of ANZ and CRHL to forgive c.$12.8m and $15m respectively of their existing pre-VA debt is essential to the success of the proposed DOCA.
    - As at the date of this report, we understand the Crown has not given its approval to forgive their debt to allow the DOCA to proceed; and
    - As at the date of this report, we understand no agreement has been reached with the ANZ to forgive their debt to allow the DOCA to proceed.
- Without agreement to forgive the CRHL and ANZ debt, an additional $28.2m of capital will need to be raised to meet these obligations, on execution of the DOCA (being the ANZ and Crown's secured pre-Administration debt, and the post administration funding).

6. Overview of DOCA proposed by RSSA

Administrators opinion of the proposed DOCA (continued)

In addition to the aspects of the proposal as they directly relate to the ability of the Company to meet its obligations to creditors under the proposed DOCA, there are also a number of other risks to successful implementation of the proposed DOCA.

Potential Income Tax Liability

- The proposed DOCA contemplates changes to allow the provision for shareholder capital gain, the restructuring of the shareholding arrangements and the a number of amendments to the constitution that may result in the Company losing its tax exempt status. Should this be the case, the Administrators wish to highlight the risk that there may be potential for a significant income tax liability of c.$8m to be incurred by the Company in the event CRHL and ANZ agree to write-off debt of $27.8m (as contemplated in the DOCA, being the pre-Administration debt). Further specialist tax advice would be required to evaluate this position further.
- The DOCA states the Company will not propose any changes to the constitution of the Company or changes to its shareholding if, following receipt of independent tax advice, there is likely to be a material adverse effect on its tax position.
- In the event a tax liability of this size did arise, we understand there would not be sufficient cash available to meet this liability.

Replacement of the trustees of the Shareholding Trust

- As noted previously, the Ruapehu Alpine Lifts Trust ("the Shareholding Trust") owns 55% of the shares in the Company. The proposed DOCA includes a term that requires the trustees to be replaced.
- In the event the trustees of the Shareholding Trust do not decide to retire, the DOCA requires the Company to take legal action to dissolve the Shareholding Trust. There is uncertainty both in respect to the likely success of any legal action, together with the timeframe for a Court decision to be delivered.
- If the trustees of the Shareholding Trust are not able to be replaced, this then has the flow on impact of potential difficulties in appointing replacement Directors to the Company, as a majority of shareholders is required to pass the ordinary resolution to appoint a director (with the Shareholding Trust having that majority). It may also impact on the availability of the $2m working capital facility, which requires the changes to directors and shareholders envisaged by the DOCA to be implemented.

Replacement of the Board of Directors

- The proposed DOCA includes a term that requires the Board of Directors of the Company to be replaced. The Board of Directors of a Company provides an important governance role, and members of the Board have a range of obligations under the Companies Act 1993.
- We understand, at the date of the issue of this report, that the current Directors of the Company have not agreed to resign from the Board. We also note that the process to appoint Directors to the Company requires an ordinary resolution of shareholders, which in turn will require agreement of the Shareholding Trust as the majority shareholder.
- The ability to implement the change contemplated to the Board within the short time-frame so as to not disrupt winter trading also represents a risk.
- Unless the Board of Directors of the Company are able to be replaced immediately on execution of the DOCA, there remains a risk that the Current Directors will make decisions regarding the operations of the Company that differ from those that might be made by the proposed new Board. In addition, if the Current Directors were not comfortable that they were meeting their obligations under the Companies Act 1993, they may choose continue with the application filed in the High Court to appoint liquidators.

7. “Pre-packaged” Liquidation and sale

Liquidation appointment

As an alternative to a Deed of Company Arrangement, another option is to vote to place the Company into Liquidation.

At the time the resolution to appoint liquidators is passed, John Fisk and Richard Nacey will be the appointed liquidators of the Company.

Immediately following the appointment of liquidators an agreement for the sale of both the Whakapapa and Tūroa operations would be entered into, as the proposed liquidators believe this proposal provides the best outcome for creditors.

This option would result in a seamless transition of the operations to two new parties, with Crown backing.

