

CERA: Alleged Conflicts of Interest Inquiry
for
State Services Commissioner

Final Report dated 31 March 2017

In accordance with Principle 7 of the Privacy Act 1993, a statement received from Mr Gallagher and Mr Nikoloff is attached at the end of the Report.

MHQCC

Michael Heron QC

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1. INTRODUCTION

- 1.1 The Canterbury Earthquake Recovery Authority (**CERA**) was established under the Canterbury Earthquake Recovery Act 2011 to assist with the Government's response to the devastating Canterbury earthquakes of 2010 and 2011. After five years of operation, CERA was disestablished on 18 April 2016.
- 1.2 Within CERA, the Implementation/Central City Development Unit (**CCDU**) set out to drive the rebuild of central Christchurch. The Investment Strategy group sat within that unit and was responsible for retaining, promoting and attracting investment in Christchurch.
- 1.3 In early 2017, investigative journalist Martin van Beynen published a series of articles on alleged conflicts of interest within CERA and CCDU. Due to the serious allegations raised, the State Services Commissioner appointed me to undertake this Inquiry on his behalf on 7 February 2017 pursuant to sections 23(1) and 25(2) of the State Sector Act 1988. The terms of reference are attached as Appendix 1 and the Prime Minister's letter (and discussion on jurisdiction) is Appendix 2.
- 1.4 The Inquiry focused on Murray Cleverley, Simon Nikoloff and Gerard Gallagher (the **subjects**) each of whom worked for CERA in the Implementation/CCDU. I was asked to investigate:
- (a) whether they had any actual or perceived conflicts of interest during their employment at CERA or their subsequent State services employment or governance roles;
 - (b) the management of any such conflicts of interest by them and State services agencies; and
 - (c) any other related matter arising from the course of the investigation that ought to be considered to provide the State Services Commissioner with a complete report.
- 1.5 The State Services Commissioner requested an interim report by 28 February 2017. That timeframe meant that the Inquiry had to focus on specific activities involving Mr Cleverley, Mr Gallagher and Mr Nikoloff, their association with a company called Project and Investment Management Limited (**PIML**) and (in the case of Mr Cleverley only) the Canterbury DHB and property at 32 Oxford Terrace.
- 1.6 The interim report was provided on 28 February 2017. It recorded the results of the Inquiry to that date. A draft final report (with preliminary conclusions) was provided for comment on 10 March 2017. Comments and further material were received from Mr Cleverley on 13 March 2017 and from Mr Gallagher and Mr Nikoloff on 27 March 2017.
- 1.7 The terms of reference covered conflicts of interest of the subjects during their subsequent State services employment. In the case of Mr Nikoloff and Mr Gallagher that was their employment with Ōtākaro. Each provided me with information as to an investigation by Ōtākaro in 2016 and noted that no disciplinary action resulted.
- 1.8 I was provided with information from SSC as to a further process being followed by Ōtākaro (which both men are aware of). The Ōtākaro process related to the current employment of Mr Nikoloff and Mr Gallagher. Mr Nikoloff and Mr Gallagher objected to reference to this further process and stated it was a separate inquiry.
- 1.9 To avoid duplication and in fairness to Mr Nikoloff and Mr Gallagher, I advised in the draft report that it was preferable for the Ōtākaro process to deal with the issues which are relevant to their current employment. It is not necessary for the Commissioner (through me) to duplicate that

process as part of this inquiry. Ōtākaro will in due course have access to this report if it is of relevance.

- 1.10 For those reasons, I have not relied on any material provided to me by SSC relating to the Ōtākaro process in reaching my findings or conclusions in this report.
- 1.11 In relation to Mr Cleverley and Ōtākaro, I have reviewed the material provided to me to see if it has any bearing on my preliminary conclusions (provided to Mr Cleverley). I have considered whether any mention of Mr Cleverley in documents or emails belonging to Ōtākaro are relevant to my conclusions. I have concluded they are not and therefore have not sought any comment from Mr Cleverley on that matter.
- 1.12 Additional information as to the process I followed is contained in Appendix 3.

2 SUMMARY OF CONCLUSIONS

CERA and PIML

- 2.1 The applicable standards for conflicts of interest required Mr Cleverley, Mr Gallagher and Mr Nikoloff to ensure they could fulfil their employment obligations without being affected by personal interests. They could not be involved in activity which might conflict with their responsibilities and were required to get prior written consent to any outside activity. Each had to declare potential conflicts. If they were unsure, they should declare, so that the CERA chief executive could decide.
- 2.2 By September 2014, Mr Gallagher and Mr Nikoloff had a conflict of interest in relation to PIML that required disclosure. They were aware it was a conflict but did not disclose it.
- 2.3 Overall, there was a serious and sustained breach of the applicable standards for which a disciplinary process would ordinarily follow. In particular, Mr Gallagher and Mr Nikoloff's use of PIML and another company for personal gain in CERA-related matters and their omission to disclose this to Mr Wells and CERA.
- 2.4 Whilst I considered whether the conduct might involve provisions of the Crimes Act, it was not my role to reach a view on that. One option is for this report be made available to the Serious Fraud Office and the Director can determine whether the conduct (and any other relevant conduct) is worthy of investigation. There are factors which mitigate against this being criminal conduct.
- 2.5 Mr Cleverley did not know the extent of the activities of Mr Nikoloff and Mr Gallagher (through PIML). He was not aware of the conflict (although he ought to have been). I accept that he thought the substantive activities of PIML were intended to be post-CERA.
- 2.6 Mr Cleverley did not take sufficient care to ensure that either a conflict did not arise through PIML or that the potential for conflict was disclosed. He made an error of judgement in that respect.
- 2.7 The environment CERA operated in was challenging and its employees faced a difficult task particularly as it moved into the reconstruction phase. The question arises as to whether a government entity such as this, established for a finite time with such a commercial operating context, ought to have a different approach to conflict management. I have only seen a very small snapshot of CERA activity and cannot reasonably draw inferences from that alone.
- 2.8 I recommend SSC consider whether the usual approach to conflict management ought to be modified for such organisations. The Auditor-General's recommendations and the Case Study provide general background material. The findings of the Auditor-General support the suggestion that proactive conflict management by CERA was unlikely to be occurring.
- 2.9 On my limited review, however, it seemed to me that the HR processes of CERA were adequate in respect to conflict management. The documentation I saw, whilst not complete, did cover the matter of conflicts in an orthodox manner.

Mr Cleverley, Canterbury DHB and Oxford Terrace

- 2.10 Mr Cleverley was entitled to take the position he did in respect to Canterbury DHB, Silverfin and 32 Oxford Terrace. The choice of becoming a director in Silverfin and continuing to hold that directorship in the circumstances is a matter of judgement for Mr Cleverley. The inclination of the public service is to take a more cautious approach. The less cautious approach tends to draw criticism and Mr Cleverley must bear responsibility for that.
- 2.11 The DHB, the Ministry of Health and State Services managed the situation appropriately and proactively at each stage.

3. APPLICABLE STANDARDS

- 3.1 The State Services Commissioner determined it necessary to inquire into the allegations made in the media to determine whether the State Services Standards of Integrity and Conduct, or other relevant applicable standards have been observed. This section discusses the standards of conduct applicable with further detail provided in Appendix 4.
- 3.2 The primary source of the detailed rules around conflicts of interest are found in the terms of the relevant employment contracts. Parallel and additional rules can be found in the CERA Policies and the CERA Code of Conduct. The relevant provisions are cited in Appendix 4. The CERA Policies and the Code of Conduct do not make a material difference to the applicable standards in the circumstances involved here.
- 3.3 In summary, the subjects were required:
- To ensure their actions were not affected by personal interests or relationships;
 - Not to enter another employment agreement or outside activity which could conflict with their employment obligations or prejudice their ability to perform their duties or bring CERA into disrepute;
 - Only enter another employment agreement or outside activity with the prior written agreement of the Chief Executive;
 - To declare an outside activity which could pose a conflict – that is an outside activity which might interfere with their ability to fulfil their employment obligations. If there was uncertainty, they should declare.
- 3.4 Mr Gallagher had two Fixed term employment contracts (**FTC's**) with CERA. One FTC commenced on 17 February 2014 and was intended to terminate on 18 April 2016. It was superseded by an FTC on 19 January 2015 (again, terminating on 18 April 2016). Mr Gallagher was employed as an Investment Facilitator.
- 3.5 The purpose of that role was to ensure the key work of the Investment Strategy group was delivered in a manner that contributed to the wider work of the investment team and the work programme of the CCDU and CERA. An Investment Facilitator was accountable (amongst other things) for developing and leading engagement processes with the investment community; and coordinating and presenting information to investment parties, interest groups and the public. Each facilitator was expected to apply their extensive private and public sector experience to ensure Central Christchurch was reinvested in a timely and efficient manner. The role was described to me as being a “marriage broker” for investment in the central city. Mr Gallagher and Mr Nikoloff stressed the importance of working with and developing their networks and that they could carry on their own private activity as long as it did not conflict with CERA’s interests.
- 3.6 Mr Nikoloff also had an FTC with CERA as an Investment Facilitator. His agreement commenced on 10 March 2014 and was intended to terminate on 18 April 2016. On 16 January 2015 Mr Nikoloff signed a variation to his FTC that took effect from 22 December 2014 but the relevant terms and conditions remained unchanged.
- 3.7 Mr Cleverley was initially engaged by CERA on short-term contract roles. He then had two FTC's with CERA. The first on 11 February 2013 was for the position of Investment Facilitator. Later in the year, Mr Cleverley was appointed as General Manager, Greater Christchurch Investment Strategy in Implementation/CCDU and entered a further FTC on 28 October 2013. This was a tier 3 position which reported to a Deputy CEO. Mr Gallagher and Mr Nikoloff were business associates and friends of Mr Cleverley before they commenced employment at CERA. That is relevant to the conclusions I reach.

- 3.8 Mr Cleverley said to me that initially (2013) he was contracted for three days a week reporting to Ms McBreen-Kerr. Then he said when he took the General Manager role it was four days a week and he was an employee of CERA rather than a contractor. He obtained permission from the Minister of Health to be an employee of the Crown whilst at the same time being chair of two DHB's (South Canterbury and Canterbury). Mr Cleverley stressed to me that he was an appointed chair of the DHB's, first South Canterbury and then later Canterbury. He stressed that he was appointed for his proven commercial and governance experience, as opposed to being elected to the position of Chair.
- 3.9 The role of Mr Cleverley's team was to retain, promote and attract investment in greater Christchurch by ensuring the investment sector was well informed about the Christchurch Central Recovery Plan and the opportunity for investment in greater Christchurch. Mr Cleverley was responsible for developing and implementing the investment strategy for Greater Christchurch Anchor and Catalyst (non-Anchor) projects. He led a team of Managers and Investment Facilitators in the delivery of Investment and Philanthropic programmes of work across greater Christchurch. Mr Gallagher and Mr Nikoloff were in his team but at the relevant times reported to a manager (Ms Sheila McBreen-Kerr) who in turn reported to Mr Cleverley.
- 3.10 Mr Cleverley (through his lawyer) submitted:
- "At all times Mr Cleverley had multiple other commitments. He accepted these positions as short term fixed term contracts. No conditions were applied to him as to his withdrawal from any of his other extensive public and private sector commitments (nor would he have taken the positions if that had been required). His contract at page 17 explicitly refers to the requirements for his role (knowledge and experience) as including his "extensive networks and well-developed networks in the business sector"."*
- 3.11 I accept this as far as it goes. However, I do not think it is particularly relevant to the situation with PIML which was not an existing commitment and was undeclared. Nor does the requirement to have extensive or well-developed networks mean that the conflict rules changed. Arguably, it required more care to be taken.
- 3.12 Mr Nikoloff and Mr Gallagher stated that they understood they could take on new commitments as long as these did not conflict with CERA's interests. I do not accept it was as simple as that, nor do the documents or contracts support that interpretation.
- 3.13 Mr Cleverley formally left employment of CERA at the end of January 2015 although he explained that in fact he ceased work in December 2014 and utilized accumulated leave. He came in to the office on only two days in January 2015 (effectively to clear his desk). His role with CERA was substantially complete in December 2014.
- 3.14 Both Mr Nikoloff and Mr Gallagher were recruited into the employment of the CERA successor agency, Ōtākaro Limited. They state the recruitment process was rigorous, open and contestable, and included extensive interviews, police checks, full interest disclosures and reference checking. As stated above, that is not something I am inquiring into.
- 3.15 Mr Cleverley stated to me:
- "Our task was to do all that we could to stimulate and facilitate the redevelopment of Christchurch, especially in relation to properties which required repair or new construction but which were in private ownership. Both I and my team were selected for our knowledge and proven experience in property and business development. We were not required to withdraw from our existing business activities (and it was made plain by senior management that we should ensure that we were able to go back to that when CERA ceased to exist); but we were required to separate our personal activities from CERA activities. I did that at all times and my instructions to my team and my management of it applied that."*

3.16 Mr Gallagher and Mr Nikoloff accepted Mr Cleverley gave this instruction. They stated that Mr Cleverley was aware of their activities and did not challenge them or require them to formally declare a conflict. I will discuss this further below. They further stated to me:

“We do not believe that we have breached our obligations in terms of conflicts of interests or perceived conflicts of interests:

- a. We did not use our position to obtain a financial reward;*
- b. When we were employed, we were open about our private business interests and were told these could continue;*
- c. We kept our private interests and our CERA duties separate;*
- d. We did not use confidential information of CERA to our personal advantage;*
- e. We were transparent about our dealings which were approved by in-house counsel at CERA; and*
- f. We were investigated in 2016 by our current employer, Ōtākaro, in respect of our business dealings and possible conflicts of interests and the matter did not proceed to disciplinary action.”*

3.17 Mr Gallagher and Mr Nikoloff further stated:

“When we commenced with CERA, this was on the basis of a recruitment process which had identified our private and public sector experience, capability and relationships. Our employer knew about Gerard's company: Gallagher Grant Limited and Simon's business consultancy: Strategic Advantage Business Advisors. At no time was there any concern about us continuing to operate these private businesses. On the contrary, the reason we were employed was because CERA wanted our experience and networks from the private sector. It was not in CERA's interests for us to stop this private work and we needed to maintain it because our work with CERA was for a fixed term. All of this was open and transparent.”

3.18 Each of the subjects submitted they were not aware of the CERA Code of Conduct. Mr Cleverley stated further that it was not attached to his contract. The FTC refers to the State Services Code of Conduct and Mr Cleverley undertook to operate consistently with that. The FTC also refers to the Code of Conduct (presumably the CERA one although not stated). In Mr Cleverley's acceptance of employment it refers to the Code of Conduct being attached. I have checked with the Department of Prime Minister and Cabinet and am not able to ascertain whether the CERA Code was actually attached. I accept Mr Cleverley's assertion on this and do not think anything turns on whether he knew of the CERA Code of Conduct or not. In similar fashion, I do not think the CERA Code of Conduct makes a difference to the position of Mr Gallagher and Mr Nikoloff.

3.19 Each of Mr Cleverley, Mr Gallagher and Mr Nikoloff completed conflicts of interest forms. Each of those forms contained this wording immediately above their signature:

“If the information I have provided above changes in any material way, I will update the information as soon as reasonably possible.”

3.20 On 16 January 2014 Mr Gallagher disclosed no conflicts of interest in his CERA Confidentiality, Integrity and Conduct Declaration form (**CERA CIC Form**). Mr Gallagher stated that he understood he had no conflicts to declare.

3.21 On 3 March 2014 Mr Nikoloff disclosed the following interests in his CERA CIC Form:

Description of interest	Date(s) of interest	Value of the interest (where applicable)	Other relevant information
Board Advisory. Board positions	Current	\$ 100 - \$500	
Consultant relationship. Grow Mid Canterbury	Current		EQ Rebuild workers accom + Hot Pools Project
Consultancy relationships	Current		Various small business relationships of general nature
Solar Equip importation Business	Current		

3.22 On 7 May 2012 Murray Cleverley disclosed the following interests in his CERA CIC Form:

Description of interest	Date(s) of interest	Value of the interest (where applicable)	Other relevant information
SCDHB			Chair
CREDS			Director

3.23 On 23 October 2012 Murray Cleverley disclosed the following interests in his CERA CIC Form:

Description of interest	Date(s) of interest	Value of the interest (where applicable)	Other relevant information
Chair of SCDHB	Current		
Director of KCL Property	Current		Some property under Management in Chch
Project Adviser to Grow Mid Canterbury	Current		They are doing a project of Workers Accommodation in Ashburton & Methven

3.24 On 11 February 2013 Murray Cleverley disclosed the following interests in his CERA CIC Form:

Description of interest	Date(s) of interest	Value of the interest (where applicable)	Other relevant information
Director KCL	Current		Property Syndication & property mng
Chair of SCDHB	Current		Director
Director NZ Chamber of Commerce	1999-2012		

- 3.25 The first two declarations relate to the period he was a contractor and the final one coincides with the first FTC. No further declaration appears to have been made (or kept) in relation to Mr Cleverley's role as Manager and the second FTC.
- 3.26 A CERA Conflicts of Interest register that was provided to the Inquiry recorded the following conflicts for Mr Cleverley:
- (a) Chair of SCDHB
 - (b) Director of RCL Property
 - (c) Project adviser to Grow Mid Canterbury.
- 3.27 The same register did not record any conflicts for Mr Gallagher or Mr Nikoloff.
- 3.28 Mr Gallagher and Mr Nikoloff submitted that they did not receive the CERA Policies and Code of Conduct referred to in Appendix 4 nor did they get training in them. I accept that for the purposes of this report primarily because I do not think it is sufficiently relevant to make the further inquiries to determine that issue.
- 3.29 There is another aspect to the issue of conflicts which I refer to as the culture and context of CERA and its employees. Each of the subjects and others interviewed talked about this. Reference has already been made to the expectation that private interests would be maintained and that employees were regularly reminded of the need to be prepared to return to the private sector.
- 3.30 This was consistent with the short-term nature of CERA (2011 through until early 2016) and the skill set required for investment facilitators. Mr Gallagher, Mr Nikoloff and Mr Cleverley each referred to this in statements to me (refer above, paragraphs 3.15 to 3.17). 9(2)(a) a colleague, put it this way¹:
- "CERA Upper Management acted as good employers and always made it clear that we had to look after ourselves as employees. We were only there for a short amount of time, so everyone needed to look at future roles inside and outside of the organisation as well as other jobs, and we were encouraged to main external contacts up for when CERA ceased to exist."*
- 3.31 I acknowledge also the Auditor-General's report into CERA² and the comments contained in it regarding potential confusion around policies and procedures. In summary, the Auditor-General stated:
- However, it took a long time for CERA to set up effective systems and controls, which meant that staff had to work in a challenging environment without the usual back-office support and controls that we expect in a public entity. CERA's management controls and performance information needed improvement right up to the time of its disestablishment.*
- 3.32 The Auditor-General further stated³:
- The time it took to establish robust controls and policies created a risky environment, particularly in the emergency phase of the recovery. This meant that CERA's staff were engaged in challenging tasks, many of which involved transactions of significant value, without being able to refer to signed-off policies and procedures. CERA was slow in*

¹ 9(2)(a) statement paragraph 31

² CERA: Assessing its effectiveness and efficiency: Presented to the House of Representatives January 2017

³ Paragraph 2.11

establishing delegation policies, which meant that some financial decisions took longer than necessary.

- 3.33 Mr Cleverley submitted that the Auditor-General findings about weaknesses in internal processes in CERA (including the CCDU) were relevant to my inquiry. He submitted that the Auditor-General's findings were also relevant to the appropriate way of undertaking an entrepreneurial commercial initiative such as the CCDU was tasked with.
- 3.34 The Auditor-General noted, however, that CERA had a high number of employees in the Human Resources area and spent more than equivalent agencies on this. On my limited review, it seemed to me that the human resource processes of CERA were adequate (although not complete) and the documentation I saw covered the matter of conflicts in an orthodox manner. The Auditor-General's report does not appear to contain anything directly relevant to the management of conflicts of interest within CERA.
- 3.35 Mr Gallagher and Mr Nikoloff submitted that they were expected to work their own connections and networks for the Christchurch recovery. They submitted there was an inherent conflict of interest in the role, including receiving information from investors and property owners, and using their experience and reputation to share that information where appropriate.
- 3.36 Each subject relied on the CERA Case Study: *Working with the private sector to redevelop Christchurch's central city*⁴ as providing relevant context. That document relevantly states:
- CCDU needed staff who understood the private sector, could speak their language and grow effective relationships with them. These staff also needed to understand and work within government processes and translate these for the private sector.*
- As investment facilitators needed to understand the needs of businesses, developers and investors, many came from financial or commercial backgrounds.*
- The role of investment facilitators was to help remove some of the transaction costs in the market. They connected developers or investors with the people who needed them and they gathered information to help the private sector plan ahead, such as by finding out about when utilities would be connected.*
- CCDU staff had to handle commercially sensitive information that they learnt through their work. In such situations, they had to find a way of providing as much information as possible to help understand the progress of recovery without jeopardising commercially sensitive processes.*
- 3.37 Mr Gallagher and Mr Nikoloff further submitted that the impact of the refusal by the Minister to sign off the Greater Christchurch Investment Strategy meant they had difficulty in identifying the pathway to attracting investment into the central city and to do their job effectively. They emphasised the complex commercial environmental issues highlighted in the Case Study. They submitted that the highly dysfunctional state of the central city commercial environment in 2014, including the lack of investment ready opportunity, large scale investor flight, lack of investor buy-in to the Blue Print, the poor reputation of CERA and the financial uncertainty surrounding the Christchurch City Council all were relevant considerations.
- 3.38 I accept that the environment was a challenging one and that CERA and its employees faced a difficult task particularly as it moved into the reconstruction phase. I also accept that the findings of the Auditor-General support the suggestion that more proactive management of conflicts of interest by CERA was unlikely to be occurring.

⁴ EQ Recovery Learning document published 18 April 2016

- 3.39 Beyond that, I do not see the Auditor-General's findings or the CERA Case Study or the commercial environment generally as significant to the management of conflicts of interest of this nature in these circumstances. There is nothing in the Auditor-General's findings or the CERA Case Study to support a conclusion that conflicts of interest should have been (or were) managed in other than the orthodox way (in accordance with the applicable standards as described here).
- 3.40 Mr Gallagher and Mr Nikoloff submit that others employed by CERA had significant private sector interests and dealings. They provided examples. That is something which DPMC (as successor to CERA) or Otakaro may wish to examine further. I am not able to inquire into those matters, including whether those interests involved a conflict, were declared and/or were authorised.
- 3.41 The question arises as to whether a government organisation such as this, established for a finite time with the context referred to above ought to have a different approach to conflict management. I have only seen a very small snapshot of CERA activity and cannot reasonably draw inferences from that alone.
- 3.42 I recommend that consideration is given by SSC to whether the usual approach to conflicts (and the management of them) ought to be modified for such organisations. The Auditor-General's recommendations and the Case Study provide general background material.