Overview

- The Administrators have received a proposal through the Crown which outlines a process whereby RAL is placed into liquidation, with the sale of the Whakapapa and Tūroa assets and operations occurring immediately following the appointment of liquidators.
- The two proposed purchasers of the operations of the Company have undertaken the necessary due diligence and preparatory work to ensure they are able to seamlessly operate the Whakapapa and Tūroa operations through winter 2023. Both proposed purchasers have indicated they will execute their side of a sale and purchase agreement immediately prior to the watershed meeting being held.

Key Terms

A summary of the key terms and their proposed impact on key stakeholders of RAL under this option are as follows:

- As soon as practicable after the conclusion of the Watershed Meeting, and assuming the resolution to place the Company into liquidation is passed, the liquidators would execute two sale and purchase agreements. One agreement would be for the sale of the business and assets of Tūroa to Pure Tūroa Limited (“PTL”). The other agreement would be for the sale of the business and assets of Whakapapa to Whakapapa Holdings Limited (“WHL”).
- PTL and WHL have each confirmed to the Administrators that they will sign their respective sale and purchase agreements immediately on the passing of a resolution to place the Company into liquidation.
- PTL and WHL will assume liability for all unsecured trade creditors as at the date of the Voluntary Administration appointment (on 11 October 2022) and will pay these in full by 30 June 2023.
- PTL will offer life pass holders the opportunity to:
  - Purchase multi year season passes for Tūroa, for up to 5 years with a 60% discount off the full price.
  - Those life pass holders who purchased their pass in 2018 or 2019 will receive one additional season free of charge with any full season pass purchase.
  - Further details of this offer are provided at Appendix A.
- WHL will offer life pass holders the opportunity to:
  - Renew their life pass for $1,850 for the Whakapapa ski field for those passes originally purchased prior to 2018 (paid in two installments of $599 before winter 2023 and the balance in April 2024); or
  - $599 for those passes originally purchased in 2019, paid before winter 2023.
- Those life pass holders that do not choose to take up offers with PTL or WHL will have a claim in the liquidation of Ruapehu Alpine Lifts Limited. For the avoidance of doubt, any claim will not be against PTL or WHL.
- WHL will assume liability for the Sky Waka bonds, and the Ruapehu District Council loan.
- Employees of RAL will receive full payment of their unsecured claim as at the date of Voluntary Administration. All operational staff and selected management will be offered new employment contracts with either WHL or PTL.
- The Crown will take a 25% shareholding in both PTL and in WHL through CRHL, and will provide a loan to each entity.
- CRHL and ANZ Bank New Zealand Limited both agree to a partial release of their respective security interests over the assets of RAL (that aren’t subject to other specific security) to allow the transactions to proceed.

7. “Pre-packaged” Liquidation and sale

Key terms as they relate to each party

The key terms for the sale of the Tūroa operations to PTL and the Whakapapa operations to WHL are very similar, with the primary differences arising from the fact WHL will assume the obligation to repay the Sky Waka Gondola bonds and the Ruapehu District Council loan.

Both agreements require concession agreements with the Department of Conservation to be assigned to the respective purchasers.

Pure Tūroa is led by Ohakune property developer Cam Robertson and Ohakune businessman Greg Hickman.

The Whakapapa Holdings Limited team includes the involvement of Dave Mazey, a previous RAL CEO, and businessman Tom Elworthy, together with a consortium of investors.

The proposed sale of Tūroa to Pure Tūroa Limited (“PTL”)

The key terms of the proposed sale of Tūroa to PTL are as follows:

- The purchase price for the Tūroa ski field and operations is $1. However, significant obligations of RAL are assumed by PTL.
- The Crown will own 25% of the shares in PTL.
- PTL will be appropriately capitalised immediately following the purchase of Tūroa through shareholders equity (including from the Crown), revenue, additional local investment, and a Crown loan.
- PTL will offer life pass holders the opportunity to:
  - Purchase multi year season passes for Tūroa, for up to 5 years with a 60% discount off the full price.
  - Those life pass holders who purchased their pass in 2018 or 2019 will receive one additional season free of charge with any full season pass purchase.
  - Further details of this offer are provided at Appendix A.
- PTL will offer new employment contracts to all Tūroa based operational staff.
- PTL requires the Tūroa Concession agreement to be assigned by the Department of Conservation (“DoC”) from RAL to PTL on or before completion of the sale.
- PTL will take an assignment of 50% of RAL’s pre administration unsecured trade creditors and employee unsecured claim amounts, and will pay those creditors by 30 June 2023.