4. DISCUSSION – PIML⁵

Mr Gallagher and Mr Nikoloff

- 4.1 In early April 2014 Mr Gallagher and Mr Nikoloff referred to the property at 159 Hereford St and the YHA property (Manchester St) in their weekly CERA Investor Relations reports. BVL04.002/4. The fact the YHA property was for sale was apparently well-known.
- 4.2 On 20 May 2014 Mr Clarke of CERA introduced Mr Gallagher and Mr Nikoloff to the CEO of YHA, Mr Wells. The email set out that YHA were interested in the development of a new facility and that Mr Gallagher and Mr Nikoloff may have information useful in identifying a site or building. Mr Wells responded that he would contact them the following week. Contact followed and a meeting was arranged. BVL01.001/2.
- 4.3 In July 2014 Mr Nikoloff and Mr Gallagher appear to have agreed with Mr Cleverley to set up PIML. BVL02.001.
- 4.4 Also in July, Mr Gallagher drafted a letter to the owners of 209 High Street proposing that PIML purchase that property. The letter followed an earlier draft that was sent to Mr Nikoloff. In his letter Mr Gallagher stated *“in case of any potential conflict, I have declared this interest to my employer CERA”*. The letter contains a detailed purchase proposal by PIML. BVL02.002/5.
- 4.5 At interview, Mr Gallagher was unable to point to evidence that he had declared this interest to his employer (save as further discussed below). No one has identified a document where either Mr Gallagher or Mr Nikoloff or Mr Cleverley record or declare their interest in PIML while employed by CERA. Mr Nikoloff and Mr Gallagher submit that they have not had access to all their CERA emails and that all parties are reliant on the software search to produce relevant correspondence. I accept that point. They express concern there are other emails which might exist to further illuminate the events under investigation and this is not fair. I have to deal with what has been recovered by thorough forensic search. The position remains that no such document (email or otherwise) has been identified.
- 4.6 On 13 August 2014 PIML was incorporated with Mr Nikoloff as the sole director. The shareholders were Mr Nikoloff, Mr Gallagher and Mr Cleverley. Each signed a consent to be a shareholder. BVL01.003/10.⁶
- 4.7 On the same day, there is an outlook calendar appointment at 3pm organised by Mr Cleverley with invitees Mr Nikoloff, Mr Gallagher and another CERA employee ^{9(2)(a)}. The meeting may have been about PIML. Mr Cleverley accepted this was likely but he did not recall it. BVL03.001
- 4.8 A further meeting on 3 September 2014 appears to have been held. Mr Gallagher and Mr Nikoloff supplied minutes of that meeting which were headed “PIMCO Meeting Notes”. The minutes were sent on 4 September to each of the subjects and ^{9(2)(a)}. They primarily deal with the company structure and Kennett House, but go on to talk about other projects including the YHA site.
- 4.9 On 4 September 2014 Mr Nikoloff sent an email to Mr Wells (YHA) copied to Mr Gallagher which said:

⁵ The references to BVL are to the numbering of the Beattie Varley Limited documents identified as such and made available on dropbox.

⁶ I note that Mr Nikoloff also incorporated a subsidiary of PIML. Mr Cleverley was unaware of this.

Good morning Mark,

Following on from our conversation earlier today and meeting a few weeks back, I confirm we

are working with a party who have expressed interest in purchasing this building.

The party are serious, commercially experienced buyers and will complete their due diligence

expediently. Terms and conditions are expected to be minimal, i.e. subject to engineering reports and usual due diligence. BVL01.012/14

4.10 Mr Nikoloff gave further details and invited Mr Wells to contact him. Mr Wells responded saying he was interested in meeting to discuss.

4.11 Mr Nikoloff and Mr Gallagher then emailed each other to agree on the next steps including Mr Gallagher meeting with Mr Wells. The emails appear to be uncertain as to who the investor was. For example, Mr Nikoloff emailed Mr Gallagher (in relation to Mr Wells) *"He's left a message and he's as keen as. Not sure what to do from here."* Mr Gallagher responded:

"Well. Mmmmm. How about I meet with him. I'm happy to do that and say that it is too short notice for the investor to meet and just convince him that we/they are serious. Maybe say the investor is from Ashburton and not available. I could ask [name redacted for the purposes of this report] if I could use his name and profile. What do you think?"
BVL01.012/014

4.12 It appears to me from the emails and interviews that Mr Nikoloff and Mr Gallagher either did not have a specific investor at that time or intended to keep the identity of any investor secret for their own purposes. Mr Nikoloff and Mr Gallagher said at interview that this was because of the reluctance of the investor to disclose their identity and that was not unusual in this kind of transaction.

4.13 In my view the documents suggest that Mr Nikoloff and Mr Gallagher were misrepresenting the position as to either the existence of an investor or the identity of the investor. Mr Nikoloff and Mr Gallagher submit that is wrong and upon further review and recollection have provided more detail as to the investors involved and the position of PIML. I have considered that and do not think it materially changes the position. The emails speak for themselves. That said, I accept their points that they were trying to get investors, they did contact a range of possible investors and that PIML was not intended to be the ultimate owner of the property.

4.14 After advising Mr Wells that he would try and contact the investor and then advising the next day that he could not do so, Mr Gallagher met with Mr Wells on 5 September 2014 (at the CERA premises) and signed a Confidentiality and Non-Disclosure Agreement. He signed as follows:

*"Gerard Gallagher – Representing an Investor
Investment Facilitator
CERA – CCDU"*

BVL01.015/018 and BVL01.019/025

4.15 Mr Gallagher advised Mr Wells that the investor was happy for Mr Gallagher to sign the confidentiality agreement on the investor's behalf. BVL01.019/025. At interview, Mr Gallagher and Mr Nikoloff were not clear as to the precise identity of the investor and the possibilities raised by them did not sit easily with the contemporaneous documents. Those documents suggest there may not have been a specific investor at that time.

- 4.16 On 8 September Mr Gallagher emailed a potential investor (the one discussed in paragraph 4.11 above) introducing the YHA investment opportunity and asked to set up a meeting. The potential investor agreed to meet the next day. BVL01.026/28
- 4.17 Later that day, Mr Gallagher prepared and sent a Ministerial Weekly Status Report which contains reference to the YHA transaction and that he was to meet with the investor for “a decision on uptake”. BVL01.029/030. It named the company of the potential investor who confirmed to me that he was interested at one stage in the process. It is evident that Mr Gallagher considered this aspect as CERA business (by virtue of including it in the Ministerial report).
- 4.18 On 9 September Mr Gallagher emailed Mr Wells (copy to Mr Nikoloff) saying that “our investor will now proceed with DD [due diligence]”. On the same day Mr Gallagher sent himself a task list for the YHA property including the role of PIML. BVL01.031/038
- 4.19 The next day Mr Gallagher approached his potential investor to ascertain his interest in the property (this was the same person that he and Mr Nikoloff had discussed using the name and profile of).
- 4.20 On 15 September, Mr Gallagher communicated with the potential investor and asked him if the investor’s brother might be interested in the YHA opportunity. He also prepared another Ministers Weekly Status Report and noted his investors name in it. BVL01.039/043.
- 4.21 On 18 September Mr Gallagher advised Mr Wells that the investor’s lawyer, Lane Neave, were preparing a sale and purchase agreement for the Manchester Street property. At the same time, Mr Gallagher instructed Lane Neave to prepare the sale and purchase agreement in the name of a shelf company (initially YHA Investments, then ultimately Manchester St 273 Limited). BVL01.044/061
- 4.22 As at this point, the documents suggest that Mr Gallagher and Mr Nikoloff did not have a specific investor (as represented to Mr Wells), rather they instructed Lane Neave to form a company which would enter into a sale and purchase agreement with Mr Wells (YHA). The impression given to Mr Wells was that the investor was a specific (but anonymous) party distinct from Mr Gallagher/Mr Nikoloff.
- 4.23 Mr Gallagher and Mr Nikoloff stated to me⁷:

“We instructed our lawyers to create a company to put in an offer to preserve the position so we could get due diligence out to the investors. The company was Manchester St 273 Limited. We used a vehicle common to many commercial transactions which is to have a lawyer set up a company. This was because we did not have the investors on board to set up a company and we were not ever going to be the purchasers. The investors were to be the purchasers. We hoped we could then offer project management services.”

- 4.24 They further stated⁸:

“We are confident we spoke with Mark Wells about our involvement in September 2014, to see if he would have any objection to us becoming involved as project managers. Unfortunately, we have not found anything in writing to confirm this. We know we talked with him about it and we know that his only concern was to get the sale.”

⁷ Paragraph 43

⁸ Paragraph 47

- 4.25 Mr Wells denied this occurred. He said he was not made aware that the purchaser company was in fact established by Nikoloff/Gallagher. Mr Nikoloff and Mr Gallagher reiterate to me they did tell him of their involvement at least in respect to project management.
- 4.26 I do not accept Mr Nikoloff and Mr Gallagher's account in this respect. The chronology and documents suggest that the identity of the investor was initially kept from Mr Wells and that Mr Nikoloff/Mr Gallagher were attempting to inject their own company into the transaction to advance their personal interests (without Mr Wells being aware of that). I do accept, however, that they did have potential investors, did later let Mr Wells (through his lawyer) know the identity of some of those, and PIML was not going to be the ultimate owner of the property (although PIML may have held a share of the ownership).
- 4.27 The purpose of establishing and using Manchester St 273 Limited was further demonstrated by the "YHA flyer" (BVL01.071/73.) sent by Mr Nikoloff to another potential investor. The flyer said "Our investment company PIMco has the contract on the building."
- 4.28 By this stage (at the latest), having been introduced to Mr Wells in a CERA capacity and now seeking to advance their personal interests (through PIML), Mr Nikoloff and Mr Gallagher had an actual conflict of interest which required disclosure. Such an activity required the prior written agreement of the CEO of CERA or their delegate.⁹ Neither Mr Wells nor CERA was aware of PIML's involvement or that Gallagher and Nikoloff were behind it and Manchester St 273 Limited.
- 4.29 Mr Gallagher and Mr Nikoloff submit that their "purpose was to get a sale of the YHA through investment partners and to create a project management vehicle" for themselves. They submit they did not perceive a conflict of interest and they believed their interests were aligned with CERA's. This is difficult to reconcile with other evidence, in particular Mr Gallagher's recognition of a possible conflict involving the High Street property (refer paragraph 4.4 above), the conversation with Mr Dale below nor with the experience and expertise of these two men. It is more likely, in my view, that they chose to keep the activities of PIML unknown to the CERA executive in their own interests.
- 4.30 Mr Gallagher and Mr Nikoloff through their lawyer submitted to me that:

"...our clients' have told us about a meeting they had with lawyer Gerard Dale from Lane Neave, at which Murray Cleverley was also present. Gerald Dale was advising CERA. They believe that meeting was in July 2014. In that meeting they told Mr Dale about the difficulties with investment and that they were looking to set up a company to create a vehicle for investment partnership and project management in order to get some investment into Christchurch. Mr Dale advised our clients to clear any conflict of interest internally and he would clear the proposal with CERA.

Secondly, our clients were told by Lane Neave (Gerald Dale) that they had an arrangement with CERA that before they acted for CERA staff on any property transaction, CERA was advised about it. Our clients engaged with Lane Neave (Ashley Taggett) on the understanding that CERA would be advised of the work. We believe Lane Neave will have told CERA about the property transactions our clients were putting through their firm."

- 4.31 Mr Dale of Lane Neave stated:

"I do not recall a meeting in July 2014 with Murray Cleverley, Gerard Gallagher and Simon Nikoloff with the suggested topics of discussion. My diary and time records do not indicate a meeting around this time. However, do I recall a business/marketing lunch with them in late June 2014 where some of the suggested topics were discussed. My diary and time records indicate I had lunch with them on 25 June 2014. I recall that the attendees at the

⁹ Paragraph 30.2 of each FTC as outlined in Appendix 4

lunch were Chris O'Brien, Murray Cleverley, Gerard Gallagher and Simon Nikoloff. The lunch continued a conversation started by Murray Cleverley and Gerard Gallagher at CERA in late May 2014 concerning investment vehicles, which I understood fell within Murray Cleverley's portfolio. At issue was how the Crown could establish or encourage the establishment of investment vehicles to assist the redevelopment of Christchurch. The lunch covered a wide range of investment topics including structures (funds, unit trusts limited partnerships, companies etc.) alongside the state of the investment market, the insurance market, construction activity, their past roles with an investment fund and business in general. About 30 minutes of the lunch dealt with how CERA could establish an investment vehicle but that was incidental to a wide-ranging business/marketing discussion.

We did not discuss conflicts of interest as it was not relevant to the subject at hand. I can confirm that as this was CERA related, I had verbally advised Bronwyn Arthur of our discussions. I recall doing so after the initial May 2014 meeting and again after the late June 2014 meeting. I recall the meeting and discussions because they piqued my interest as I practice in financial markets. I later understood from Bronwyn the matter was not progressing.

In early September 2014, with the consent of Gerard Gallagher and Simon Nikoloff, I very briefly met with Bronwyn Arthur to verbally disclose that they were at that stage looking to set up a property investment business intending to purchase property in Christchurch and that upon my becoming aware of this that I had talked to them about conflicts of interest and the necessity of obtaining internal approvals as a consequence. My discussion did not deal with specific transactional details – I was not aware of them."

4.32 Ms Arthur stated:

"In terms of the conversation which Mr Dale says happened in early September, I consider that this was just part of Lane Neave's and my normal "hygiene". Lane Neave (especially Mr Dale) did a considerable amount of work for CERA. It was, therefore, reasonable for him to check with me if I saw a potential conflict for him working for other clients (regardless of whether they were CERA staff or not). This was a conflict of interest issue as between CERA and Lane Neave and had nothing to do with me approving what staff could use Lane Neave or whether what the staff were doing outside of work was in conflict with CERA.

As noted, I have no recollection of this specific conversation but if what I was advised was that Lane Neave was assisting Simon and Gerard to set up a company (or even an investment vehicle) I would not have seen the legal work of establishing such a thing for two staff members as a conflict with the work that Mr Dale was doing for CERA. I am sure that if there had been details about a specific transaction which conflicted with CERA's interests Mr Dale would have advised me as we had a close working relationship and saw each other frequently."

4.33 Mr Cleverley submitted through his lawyer that the only meeting he attended of the nature described was with Mr Dale at the Canterbury Club. His recollection was that the meeting was to consider ways of facilitation of overseas investors into Christchurch. He does not recall the date nor any mention of PIML. Otherwise, Mr Cleverley stated he had no knowledge of the matters outlined in 4.30 to 4.32 above.

4.34 My conclusion on this issue is that Mr Gallagher and Mr Nikoloff are amalgamating two separate events. The first a lunch where the conversations were not concerned with PIML nor with conflicts of interest. The second a discussion with Mr Dale in or around September 2014. In further submissions to me, Mr Gallagher and Mr Nikoloff accept this is correct.

4.35 In my view, the second discussion was not sufficiently specific to amount to a disclosure of a possible conflict of interest. In an ideal world, the matter would have been followed up and any uncertainty clarified. The obligation of disclosure is, however, on the employee. They have not only the obligation, but the greatest knowledge of the issue and the potential for conflict. As

outlined above, in situations of uncertainty the employee should disclose and seek approval. It would be unusual to do so through lawyers and unlikely to be effective given the limitations of knowledge and legal privilege.

- 4.36 The interaction outlined above supports that Mr Gallagher and Mr Nikoloff would have been aware of a situation of conflict (or at least an issue that required disclosure) by at the latest September 2014.
- 4.37 Mr Gallagher and Mr Nikoloff maintain they did give specifics to Mr Dale about the activity of PIML. They submit that Mr Dale's firm Lane Neave did have knowledge of it (Mr Taggart). They also submit through their lawyer that the information held by the law firm Lane Neave was held by all partners (including Mr Dale) and that Lane Neave and Mr Dale had an obligation to ensure they were not acting against their client's interests (CERA).
- 4.38 The obligation to declare conflicts (potential and actual) is with the employee. Whether Lane Neave held the information or had a conflict is not the point. Lane Neave were not obliged to disclose to CERA the details of the Gallagher/Nikoloff instructions without specific consent or instruction to do so from Gallagher and Nikoloff. Mr Dale did not have the information (as a matter of fact) and Mr Taggart (who did) was not instructed to disclose. Lane Neave did not have all the relevant information either. I do not, therefore, accept the submission and the further arguments on this point as relevant.
- 4.39 To continue the chronology, Lane Neave prepared the Sale and Purchase Agreement in the newly incorporated company, containing an offer for \$2.2m, and on 22 September sent it to Mr Wells. On 25 September 2014 Mr Wells countersigned that offer at \$2.3m. Mr Gallagher (copied to Mr Nikoloff) instructed Lane Neave to countersign and accept that figure, which was then sent to Mr Wells. BVL01.062/067
- 4.40 In late September and early October 2014, Mr Gallagher and Mr Nikoloff continued to deal with Lane Neave in respect of the deposit to be paid on the purchase of 209 High Street (Kennett House). It appears to me that the arrangement was to be that PIML would take a third share in the property with a deposit of \$10,000 to be paid for PIML's third share.
- 4.41 Mr Gallagher, Mr Nikoloff and Mr Cleverley contributed \$2,500 each with the other CERA employee 9(2)(a)) also contributing \$2,500. 9(2)(a) was not a shareholder in PIML. BVL02.006/010. This appears to have been a personal residential property development (i.e. an apartment for each of them) and the contribution was for a deposit on that. It is not clear why PIML needed to be involved in the purchase but there was the potential for project management by it.
- 4.42 On 6 October 2014 Mr Nikoloff sent Mr Cleverley a Heads of Agreement between PIML and the owner of the property at 159 Hereford Street. The document described the "Key Personnel" of PIML, including Mr Cleverley, Mr Nikoloff, Mr Gallagher and 9(2)(a) . The Heads of Agreement appears to record that PIML will earn a \$350,000 Project Management Fee. BVL02.060/065
- 4.43 As noted above, weekly reports prepared by Mr Gallagher and Mr Nikoloff (including those said to be for the Minister) contain references to the properties under review including on 6 April 2014 – 159 Hereford Street. BVL04.002
- 4.44 An agreement between PIML and the owner of 159 Hereford St, a property which Mr Nikoloff and Mr Gallagher dealt with as CERA employees, would place them in a situation where their duties to the Chief Executive of CERA could be affected by another interest they have. In short, their duty to advance the interests of CERA (including facilitating the flow of information and investment between investors and owners) could be affected by their own personal interest in PIML and the Heads of Agreement advanced.

- 4.45 Mr Gallagher and Mr Nikoloff submit this conclusion is wrong because they had no obligation or mandate to obtain the best sale price, terms or conditions for any property in Christchurch, nor did they act for property owners nor were they real estate agents. Their obligation was, however, to facilitate the flow of information leading to investment. Their own personal involvement through PIML was likely to conflict with that (for obvious reasons). Mr Gallagher and Mr Nikoloff state that there was no risk that their role at CERA would be compromised by the transaction. I do not agree, but more importantly that is an assessment (and decision) which CERA through its Chief Executive was entitled to make.
- 4.46 In October and November 2014 Mr Gallagher and Mr Nikoloff continued to email potential investors to offer the opportunity to invest in the YHA building. One email stated that *“our investment company Project Investment Management Limited has the contract on the building . . .”* A marketing document was also created which stated:

Shareholding

- *On offer a shareholding of minimum 60% (\$3m)*
- *Project & Investment Management Limited balance*

And further stated:

About Project & Investment Management Limited (PIMCo): *PIMCo is a private company with four commercially experienced business partners. PIMCo provides project and investment management services to clients and locates investments and presents opportunities to clients, partnering with clients on a value add basis.*

- 4.47 The document ends:

Primary Contact

PIMCo Director

Simon Nikoloff

(personal email and mobile omitted) BVL01. 069/073 & BVL01.083/086

- 4.48 At interview Mr Cleverley said that this document was very similar in format to a CERA document. On first reviewing it (when he received it as part of this inquiry) he did not appreciate it was a PIML document, such was the similarity. The potential for confusion and conflict in such a situation is obvious. Mr Gallagher and Mr Nikoloff maintain CERA never produced any private sector marketing documents like this. I put this to Mr Cleverley who acknowledged this document may have been in more detail than the CERA “one page” presentations he recalled but he said the layout was similar to those produced and used by CERA.
- 4.49 In early December 2014 Mr Gallagher sent the marketing document on the YHA property (above) to a potential investor, the Tulla Group, represented by Mr Kevin Maloney and Mr Ewen McKenzie. The email stated:

From: *Gerard Gallagher*

Sent: *Tuesday, 2 December 2014 4:46p.m.*

To: *'Kevin Maloney'*

Cc: *Simon Nikoloff*

Subject: *RE: Ewen McKenzie contact details*

Hi Kevin & Ewen,

Good to catch up today. Find attached all the information on the YHA at 273 Manchester St. 159 Hereford Street to come

I have given you a sample of the YHA DD and engineering reports.

I will bring a hard copy of the numbers for both.

See you at 5pm

Gerard

BVL01.094/099

- 4.50 A meeting followed and the further information was provided. The following email records the next step:

From: Gerard Gallagher [mailto:gerard@gallaghergrant.co.nz]

Sent: Wednesday, 3 December 2014 7:12AM

To: Kevin Maloney; Ewen McKenzie

Cc: Simon Nikoloff; Murray Cleverly

Subject: YHA

Hi Kevin & Ewen

I expect you are flying now - as promised here is a summary of the options for you in regards the acquisition of the YHA building on Manchester Street as discussed last evening.

This is my personal business email which is appropriate to use in this case.

We are using Project and Investment Management Ltd (PIMco) to complete this transaction - this company shareholders are Murray, Simon and myself. I am sure the boys informed you of our ability to do these types of transactions.

- 4.51 The email described two options, the first described as “No Risk Option” with a total price of \$5m and PIML taking responsibility for repairs, tenants and management. The second was described as “Risk Option” and had a payment of \$2.6m with \$2.3m for the building and \$300k for PIML. The \$300k was described as “cost of DD and Finders Fee”. BVL01.0100/102. Mr Gallagher and Mr Nikoloff supplied me with a statement dated 20 March 2017 from Mr Edge of Global Edge Limited which explained that the finders fee was payable to Global Edge as a result of their involvement in introducing PIML to Tulla Group.
- 4.52 During December 2014 Mr Gallagher and Mr Nikoloff continued to progress a potential on-sale of the YHA building to the Tulla Group and other potential investors.
- 4.53 Again, Mr Gallagher and Mr Nikoloff created a situation where their duties to the Chief Executive of CERA could be affected by some other interest they have. In short, their duty to facilitate investment (and the flow of information to that end) for the redevelopment of Christchurch could have been affected by their own personal interest in PIML. For example, if in their CERA capacity they had learned of an offer better than that of PIML’s. Or if they were aware of information as a CERA employee which was contrary to PIML’s interests but unknown to the vendor. CERA ought to have been advised of their activity in PIML and given the relevant information to decide whether it was acceptable. From my inquiries, I conclude that it was not.
- 4.54 In December 2014 or January 2015, Mr McCulloch (an associate of Mr Maloney) and Mr McKenzie visited Christchurch and approached Mr Wells directly to facilitate the purchase of the YHA building. The purchase was agreed between them. Mr Wells said that it was at this time that he became aware of difficulties that Tulla was having with Mr Gallagher and Mr Nikoloff at CERA and was advised (in confidence) of their request for a finder’s fee. He was not made aware, and did not know of, PIML.

4.55 As earlier recorded, Mr Gallagher and Mr Nikoloff stated to me¹⁰:

We are confident we spoke with Mark Wells about our involvement in September 2014, to see if he would have any objection to us becoming involved as project managers. Unfortunately, we have not found anything in writing to confirm this. We know we talked with him about it and we know that his only concern was to get the sale.

4.56 Mr Wells is clear that he did not know of their personal involvement. He thought any project development would be done by the property's purchaser.

4.57 I accept what he said and do not accept that Mr Gallagher and Mr Nikoloff told him they were involved in a personal capacity in the sale and purchase.