The proposed sale of Whakapapa to Whakapapa Holdings Limited (“WHL”)

The key terms of the proposed sale of Whakapapa to WHL are as follows:

- The purchase price for the Whakapapa ski field and operations is $1. However, significant obligations of RAL are assumed by WHL.
- WHL will be appropriately capitalised immediately following the purchase of Whakapapa through shareholders equity (including from the Crown), revenue, additional local investment, and a Crown loan. The Crown will own 25% of the shares in WHL.
- WHL will assume liability for the RAL Sky Waka Gondola bonds and the Ruapehu District Council Loan, and will repay these in accordance with the original agreements.
- WHL will offer life pass holders the opportunity to:
  - Renew their life pass for $1,850 for the Whakapapa ski field for those passes originally purchased prior to 2018 (paid in two installments of $599 before winter 2023 and the balance in April 2024); or
  - $599 for those passes originally purchased in 2019, paid before winter 2023.
- WHL will honour outstanding RAL Whakapapa staff entitlements, and offer all operational Whakapapa based staff and selected management new employment agreements.
- WHL requires the Whakapapa Concession agreement to be assigned by the Department of Conservation (“DoC”) from RAL to WHL on or before completion of the sale.
- WHL will take an assignment of 50% of RAL’s pre administration unsecured trade creditors and employee unsecured claim amounts, and will pay those creditors by 30 June 2023.

7. “Pre-packaged” Liquidation and sale

Administrators opinion of the Pre-Packaged Liquidation and sale option

The Administrators are required (in accordance with section 239AU of the Act) to provide an opinion, with reasons for that opinion, as to whether it is in the creditors’ interests for the Company to be placed into liquidation.

The Administrators are of the view that it is in the best interests of creditors for the Company for the Company to be placed into liquidation so that a “Pre-Packaged” sale may be executed.

While there are some risks to the proposal for a pre-packaged liquidation, the Administrators are of the view that these risks are less than those inherent with the DOCA proposal, and this it provides a better outcome for creditors when compared to the DOCA proposal.

Administrators opinion on the “Pre-Packaged” Liquidation Option

- *Seamless continuation of operations on the Maunga:* The “Pre-Packaged” Liquidation option provides a solution that should allow seamless continuation of operations on both sides of the Maunga. Extensive preparatory work has already been carried out by both PTL and WHL, which means plans are in place to continue operations, should the pre-packaged liquidation option be implemented.
- *PTL and WHL will be capitalised:* We understand both PTL and WHL will be capitalised on execution of the sale and purchase agreements, with the Crown taking a 25% shareholding, and together with other sources, providing sufficient funding to allow PTL and WHL to meet their obligations to pay outstanding Voluntary Administrators fees and costs in full, unsecured trade creditor claims in full, and transferring employee entitlements no later than 30 June 2023. This is significantly shorter than the period specified under the proposed DOCA.
- *Secured creditors have agreed to release their security:* Both PTL and WHL have reached agreement with CRHL and with ANZ whereby CRHL and ANZ will partially release their security to allow the transaction to proceed. No existing RAL debt (both pre or post VA) from CRHL or from ANZ will be assigned to PTL or WHL.
- *Reduced execution risk:* Shareholders of each purchaser have advised that they intend to have the Sale and Purchase Agreements signed prior to the Watershed Meeting (and held in escrow). This significantly reduces the execution risk of this option (i.e. the risk of this option being selected but not being able to be implemented).