4.58 Mr McCulloch says that the reasons he went directly to YHA was because of discomfort that Mr Gallagher and Mr Nikoloff were doing a deal on behalf of their private company and at the same time working for CERA. He was also concerned at the request for a finder's fee. When he spoke with Mr Wells, that was the first occasion Mr Wells heard of the involvement of Mr Gallagher/Mr Nikoloff in another capacity (PIML).

4.59 In relation to PIML generally, Mr Gallagher and Mr Nikoloff stated to me¹¹:

33. *On 13 August 2014, we set up a company Project and Investment Management Limited (PIMCO). Its name speaks for itself in terms of what we wanted to do, based on the gap in the market. It also fitted our skill set and, by then, we had bought into the rebuild of the city. While we could see the problems and we could see the way to "get on and do it" in the private sector. [The other CERA employee], with whom we worked at CERA, was initially interested but he did not take this any further.*

34. *We approached Murray Cleverley ("Murray") to be a shareholder as we were aware of his reputation as a professional director on a property development company. We believed he would be a good person to have associated with the business. We held 333 shares each and Murray held 334 shares. Simon was listed as the director.*

35. *We spoke with in-house counsel at CERA (Patricia Noble) explaining our situation and asking if there was a potential probity issue and any perceived conflict with the establishment of PIMCO and our involvement with purchase and project management after a property had been bought. Patricia said there was no probity or conflict and she said we could do what we like outside of our CERA work. We spoke with Patricia on more than one occasion and across all our work and interests, not just Hereford Street. She was fully familiar with our work streams. We worked closely together. While she knew about our private interests, she was not involved in any of them. We believe Patricia should be interviewed about this.*

36. *PIMCO never traded, transacted any money or any type of business. We deregistered the company in October 2016.*

4.60 Ms Noble was asked for comment on the suggestions above. She responded as follows:

Gallagher and Nikoloff say that they approached me to check out the establishment of PIMCO along with their involvement with purchase and project management after a property had been bought. That did not happen.

Prior to questioning Gerard Gallagher and Simon Nikoloff about their involvement with the Youth Hostel Association (YHA) property in Manchester Street, I did not know about Property Investment Management Limited (referred to as PIMCO by Gallagher and Nikoloff) or how

¹⁰ Paragraph 47 Joint Statement dated 23 February 2017

¹¹ Paragraphs 33 – 36 Joint Statement 23 February 2017

it worked in the Christchurch investment market. Prior to asking Gerard and Simon to meet with me, and this was through 9(2)(a) who worked with them and who I knew, I was not aware that company had been established or what it did.

My only knowledge about PIMCO, just before asking to asking to meet with Simon and Gerard, was a passing comment in a social context, that the YHA Australian investors had to go through PIMCO and Gerard and Simon as CERA's investment guys to get property deals done in Christchurch.

At that time I had no knowledge about finders fees or other proposals that had been put to the Australian investors on YHA. I think this was late October/early November 2014 and I met with Gerard and Simon within one week of that comment from the Australian YHA investors being in Christchurch.

When I asked Gerard and Simon about the YHA property and what they were doing, they explained to me that PIMCO was a project management company, that property owners could choose to engage with, that the company was not operational, and it did not even have a bank account. They both denied that they were channeling property owners and investors though PIMCO and that such an inference had been a mistake on the investors part.

I told them, categorically, regardless of whether the company was operating, they had a conflict of interest that they needed to declare. On the information I had at the time, I assessed this as a perceived conflict that they both needed to declare to CERA.

Neither Gallagher nor Nikoloff disclosed to me the extent of the representations that PIMCO had made to third parties. Had I known about the extent Gallagher and Nikoloff's representations to the YHA investors on finder's fees and purchase propositions, conflicts aside, I would have immediately reported this to Warwick Issacs.

- 4.61 Ms Noble is adamant that she did not advise Mr Nikoloff or Mr Gallagher that they had no conflict.
- 4.62 Ms Arthur confirmed Ms Noble's recollection that the issue (of Mr Gallagher and Mr Nikoloff's involvement in the YHA transaction) had arisen by way of an informal conversation with the Australian investors (Tulla) when she was present.
- 4.63 Mr Nikoloff and Mr Gallagher maintained at interview that they raised the issue with Ms Noble and that she had said words to the effect that there was no conflict and if it was in their own time then they could do what they wished. They maintained this in further submissions to me and supported this with a chronology of events which was contrary to that recounted by Ms Noble. I do not propose to reconcile the differing chronologies or timings as they do not advance the central issue.
- 4.64 I am unable to accept Mr Nikoloff and Mr Gallagher's account of the conversation with Ms Noble. It is not supported by documentary disclosure or by the tenor of the documents that do exist. It is counter-intuitive and contrary to the accounts of Ms Noble, Ms Arthur and the Tulla Group (Australian) investors. Neither Mr Isaacs, nor Ms McBreen-Kerr nor relevant others were aware of the existence of PIMCO or its involvement in this transaction. It is inherently unlikely that Ms Noble would have said what is suggested (as compared to others such as Mr Dale).
- 4.65 In January 2015 Mr Gallagher had continued contact with Mr Maloney including inquiring as to progress on the YHA property.
- 4.66 On 2 February 2015 Mr Wells advised Mr Gallagher that the sale of Manchester Street (YHA building) had been completed including settlement. It transpired that the building sold for approximately \$1.8m. BVL01.134/139

4.67 Mr Gallagher and Mr Nikoloff stated to me¹²:

60. *While we were naturally disappointed at the loss of work for PIMCO (see document BVL01.141), we were delighted that the sale of the YHA had gone through and due to our efforts. I rang Mark Wells to confirm the sale had occurred and sent him a congratulatory email (see document BVL01-134).*

61. *What the documents throughout this show is that we were using our CERA emails for the investor aspect of the transaction and predominantly using our personal emails for the potential role for PIMCO. We acknowledge that sometimes this slipped but we do not believe that anyone had doubt about where the line was between our role of encouraging investment into Christchurch and our private interest in offering property management services.*

62. *Importantly - we did not think we were doing anything wrong and believed we had sign off by our employer. We did not try to hide these conversations in the emails and were transparent throughout.*

4.68 I disagree that Mr Gallagher and Mr Nikoloff were predominantly using their personal emails for the potential role for PIML. They submitted six email chains as attachments to their statement to me – each of which appeared to be recovered from personal emails. Even those chains contained emails from their CERA addresses. This can be contrasted with the hundreds of emails recovered from their CERA files many of which are referred to in this report. In further submission, Mr Gallagher and Mr Nikoloff state they agree that most of this work was transacted through CERA because they did not think they were doing anything wrong. To originally submit they were predominantly using personal emails does not assist their credibility in my view.

4.69 I also disagree that the line was clear between their role of encouraging investment into Christchurch and their private interest in offering property management services. It was not clear. Mr Wells, for example, was not aware of such a line at all.

4.70 Finally, I do not accept the statement that each believed they had sign off from their employer. There is no documentary or witness support for that. None of the relevant emails appear to have been copied to their manager or to someone senior enough to give sign-off for CERA. No one suggested that Mr Cleverley had authorised their activity and I do not accept their belated suggestion in final submissions that he effectively did.

4.71 In January 2015 and onward, there were further documents and communications regarding PIML. These were predominantly involving Mr Nikoloff and Mr Gallagher, but on occasion they included Mr Cleverley. These encompassed issues such as a business plan, a bank account, a logo and the payment of legal fees to Lane Neave. I note that by this stage Mr Cleverley was no longer employed by or present at CERA.

4.72 A schedule of Lane Neave accounts was sent by Mr Nikoloff to Mr Gallagher in May 2015 (BVL01.147). The schedule recorded fees on six projects including 273 and 120 Manchester St, 177 and 207-209 High St, 75 Carlton Mill Road and 159 Hereford St.

4.73 Immediately following the direct sale of the YHA property to the Tulla interests, Mr Nikoloff sent an email to Mr Gallagher, Mr Cleverley and the other CERA employee. It set out 8 bullet points including that *“in their role as Investment facilitators (i.e. their CERA role) they had introduced numerous parties to numerous investments in the CBD including the YHA Building”*. It also stated:

“For this we could earn project and management fees, share in cost savings and share in operational profits” and “In our private capacity we undertook detailed engineering and

¹² Joint Statement 23 February 2017 paragraphs 60 - 62

refurbishment evaluation and costing, provided detailed market evaluation, development and business plans and a full business case.” BVL01.140/141

4.74 This has the appearance of a self-serving script. It was not entirely accurate and could have misled CERA as to their involvement both in the CERA capacity and in a private capacity. Again, Mr Gallagher and Mr Nikoloff maintain the contents are accurate and that it supports their belief they had done nothing wrong. I do not agree. For example, contrast their concession above that most of the work was transacted through CERA with the suggestion in the document above that extensive work was done in their private capacity for which they could be paid.

4.75 On 11 February 2015 Mr Nikoloff emailed a letter dated 9 February to his home address. The letter comprised a proposal whereby PIML would prepare a bid on behalf of an investor and earn a \$10,000 fee in return. Again, this sort of conduct would require declaration and clearance.

4.76 On 12 May 2015, Mr Nikoloff sent an email to colleagues at CERA including to Mr Gallagher enclosing a ‘Case Study’ the subject of which was the YHA property at Manchester Street. BVL01.144/145

4.77 The case study stated that the “key message” was:

“Our intervention resulted in 2 competitive bidders, accelerated the sale and redevelopments, providing confidence”.

It also stated under *the* heading “Our Intervention”:

“Work with CCC, Obtain engineers reports, Locate potential parties, and Create interest (2 parties on the hook)”.

In closing it stated (under the heading) “Without Intervention” that “The building possibly would not have sold, missed opportunity, reduced sale price. Safety and security”.

4.78 The email was misleading and omitted the personal involvement of Mr Gallagher and Mr Nikoloff in the transaction. Like the “script” referred to in paragraph 4.74, this email appears to have been a conscious misrepresentation.

4.79 Both documents reinforce my conclusion that Mr Nikoloff and Mr Gallagher were aware this was a conflict situation which they avoided declaring. Mr Gallagher and Mr Nikoloff stand by the document notwithstanding that it has a section “Our Intervention” which omits any mention of their setting up a company and entering into a sale and purchase agreement with the vendor.

4.80 I record here that Mr Sutton, Mr Ombler, Ms Fleetwood, Mr Isaacs and Mr Ewart all state that they had no knowledge of PIML or of the activities of Mr Gallagher or Mr Nikoloff in relation to it.

4.81 Mr Isaacs said that if he had known, he would have taken decisive action. Mr Ewart’s view was the behaviour should have been declared. This simply reinforces my conclusion.

Consequences for Mr Nikoloff and Mr Gallagher

4.82 The matters outlined above (in particular the use of PIML and another company for personal gain in CERA-related matters and the omission to disclose their activities to Mr Wells and CERA) are a serious and sustained breach of the applicable standards for which a disciplinary process would follow if Mr Nikoloff and Mr Gallagher were still employed at CERA. Their status at Ōtākaro is subject to a process which I am not involved in. That is the appropriate forum to deal with any issues which remain relevant arising from this inquiry.

4.83 Mr Nikoloff and Mr Gallagher’s further submission on my conclusion was:

- (i) they were from the private sector placed into a public-sector role;
- (ii) CERA did not properly implement policies and procedures, and did not induct them properly and provide ongoing reflective counselling;
- (iii) It is unfair to determine that they deliberately breached their obligations.
- (iv) They believed they were entitled to act in the way they did.

4.84 I cannot accept that for the reasons I have already outlined. In my view, they created an actual conflict of interest while at CERA and they did not manage it as they should have.