Risks identified in respect to the “Pre-Packaged” Liquidation Option

- The sale and purchase agreements for both the sale of Tūroa to PTL, and the sale of Whakapapa to WHL are conditional on agreement being reached with the Department of Conservation in respect to the transfer of the relevant concession agreements to each purchaser. As at the date of this report, we have not received confirmation that agreement has been reached with the Department of Conservation to transfer these concessions. However, we do know that work is being actively progressed, including consultation with stakeholders.
- The Sale and Purchase Agreements both include provisions whereby the Voluntary Administrators costs, unsecured trade creditors of the Company, and employees are repaid in full by 30 June 2023. We also understand a funding agreement is being entered into between each purchaser and the Crown. As at the date of this report we have not seen confirmation that this funding has been agreed.
- The Sale and Purchase Agreements are expected to be executed immediately following a resolution to appoint liquidators being passed at the watershed meeting. However, while the risk is considered low, if one or both purchasers decided not to execute their sale and purchase agreement a transaction would not proceed. As noted earlier, the risk of this has been mitigated to the extent possible, and we have received written confirmation from each purchaser that they will execute their respective agreements immediately before or following a resolution to appoint liquidators being passed at the watershed meeting.

8. Returning the Company to the Directors

Returning the Company to its Directors

In the event that neither a resolution to execute a DOCA or a resolution to appoint a liquidator is passed, control of the Company will be returned to the Directors.

While attempts would likely be made by a liquidator appointed subsequent to the Watershed Meeting to execute a sale to PTL and WHL, in this scenario there remains substantial risk. Overall, avoiding the Company being returned to the control of the Directors is a far better outcome.

Return of the Company to the control of the Directors

- In the event that neither the resolution to execute a deed of company arrangement, or the resolution to appoint liquidators are passed then the control of the Company will be returned to the Directors.
- This scenario is unsatisfactory, and a worst case scenario because the Company is hopelessly insolvent, with liabilities significantly exceeding the realisable value of its assets, and insufficient cash to pay its debts as they fall due (without the current funding from the Crown and ANZ in place).
- The Directors of the Company have a range of obligations under the Companies Act 1993, particularly in relation to reckless trading and their duty in regard to incurring obligations (Section 135 and 136). Given their duties as Directors, and the insolvent position of the Company, the Directors have advised the Administrators that they will seek to have a liquidator appointed to the Company as soon as possible.

Directors application to the High Court

- In order to plan for the potential for neither resolution to execute a deed of company arrangement, or the resolution to appoint liquidators to pass, and for the control of the Company to be return to the Directors, the Directors have filed an application to place the Company into Liquidation at the High Court at Auckland.
- The Administrators have been advised that this application will be heard at the High Court at Auckland on 21 June 2023. In the event control of the Company is handed back to the Directors, it is essential for the application to put the Company into liquidation to be heard as quickly as possible.

Options that may be available to a liquidator

- In the event that a liquidator is appointed by the High Court, we would anticipate one of two outcomes:
  - If an appointment was able to be made relatively quickly, and PTL and WHL were still committed to purchase the business and assets of the Company then there is potential for a transaction to still be completed. However, this option is not without substantial risk, particularly if a suitable hearing date was not able to be secured.
  - If an appointment was not able to be made quickly, or PTL and/or WHL did not wish to purchase the business and assets of the Company, then it is likely that a liquidator would immediately cease trading the business, and would go through a process of realising the assets on the Maunga. This is a worst case scenario for all stakeholders, with the ski fields ceasing to operate, all unsecured creditors would receive no dividend from the liquidation, secured creditors would likely experience a significant shortfall, and the remediation obligations under the DoC concession agreements would crystalise.
- It is important to note that while a sale to PTL and WHL would be possible in a liquidation scenario (although not without risk), it would not be possible to give effect to a similar outcome as proposed by the DOCA. Once a Company has been placed into liquidation, a liquidation can then only be terminated by the Court, and this generally requires either full repayment of all creditors, or the agreement of all creditors, which is highly unlikely to occur, given the insolvent position of the Company.

9. Comparison of DOCA and Liquidation Proposals

The table below provides an overview of the proposed impact of the Deed of Company Arrangement for each creditor group, and provides a broad indication of the order of payment to each creditor group.

Stakeholder	Proposed outcome under a Deed of Company Arrangement	Value exchanged
Administration costs	Administration costs will be paid in full following execution of the Deed of Company Arrangement.	$1.2m
ANZ Bank New Zealand Limited	We understand that ANZ has not agreed to forgive the debt, and as such, the pre-Administration liability of $12.8m and Administrators funding of c.$2.4m will remain with RAL and its security over RAL assets will remain in place.	ANZ debt of c.$15.2m remains in RAL
Crown Regional Holdings Limited - Kānoa (the Crown)	We understand that the Crown has not agreed to forgive the debt, and as such, the pre-Administration liability of $15.0m and Administrators funding of $8.0m will remain with RAL and its security over RAL assets will remain in place.	CRHL debt of $23m remains in RAL
Sky Waka Bond Holders	The current terms of the Bonds will be adhered to as cash flow allows	Paid in full $13.5m per agreement
Ruapehu District Council	This liability will be repaid over 10 years as cash flow allows	Paid in full $0.5m per agreement
Employees	Unsecured claims of employees will be repaid over a period of 1 year as cash flow allows. All current employees will be retained under their existing employment agreements.	Paid over 1 year $130k
Unsecured trade creditors	Small unsecured creditors (less than $50k) will be repaid in a year, large unsecured creditors (over $50k) will be repaid in 5 years - as cash flow allows	Paid over either 1 or 5 years $1.2m
Life Pass Holders	Life pass holders will need to pay $1,150 (including GST) to purchase new life passes to retain their right to ski at RAL. All life pass claims against RAL will be extinguished by the DOCA.	Opportunity to purchase new life pass for $1,150 per pass.
Department of Conservation	The current Department of Conservation concession agreements will remain in place.	Contingent remediation liability of up to $100m remains in RAL
Residual admitted claims	Other admitted claims are to be paid over a five year period on a pari passu basis, as cash flow allows.	Not quantified

The Proposed DOCA delivers substantially less value than the pre-packaged liquidation, taking into account the uncertainty created by a number of unresolved stakeholder issues. The DOCA is dependent on raising future capital, including sufficient funds to repay the secured CRHL and ANZ debts in full, which will be required to extinguish the security they hold over the assets of RAL.

9. Comparison of DOCA and Liquidation Proposals

The table below provides an overview of the proposed impact of the Liquidation Process for each creditor group, and provides a broad indication of the order of payment to each creditor group.

Stakeholder	Proposed outcome in pre-packaged liquidation process	Value exchanged
Administration costs	Administration and liquidation costs will be paid in full following execution of the sale and purchase agreements	Paid in full immediately $1.2m
ANZ Bank New Zealand Limited	ANZ has agreed to release their security to allow the transactions to occur. The ANZ debt will remain with RAL, and will not be assumed by the new purchasers.	ANZ release their security, value of secured debt c.$15.2m
Crown Regional Holdings Limited - Kānoa (the Crown)	The Crown has agreed to release their security to allow the transactions to occur. The Crown debt will remain with RAL, and will not be assumed by the new purchasers.	CRHL release security, value of secured debt $13m.
Sky Waka Bond Holders	The liability will be assumed by Whakapapa Holdings Limited, with repayment being made in accordance with the terms of the Bonds.	Paid in full $13.5m per agreement
Ruapehu District Council	The liability will be assumed by Whakapapa Holdings Limited, and repaid as per the terms of the original agreement.	Paid in full $0.5m per agreement
Employees	Unsecured claims will be paid in full by 30 June 2023. All operational staff offered ongoing employment with either WHL or PTL. Selected Management personnel offered ongoing employment.	Paid in full immediately $130k
Unsecured trade creditors	The liability to repay unsecured creditors will transfer to the purchasers, with payment being made in full by 30 June 2023	Paid in full immediately $1.2m
Life Pass Holders	Life pass holders will be able to: - Renew their Whakapapa life pass for between $599 and $1,850 depending upon the year of purchase of the original life pass; and; - Purchase multi year season passes for Tūroa, for up to 5 years with a 60% discount off the full price, with a free season pass provided to life pass holders who bought their life pass in 2018 or 2019 and purchase a full season pass.	Opportunity to utilise existing life pass or receive season pass discounts
Department of Conservation	The Department of Conservation may be asked to renegotiate the terms of the concession agreements, and transfer concession agreements to the new purchasers.	Potential change to the contingent remediation liability of up to $100m

The Administrators are of the view that it is in the creditors' interests for the Company to be placed into liquidation. Immediately on the appointment of liquidators, agreements for the sale and purchase of the assets of the Company will be signed with Whakapapa Holdings Limited and Pure Turoa Limited.