4.85 I have considered whether the conduct discussed above goes further than a breach of the conflict of interest rules. I have considered relevant provisions of the Crimes Act in relation to some of the conduct. Ultimately it is not for me to reach a view on that. If the conduct was to involve corrupt use of official information for gain, or deception for the purposes of gain, then it may be of interest to the Serious Fraud Office. I note that Mr Gallagher and Mr Nikoloff strongly reject such a suggestion. There are aspects of their conduct and the circumstances involved which suggest that the conduct falls short of criminal. In addition, they have supplied further supporting statements which support their general integrity and good character which would be a relevant consideration.

4.86 One option is for this report be made available to the Serious Fraud Office and the Director of the SFO can determine whether the conduct (and any other relevant conduct) is worthy of investigation.

Mr Cleverley

4.87 Mr Cleverley summarised his involvement with PIML as follows¹³:

This company was formed by Mr Gallagher and Mr Nikoloff, who advised me that it could provide a basis for business activities after CERA ended. They asked me to be the chairman (a position I had not taken up) and proposed that I take up some shares. I signed the incorporation papers (which I understand you have) and paid \$2,500 to the incorporating solicitors Lane Neave. The company to my knowledge did not trade and was closed and struck off. I was told that I would receive a refund of about \$1,100. So far I have not received that.

4.88 Mr Cleverley's position at interview was that he was a passive shareholder and did not have visibility of the extent of Mr Nikoloff and Mr Gallagher's activities. He did not view his shareholding as a conflict and did not consider he needed to declare it – essentially because the company was, to his knowledge, not yet active and that it was established to operate after the shareholders had left CERA. He acknowledged that in hindsight it would have been prudent to declare it, in particular had he known of the extent of activity by Mr Nikoloff and Mr Gallagher.

4.89 9(2)(a) supports Mr Cleverley's position. 9(2)(a)'s name was used by Mr Gallagher and Mr Nikoloff in relation to PIML yet he was not a shareholder or director. He thought that the discussions involved post-CERA activity and did not know PIML had been incorporated until he heard in 2016.

4.90 In relation to Mr Cleverley, he said¹⁴:

I have a vivid recollection of one such occasion during lunchtime, over a cup of tea in the tea room at CERA, involving Murray Cleverley. This is my only recollection involving Murray on

¹³ Response of Mr Cleverley to 9 February 2017 letter – paragraph 1

¹⁴ 9(2)(a) statement paragraph 21

these matters. Murray said he had no spare time to be involved in anything operational, that that was not his sort of thing, but that if there was an opportunity sometime in the future in a governance role he could be interested. I clearly remember those were the exact words he used - "not operational", and "only interested sometime in the future in a governance role".

- 4.91 Mr Cleverley submitted through his lawyer that to his knowledge PIML did not hold any shareholder meetings, did not keep or circulate minutes, did not keep or circulate statutory records and did not make any call on him for capital. In large part I accept that although I was provided with minutes of a meeting in September which appear to have been sent to Mr Cleverley. He did not recall that document.
- 4.92 Although there were many opportunities, I accept Mr Cleverley did not comprehend the extent of the activities of PIML and I accept that he thought that any substantive activities were intended to be post-CERA.
- 4.93 The question remains for me is as to whether he took sufficient care and exercised adequate judgement to ensure that this was not an issue. I do not think he did.
- 4.94 My reasoning is in summary:
- Mr Cleverley agreed to be a shareholder of this company formed by his friends and colleagues at CERA in August 2014;
 - The company was intended to be involved in property investment, development and management.
 - A number of emails are copied to Mr Cleverley over the course of the period I am concerned with suggesting activity by PIML. For example, the email identified in paragraph 4.50 above in December 2014.
 - Mr Nikoloff and Mr Gallagher actively promoted the involvement of Mr Cleverley as a shareholder and future chairman.
 - There were other interactions which could have given rise to questions as to the activities of PIML. For example, the payment of legal fees to Lane Neave giving rise to a question as to what activities were covered by this. It is not hard to imagine that regular interaction with such friends and colleagues would give rise to discussion as to the activities of PIML, such as the YHA property or 159 Hereford St for example.
 - Given the interaction, and that at least some knowledge of PIML came to the attention of Ms Noble and Ms Arthur, Mr Cleverley likewise ought to have been aware of more of the activities of PIML through Mr Gallagher or Mr Nikoloff.
 - In those circumstances, in my view, he ought to have at least considered the possibility that they were active already and asked questions as to what was happening with PIML (including whether the issue of conflict had been considered and/or dealt with). Even assuming complete ignorance of any activity, it would have been prudent for him as a shareholder to check with either of Mr Nikoloff and Mr Gallagher that there was not an issue as to conflict with CERA.
 - Mr Cleverley is a senior and experienced executive/board member. He is familiar with conflict management. He was adamant that he was careful as to such issues. Given that, I consider that CERA were entitled to more care and better judgement from him.

- 4.95 I accept, however, Mr Cleverley is in a different position from Mr Nikoloff and Mr Gallagher. I am satisfied he was not aware of the actual conflict and therefore was not in a position to declare it. He ought to have been aware of it in my view. I suggest that it would have been prudent for him to declare his shareholding in PIML to CERA knowing that this company involved fellow employees intending to be engaged in the property investment, development and management area. Additionally, he ought to have ensured that Mr Nikoloff and Mr Gallagher were reminded of their obligations as to conflict and reminded to ensure compliance with them. That would have meant the issue would have come to light earlier and may have been prevented. I consider he ought to have been more careful in this respect.
- 4.96 To his credit, Mr Cleverley accepted these criticisms and explained that pressure of work and trust in others led him to take less care than he ought to. He submitted to me that he has learned from the process and remains very proud of what he achieved at CERA.

5. DISCUSSION - 32 OXFORD TERRACE PROPERTY – MR CLEVERLEY

- 5.1 Canterbury DHB provided to me (through the State Services Commission) a complete chronology of events relating to this issue. The Ministry of Health provided me their perspective on it. The Canterbury DHB summary timeline is set out at **Appendix 6**.
- 5.2 In 2014 the Canterbury DHB was looking to lease premises near Christchurch Hospital for a corporate office. The DHB's corporate office was then located at the Princess Margaret Hospital but the expectation was that it would relocate off that site along with the clinical services around mid-2016.
- 5.3 The Canterbury DHB chronology outlines the relevant processes which took place in 2014 leading to the agreement to lease 32 Oxford Terrace for the DHB corporate office. Mr Cleverley was involved as Board Chair as noted there. Mr Cleverley was concerned the proposed rental was above market and told me he had ensured that the rental was a competitive market rate. The relevant chronology of events then has a break in it through to 2016.
- 5.4 The Ministry of Health was advised when the lease arrangement was finalised and was aware the DHB was to move into the refurbished premises at 32 Oxford Terrace in mid-2016.
- 5.5 On 1 May 2016, Mr Cleverley became a director of a company called Silverfin Capital Limited (**Silverfin**). That company is ultimately owned by Silverfin Equities Limited, which Mr Cleverley became a director of on 11 May 2016.
- 5.6 Mr Cleverley declared his interest as a director of Silverfin at the 30 May 2016 DHB Board meeting.
- 5.7 The Canterbury DHB facilities committee minutes of 1 August 2016 record as follows:
- "Murray Cleverley advised that Silverfin Capital Limited, a company for which he is a director, and which Cheryl Macaulay is Managing Director, is in the process of purchasing the Corporate Services Building at 32 Oxford Terrace from Richard Diver. This is not expected to pose a conflict, but it is important the committee is aware of the interest".*
- 5.8 The Ministry of Health became aware of the issue and contacted Mr Cleverley for an explanation.
- 5.9 The explanation was that the owner Countrywide Properties had the property at 32 Oxford Terrace on the open market. Silverfin was looking at investment opportunities in Christchurch and had entered into a contract to purchase 32 Oxford Terrace. Mr Cleverley advised that he was a director but was not involved in the day to day operations of Silverfin so was unaware of the negotiations until just prior to the facilities committee meeting of 1 August 2016. The proposed transaction did not involve the DHB as the DHB was simply the tenant.
- 5.10 Mr Cleverley further explained that Silverfin is a syndication group. It did not buy 32 Oxford Terrace to own it for itself rather the property at 32 Oxford Terrace is owned by a syndicate of investors and Silverfin assists the syndicate as manager. Mr Cleverley stated (and there is nothing I am aware of to the contrary) that he did not initiate Silverfin's interest in 32 Oxford Terrace.
- 5.11 The Ministry of Health discussed with Mr Cleverley how conflicts would be resolved which involved the DHB in a transaction. The obvious ones were any landlord and tenant disputes, rent reviews and renewals, or changes to the lease.
- 5.12 Mr Cleverley advised the DHB lease was long term with rent reviews according to a formula (so did not require negotiation) until 2030 so managing conflicts around rent reviews or renewals was unlikely to be an issue.
- 5.13 He advised when a transaction did arise he would manage it by neither participating in nor deliberating on the transaction, and ensuring he was not privy to relevant information. Mr Cleverley

advised this was in line with the specific provisions relating to conflict of interest in DHBs contained within legislation (New Zealand Public Health and Disability Act).

- 5.14 The provisions related to conflict of interest in the DHB board setting are contained in clause 36 of Schedule 3 to that Act. It states:

Disclosure of members' interests

36 Disclosure of interests

- (1) A member of a board of a DHB who is interested in a transaction of the DHB must, as soon as practicable after the relevant facts have come to the member's knowledge, disclose the nature of the interest to the board.
- (2) A member of a board who makes a disclosure under this clause must not (unless subclause (4) applies, or the Minister, by a waiver or modification of the application of this subclause under clause 37, permits)—
 - (a) take part, after the disclosure in any deliberation or decision of the board relating to the transaction; or
 - (b) be included in the quorum required by clause 25 for any such deliberation or decision; or
 - (c) sign any document relating to the entry into a transaction or the initiation of the transaction.
- (3) A disclosure under this clause must be recorded in the minutes of the next meeting of the board concerned and entered in a separate interests register maintained for the purpose.
- (4) However, a member of the board who makes a disclosure under this clause may take part in any deliberation (but not any decision) of the board relating to the transaction concerned if a majority of the other members of the board permits the member to do so.

[remaining subsections not included]

- 5.15 The matter was discussed between the Ministry and the State Services Commission. They reached the view that notwithstanding the legal position relating to conflicts of interest, the optimal solution would be for Mr Cleverley to resign as director of Silverfin as this would remove the basis for any complaints.
- 5.16 The Ministry approached Mr Cleverley with this suggestion which was not accepted.
- 5.17 Mr Cleverley approached the Ministry at a later stage and advised some board members were concerned about a possible conflict of interest related to Silverfin. Mr Cleverley stated that the board members concerns seemed to be addressed once he provided an explanation and advised how future conflicts of interest relating to the lease would be managed.
- 5.18 In October 2016 the issue was reported publicly in "The Press".
- 5.19 On 25 October 2016 in the declaration for appointment to DHB boards relating to Canterbury DHB Mr Cleverley declared the interest stating "Silverfin Capital - independent director, financial interest director's fees".
- 5.20 Mr Cleverley stated to me:

I did not join this company until after I had left CERA. At the time that I joined, it was the owner of a property at 32 Oxford Terrace which it had purchased. That property was leased by the Canterbury District Health Board. I am attaching a copy of the lease and a copy of a letter from the Board to a reporter who inquired about the lease. I was a member of the District Health Board when the lease was entered into. At that time I had no connection to Silverfin, and the lease was entered into on fully commercial terms and indeed in my view terms which were advantageous to the Board (including that the rental is fixed for the first ten years with only CPI increases). As a Board member I have no ability to take any action with respect to this lease which could be to the advantage of Silverfin.

5.21 It is not correct to say that Silverfin was the owner of 32 Oxford Terrace at the time Mr Cleverley joined as a director. That is evident from the chronology set out above.

5.22 In addition, Mr Cleverley submitted through his lawyer:

- There were no transactions between DHB and Silverfin. They were simply the tenants, locked in for 15 years.
- his entire involvement in the lease from Countrywide to the DHB was complete and in effect before he had any knowledge of a possible Silverfin opportunity.
- There were no discussions, consultations, or negotiations involving Mr Cleverley or the DHB when Silverfin bought- the DHB were not party to the sale transaction.
- There were 2 Buildings, with 5 tenants, offered for sale as a single package and bought by Silverfin - Oxford Terrace and Victoria Street.
- While the Ministry and SSC raised the question of whether Mr Cleverley could resign as a director of Silverfin, this was not adopted by and has never been sought by the Minister (who appoints him). To the contrary, all DHB Chairs have outside activities, as being a Chair is not a full-time position. It is a directorship. He was recruited for that position and appointed because of those skills. Many DHB Chairs have substantial business and commercial commitments - it is these skills which are sought by the Minister for the chairs (along with governance).
- If he had been put to a choice between CDHB chair and Silverfin chair, he would have had to put his commercial commitments ahead of his public service.

5.23 Ultimately the management of conflicts is for Mr Cleverley and the Board of the DHB. The legislation (above) allows for the member of the Board to deal with it in the way that Mr Cleverley did. The issue then becomes a question of perception and “optics”. I agree with Mr Cleverley that Board positions such as these are not full-time roles and require significant business and/or governance skills. The Courts have considered the approach to conflicts of interest in the DHB setting and have stated that compliance with the statutory framework is sufficient and to go further in a commercial setting would unduly limit a DHB.¹⁵

5.24 The choice of becoming a director in Silverfin, and continuing to hold that directorship, in light of both the situation relating to Oxford Terrace and the involvement of Cheryl Macaulay (Silverfin Managing Director) in the Facilities Committee of the DHB are matters which give rise to questions of judgement. They are personal choices and the inclination of the public service in my experience is to take a more cautious approach (as evidenced by the Ministry of Health and SSC position). In my view that would have been the prudent and cautious course of action here, in order to avoid

¹⁵ Lab Tests Auckland Ltd v Auckland District Health Board [2009] 1 NZLR 776

complaints or allegations such as these. That said, I understand the position of Mr Cleverley and he is entitled to take the position he did.

5.25 Mr Cleverley further submitted to me

“It is open to any Minister at any time to ask any DHB chair to step down, and if that request is disputed, to remove the chair. The Silverfin matter was fully disclosed by me. It was twice reviewed by officials who twice reported to the Minister. Their view that I should resign from Silverfin was to me naively uncommercial, somewhat insulting to me (by implying I might not be trustworthy), and not justified on the facts. On each occasion, the Minister rejected that advice and indeed asked me to continue.”

5.26 As stated, he is entitled to take that view but in turn must bear any criticism arising from taking a less cautious approach.

5.27 Mr Cleverley further submitted that he does not receive any benefit from the 32 Oxford Terrace lease; there has been no loss and potentially some advantage to CDHB from his involvement; and that the Minister has continued with his appointments as Chair notwithstanding. I do not take issue with those statements and note them for completeness.

5.28 I have not been able to investigate other issues of conflict or their management in the time available. I inquired of South Canterbury DHB and no issues of that nature were raised with me. Likewise nothing was drawn to my attention relating to the proposed transaction between ACC and the Canterbury DHB which Mr Cleverley provided information on. I make no comment on that and understand that the transaction remains subject to DHB and ACC consideration.

APPENDIX 1 - Terms of Reference

STATE SERVICES COMMISSION
Te Komihana O Nga Tari Kawanatanga



Michael Heron QC

9(2)(a) privacy

7 February 2017

Dear Mr Heron

CANTERBURY EARTHQUAKE RECOVERY: ALLEGED CONFLICTS OF INTEREST

I am appointing you pursuant to sections 23(1) and 25(2) of the State Sector Act 1988 to undertake an inquiry on my behalf on the terms set out in this letter, effective from the date of this letter. Under this delegation and appointment, you have all necessary and expedient powers that I can exercise under the State Sector Act for the purposes of undertaking this inquiry, including my general powers under section 7 to 10 and the specific powers provided under section 25.

Attached for your information is a letter of direction received from the Prime Minister relating to Mr Cleverley's current role as Board chair and member at the South Canterbury and Canterbury District Health Boards.

Background and allegations

Prior to its disestablishment, the Canterbury Earthquake Recovery Authority (CERA) employed Murray Cleverley, Gerard Gallagher and Simon Nikoloff (the former CERA staff members) in investment facilitation roles.

Recent media reports have alleged that, whilst employed by CERA, the three individuals were inappropriately involved in private business dealings that were related to their roles as Public Servants at the time.

Messrs Gallagher and Nikoloff have now been employed at Otakaro Limited, to undertake ongoing activities relating to Canterbury Earthquake Recovery. Mr Cleverley occupies governance roles at the South Canterbury and Canterbury District Health Boards. Other media reports have also suggested that there may also have been private business dealings by one or more of the former CERA staff members while occupying these subsequent positions.

In light of my function to promote and reinforce standards of integrity and conduct in the State services, and the matters raised in the media, I have determined it necessary to inquire into these allegations to determine whether the State Services Standards of Integrity and Conduct, or other relevant applicable standards, have been observed.

Terms of reference

The Inquiry will investigate:

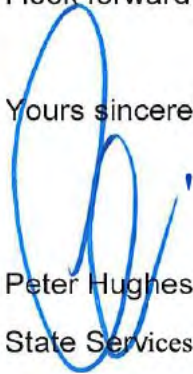
- any actual or perceived conflicts of interest of the former CERA staff members, during their employment at CERA or their subsequent State services employment or governance roles in the State services;
- the management of any such conflicts of interest by the relevant individuals and State services agencies;
- any other related matter arising from the course of the investigation that ought to be considered to provide me with a complete report.

Reporting

I intend to publish your report in its entirety after it is finalised. Please prepare your report in a manner suitable for publication. Please have an interim report available for my consideration by the end of February.

I look forward to receiving your report.

Yours sincerely



Peter Hughes

State Services Commissioner

APPENDIX 2 – Prime Minister’s letter and Jurisdiction**Prime Minister**

Mr Peter Hughes, CNZM
State Services Commissioner
PO Box 329
Wellington 6140

Dear Peter

CERA conflict of interest investigation

Thank you for advising me about the allegations surrounding the actions of three former employees of the former departmental agency, the Canterbury Earthquake Recovery Authority (CERA).

In summary the allegation in the media is that the three individuals established a company for the purposes of doing business with the same investors that they were employed into the Public Service to attract to Canterbury. If established, this would suggest a breach of the Code of Conduct in relation to their employment by CERA.

You have advised me that given the serious nature of allegations and the need to ensure the highest level of integrity within the State services, you are undertaking an investigation into the matters as they relate to CERA and also any subsequent roles within the State services of these individuals.

You have also advised me that to be fair to all parties and to ascertain the full facts it is your view that you should also investigate these matters as they relate to Mr Cleverley in respect of his role as board member and chair of the Canterbury and South Canterbury District Health Boards. To do so, you have sought a direction from me under section 11(1) of the State Sector Act 1988 (the Act).

I therefore direct you under section 11(1) of the Act to exercise your functions and powers under the Act to investigate the matters raised as they relate to Mr Cleverley in respect of his role as board member and chair of the Canterbury and South Canterbury District Health Boards.

Once you have completed your investigation into these allegations, I expect to be briefed on your findings.

Yours sincerely

Rt Hon Bill English
Prime Minister

The Commission has functions under s 6 of the State Sector Act 1988 (SSA) to:

- (i) promote and reinforce standards of integrity and conduct in the State services; and
- (ii) promote transparent accountability in the State services;

The Commission also has general power under s 7 and specific powers under sections 8-10 and 25:

- (i) section 8 - in respect of the public service, to inquire into matters and seek and receive reports;
- (ii) section 9 - to require information from any agency;
- (iii) section 10- to enter into departmental premises; and
- (iv) section 25 - Commission of Inquiry like powers to summons and receive evidence.

The general section 6 function is also given effect by the provisions in sections 57 to 57C. These provisions enable a code of conduct to be applied to any State services agency (including Crown entities and DHBs). This code of conduct then applies to the agency generally and the employees specifically.

The Code applies to agencies and employees, however, it does not apply to board members - they are governed by their Crown Entities Act 2004 (CEA) duties and obligations.

Section 11(1) enables the Prime Minister to direct the Commissioner to carry out, in respect of any part of the State services that does not form part of the Public Service, any of the functions and powers conferred on the Commissioner by any provision of sections 6 to 10. Such a direction means that the whole of the activities of that entity, including its governors, are subject to the Commissioner's ability to inquire into and seek and receive reports under s 8, for the purpose of the s 6 functions (which already cover the broader State services in any event).

In summary:

- (i) The Commissioner's s6 functions extend to promoting and reinforcing standards for the whole of the State services, and promoting transparent accountability;
- (ii) The conduct of Crown entity Board members cannot be held to the standards of the SSC Code. The relevant standards for Boards are instead those imposed by the CEA. The Commissioner's specific inquiry and reporting powers relating to breaches of the Code (sections 57-57C) are limited to employees and therefore do not apply to Board members;
- (iii) Without Prime Ministerial direction under section 11(1) the other specific inquiry powers (sections 8-10 and 25) are also not available to the Commissioner in relation to Board member conduct, because section 8 is limited to departments;
- (iv) However, with a Prime Ministerial direction the specific powers to inquire and report in sections 8-10 and 25 apply to Board members, because they are part of the governance of the entity, and section 8 has no limitation to employees.

APPENDIX 3 – Process and Documentation

1. I engaged the firm of Beattie Varley to assist with the inquiry. Also assisting was Mr Steven Bird, a barrister employed by me and Mr Ben Mak, my IT specialist.
2. I wrote to each of the subjects on 9 February 2017 through their lawyer, requesting that I be provided with:
 - (a) Any documents, electronic or otherwise, in your possession or control that relate to Project and Investment Management Limited (**PIM**), that may be relevant to the Inquiry;
 - (b) Any documents, electronic or otherwise, in your possession or control that relate to the following properties, that may be relevant to the Inquiry:
 - (i) 273 Manchester Street, Christchurch; and
 - (ii) 159 Hereford Street, Christchurch;
 - (c) Any statement you wish to offer in relation to the documents provided; and
 - (d) Any other information you would like me to consider¹⁶.
3. An ironkey containing “.PST” files (effectively all available email items) for the subjects of the investigation (and including Janet Manners and Alison Sheilds – both Executive Assistants to Murray Cleverley and the CCDU team) was received by the investigation team. It comprised 16 gigabytes of data. The ironkey was searched to identify the existence and knowledge of PIML across the subjects, including its involvement with the YHA building transaction, the 159 Hereford Street transaction, and several other property transactions that became relevant to the inquiry. This produced approximately 100 key relevant documents which were provided in four tranches, each with an index which contained hyperlinks to the listed document.
4. In addition, the human resources files from CERA with the relevant contracts and policies was accessed and provided in the same way.
5. The Ministry of Health provided documents relating to the building at 32 Oxford Terrace, Canterbury DHB and the potential conflict of Mr Cleverley. Further documents on this topic were provided on 7 March 2017 by Canterbury DHB and then made available to the parties.
6. The responses to the 9 February requests were received on 17 February (Mr Cleverley) and 23 February (Mr Nikoloff and Mr Gallagher).
7. Inquiries and discussions were conducted with the people listed in **Appendix 5**. Where the statement or comment of those persons was relevant and relied on by me, it is included in this draft report.
8. Interviews were held with Mr Nikoloff and his lawyer (Ms Dalziel) on Thursday 23 February (10am-1pm); Mr Gallagher and his lawyer (Ms Dalziel) on Thursday 23 February (2pm – 5.30pm); and Mr Cleverley and his lawyer (Mr Rennie QC) on Friday 24 February (9am – 12 noon) in Christchurch.
9. Further written information was supplied on 26 February 2017 by Mr Cleverley relating to a potential transaction between ACC and Canterbury DHB.
10. Further inquiries and discussions were held following the interim report, in particular as a result of the further information supplied by Mr Cleverley, Mr Nikoloff and Mr Gallagher. In particular

¹⁶ Murray Cleverley was also asked to provide information relating to the property at 32 Oxford Terrace.

inquiries were made with 9(2)(a) (formerly of CERA), Mr Gerard Dale of Lane Neave, Ms Bronwyn Arthur (formerly of CERA) and Ms Sheila McBreen-Kerr (formerly of CERA).