Glossary

Term	Definition	Term	Definition
ANZ	ANZ Bank New Zealand Limited	**RSSA**	Ruapehu Skifields Stakeholders Association
Business	The business carried on by the Company	**the Act**	The Companies Act 1993
CRHL	Crown Regional Holdings Limited	**the Crown**	Ministry of Business Innovation and Employment, Kānoa - Regional Economic Development and Investment Unit, and Crown Regional Holdings Limited
Directors' Statement	Directors' Statement of Position	**the Directors**	John Foley, Chris Swasbrook, Geoff Taylor, Jamie Tuuta
DoC	Department of Conservation	**Unsecured Creditors**	All unsecured creditors of the Company; comprising trade suppliers, other suppliers and landlords
DOCA	Deed of Company Arrangement	**VA or the Administration**	Voluntary Administration
EBIT	Earnings before interest and tax	**Voluntary Administrators or the Administrators**	John Fisk and Richard Nacey
FYXX	Financial year ended 30 November 20XX	**Watershed Meeting**	Meeting of creditors for the purpose of determining the Company's future
MBIE	Ministry of Business, Innovation and Employment	**WHL**	Whakapapa Holdings Limited
PTL	Pure Tūroa Limited		
RAL or the Company	Ruapehu Alpine Lifts Limited (Administrators Appointed)		

Restrictions

All information contained in this report is provided in accordance with Section 239AU of the Companies Act 1993.

The statements and opinions expressed herein have been made in good faith, and on the basis that all information relied upon is true and accurate in all material respects, and not misleading by reason of omission or otherwise.

We have not independently verified the accuracy of information provided to us, and have not conducted any form of audit in respect of the Company. Accordingly, we express no opinion on the reliability, accuracy, or completeness of the information provided to us and upon which we have relied. Whilst all care and attention has been taken in compiling this report, we do not accept any liability whatsoever arising from this report.

The statements and opinions expressed in this report are based on information available as at the date of the report.

We reserve the right, but will be under no obligation, to review or amend our Report, if any additional information, which was in existence on the date of this Report was not brought to our attention, or subsequently comes to light.

We have relied on forecasts and assumptions prepared by the Company about future events which, by their nature, are not able to be independently verified. Inevitably, some assumptions may not materialise and unanticipated events and circumstances are likely to occur. Therefore, actual results in the future will vary from the forecasts upon which we have relied. These variations may be material.

In addition the following should be noted:

- Certain numbers included in tables throughout this report have been rounded and therefore do not add exactly.
- Unless otherwise stated all amounts are stated in New Zealand dollars.

Appendix A - PTL Life Pass Offer

PURE TŪROA

RAL Life Pass Holder Offer

Pure Tūroa Ltd will present a one-time goodwill offer to existing RAL Life Pass Holders ('LPH') available for purchase until 15 July 2023. Payment is to be made in full at the time of purchase. The pricing model will be based on an option to pre-purchase up to 5 years of Season Passes at a discount of 60% on 2023 Full Season Pass Price. Terms, conditions and benefits will align with each year's Full Season Pass offering but excludes benefits outside of Tūroa, such as mid-week Whakapapa pass offers. LPH who purchased their life pass in 2018 or 2019 will also receive an additional season free of charge with any Tūroa Full Season Pass purchase made during the one-time offer period. The Youth age bracket applies to LPH who are aged 15 or under on the day of purchase during the one-time offer period.

This model acknowledges LPH's commitment to Ruapehu snow sports and gives flexibility on the number of years that each LPH wishes to commit to given their age and personal circumstances.

Seasons	One	Two	Three	Four	Five
Standard Multi-Year Full Season Pass Value	$1299	$2598	$3897	$5196	$6495
Discount	60%	60%	60%	60%	60%
LPH Purchase Price	$520	$1039	$1559	$2078	$2598
Youth Rate 15 years or under	$399	$798	$1197	$1596	$1995
Discount	60%	60%	60%	60%	60%
LPH Youth Purchase Price	$160	$320	$479	$639	$798
All LPH who purchased their life pass in 2018 or 2019	Receive one additional season	Receive one additional season	Receive one additional season	Receive one additional season	Receive one additional season

Full terms and conditions available at www.pureturoa.nz


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