11. Access to relevant documents (including statements and emails) was provided to the subjects and their counsel primarily by dropbox as and when they became available. Indexes and a complete set of relevant documentation relied on by me is available on the dropbox folder controlled by SSC and entitled "Natural Justice". Each document was available to the subjects and their lawyers.
12. A draft final report (with preliminary conclusions) was provided for comment on 10 March 2017. Comments and further material were received from Mr Cleverley on 13 March 2017 and from Mr Gallagher and Mr Nikoloff on 27 March 2017. I asked Mr Cleverley to respond to two matters raised in that document and received that on 30 March 2017.

APPENDIX 4 – Applicable Standards

1. The Standards of Integrity and Conduct issued by the State Services Commissioner (SSC) pursuant to s 57 of the State Services Act (relevantly) state:

We must:

- use our organisation's resources carefully and only for intended purposes
- be honest
- ensure our actions are not affected by our personal interests or relationships
- never misuse our position for personal gain
- avoid any activities, work or non-work, that may harm the reputation of our organisation or of the State Services.

2. Each FTC referred to above contained the following clause relating to conflicts:

CONFLICT OF INTEREST

- 30.1 You may not enter into any other employment agreement or outside activity which could conflict with your responsibilities under this agreement or prejudice your ability to perform your duties or bring CERA into disrepute.
- 30.2 You may only enter into another employment agreement or outside activity with the prior written agreement of the Chief Executive or their delegate.
- 30.3 Where the Chief Executive or their delegate reasonably forms the view that a conflict of interest situation has either developed or may occur, then the Chief Executive may require you to cease undertaking the activity giving rise to a conflict of interest (whether or not that activity has been previously approved).
- 30.4 You are required to disclose to the Chief Executive or his delegate any actual, potential or perceived conflict of interest that arises during your employment with CERA. This may include but is not limited to; financial interests, on-going work and voluntary commitments (whether paid or unpaid), relationships with other employees or providers of services to CERA. The Chief Executive or his delegate will consider this information, assessing whether there is an actual, potential or perceived conflict of interest that may arise in the course of your duties. Failure to declare an actual, potential or perceived conflict of interest may result in disciplinary action being taken, up to and including termination.

(a) Definition:

Conflict of Interest - a Conflict of Interest arises when a CERA employee's responsibilities or duties to the Chief Executive could be affected by some other interest that the employee may have. This is when some other interest may reasonably be regarded as having a negative impact upon the employee's duty to carry out his or her official role in the best interests of the Chief Executive.

A conflict of interest may be:

- a. actual: where the conflict currently exists
- b. potential: where the conflict is about to happen or could happen, or
- c. perceived: where other people may reasonably think that a person is compromised.

3. The above FTC's also all shared the following clause 4:

PROFESSIONAL AND PERSONAL ETHICS

- 4.1 You are expected to display a high level of personal integrity in every aspect of your role. You must also promote and enhance high ethical values and standards, and good administrative practices, throughout the Public Service.
- 4.2 Guardianship and stewardship are central to your role. Your performance and that of CERA are open to intense Parliamentary and public scrutiny. To meet the expectations of this wider public service role, you are expected to demonstrate a personal as well as professional level of commitment to the values and behaviour appropriate to public administration. You must be, and must be seen to be, scrupulous in your own use of public assets, facilities and funds.
- 4.3 In the same way, the development and management of business relationships, including the letting of contracts and receipt of corporate hospitality, must be subject to constant scrutiny to ensure there is nothing in the way in which these relationships are managed which could be seen as less than ethical. The need for absolute impartiality applies to the management of all such relationships, including those with community, iwi and sectorial groups. You must strive to avoid any situation that might give rise to a perception of conflict of interest.
- 4.4 All public servants have, as a matter of course, access to information of a political and sensitive nature. You must ensure that any privileged or industry-specific knowledge acquired in the course of your work is not used improperly, whether to personal advantage or to the advantage of any subsequent employer.
- 4.5 Any breach of the obligations set out in this clause may be grounds for dismissal and/or legal action.

4. And the following clause 28:

CONFIDENTIALITY

In this Agreement, "confidential" and "confidential information" means all confidential information, which is not in the public domain and which is reasonably regarded by CERA as confidential to it, and which you become aware of in the course of carrying out your duties in accordance with this Agreement including, but not limited to:

...

information and records relating to customers, clients, suppliers and staff

...

Information concerning customers, clients and employees of CERA is to be treated with complete confidentiality.

Confidential and sensitive information is not to be disclosed or discussed with any other person or used by you, except in the proper performance of your duties or with the specific approval of the Chief Executive.

...

Specifically, during the continuance of your employment, and after its termination (for whatever reason) you shall:

...

not use confidential information to your own benefit (whether direct or indirect) as distinct from the benefit of CERA;

not use or attempt to use any confidential information in any manner that may injure or cause loss, whether directly or indirectly, to CERA; and

not turn or attempt to turn personal knowledge of any confidential information to your personal benefit as distinct from the benefit of CERA.

5. Many CERA Policies dealt with the conduct I encountered in the course of the investigation. The following clause from each FTC attaches the rights and responsibilities contained in the CERA Policies to the subjects:

CERA RULES, POLICIES AND PROCEDURES

5.1 CERA has policies and procedures, including a code of conduct and delegations, which apply to you. These policies and procedures may be amended from time to time at the discretion of the Chief Executive.

5.2 You will ensure that you are familiar with and comply with the Code of Conduct and other policies and procedures that apply.

6. CERA appears to have had at least two Conflict of Interest Policies. One Conflict of Interest Policy became effective in April 2011 (the **first COI policy**), this was superseded by a policy that became effective on 1 May 2015 (the **second COI policy**). The first COI policy provides the following excerpts:

Page 1 - The decision-making of CERA employees must be undertaken in a spirit of service to the community, reflecting the obligations to be fair, impartial, responsible, and trustworthy.

Conflict of interest

A conflict of interest may arise when a CERA employee's responsibilities or duties to the Chief Executive could be affected by some other interest that the employee may have. The test for a CERA employee, in assessing a possible conflict of interest, is whether some other interest may reasonably be regarded as having a negative impact upon the employee's duty to carry out his or her official role in the best interests of the Chief Executive. In this policy, the expression "conflicts of interest" includes conflicts of duty, conflicts of role, and bias.

...

Page 2 - A CERA employee's other interests, past or present, that could lead to a conflict include:

...

being an employee, advisor, director, or partner of another organisation or business pursuing a business opportunity

...

Page 3 - Employee responsibility

A CERA employee with a conflict of interest or a potential conflict of interest must identify it, and disclose it in a timely and effective manner, as follows:

if a matter in which an employee has a significant interest arises at a meeting, the employee must declare to the meeting that he or she has an interest in the matter before it is discussed; in other situations, including CERA's procurement practices, employment

practices, and the management of CERA contracts, the employee must raise and discuss the potential for a conflict of interest with the employee's manager(s) as soon as it is identified. A disclosure of interests form, provided in the Appendix, may be used for this purpose.

...

Page 3 - Uncertain situations

If a CERA employee is uncertain whether or not a situation constitutes a conflict of interest or potential conflict of interest, he or she should err on the side of caution by disclosing the situation.

...

Page 4 - Updated disclosures of interest

The nature and scope of a CERA employee's other interests can change daily. If the circumstances of a conflict of interest change, the employee must update prior disclosures in a timely manner.

...

Page 4 - Managing conflicts of interest

Interests Register

All CERA employees must complete the disclosure of interests form provided in the Appendix, and provide the completed forms to the CERA staff member responsible for human resources matters for retention in an Interests Register. If the circumstances of a previously disclosed interest change, CERA employees must update the information in the Interests Register in a timely manner. In addition, the Chief Executive may, in his or her discretion, require CERA employees to undertake periodic reviews of their disclosures of interests, and to update the Interests Register accordingly.

...

Page 4 - Assessing a conflict of interest

The assessment of a conflict of interest includes consideration of the following:

- the overlap between the employee's official role and his or her other interest, regardless of whether misconduct may occur.
- the nature or size of the employee's other interest

The second COI policy provides clauses that are substantially similar to the first COI policy, however, it further provides:

Page 3 - Specific Instances

A CERA employee must not, without prior disclosure to and approval by his or her manager:

...

use any information gained in the course of employment with CERA to the employee's own benefit (whether direct or indirect).

turn or attempt to turn personal knowledge of information gained in the course of employment with CERA to the employee's personal benefit.

7. The **CERA Code of Conduct** provides the following excerpts:

Page 2 -...this Code of Conduct...helps us...Provide the best possible service and advice to the Government, general public and our strategic partners, gaining their trust and confidence.

...

Page 3 -The Code of Conduct applies to all CERA employees including fixed term, temporary, casual...

...

Page 3 - We avoid any activities, work related or non-work-related, that may in any way bring CERA into disrepute or damage the relationship of trust and confidence between CERA and Government, our strategic partners or the community. We take responsibility for our own actions and decisions and challenge unethical or unprofessional behaviour

We work within our delegated authority, never abusing our position or power.

We do not tolerate actions or fraud or corruption and will report any suspicions we have or become aware of, never turning a blind eye to this type of behaviour

...

Page 4 - Information and Confidentiality

Information which comes into our possession in the course of our duties is treated in confidence and only used for official purposes

...

Page 4 - Conflicts of Interest

At CERA we must avoid any appearance or suggestion of preferential treatment or favouritism towards any individual or organisation which we or you have an interest in. Because we live and work in our communities, it is sometimes hard to avoid conflicts of interest, whether real or perceived. That makes it even more important that conflicts of interest are identified and managed when they can be and avoided when they cannot.

CERA has a policy and procedure to help you and your manager identify and manage conflicts of interest that arise in the course of your work. You can find the policy for managing conflicts of interests under forms and templates on CERAnet and the shared drive.

...

Page 5 - Reporting breaches of the Code of Conduct

If you find out about a breach or possible breach of either the State Services Standards of Integrity and Conduct or the CERA Code of Conduct, you should;

Think carefully about how you can deal with the situation responsibly

Discuss the issue or situation with your manager as quickly as possible - they may have additional information you might not know, so trust them to know the best way to deal with things

Also use this process to report any breach of any other CERA policy, procedure, standard or guideline, unless another process is provided.

...

In determining whether an employee's behaviour constitutes a breach of this Code, regard should be had to the following factors;

...

The effects of the activity or its consequences on internal or external relationships and/or CERA's reputation

...

Disciplinary measure will also apply to anyone who directs or approves infractions or has knowledge of them and does not promptly move to correct them.

Page 6 - Serious Misconduct

The following are some specific examples of unsatisfactory behaviour that may be considered serious misconduct and which could justify dismissal without notice following due process

...

Carrying out any activity which may be considered to be in conflict with your employment relationship and which is not authorised by your manager.

8. The CERA Policy titled "**Information and Communication Technology Acceptable Use**", provides the following excerpts:

Page 3 - Reasonable personal use of CERA's ICT systems is permissible (e.g., making personal phone calls, receiving and sending personal emails or faxes, and accessing the internet).

"Reasonable personal use" is use that does not interfere with employees' employment duties or obligations, is not illegal, complies with the ethical and social standards of the workplace, and is not contrary to the interests of CERA

...

Page 4 - CERA's ICT systems may not be used by any person for the following purposes:

to solicit for personal gain or profit.

APPENDIX 5 - Interviewees

List of people contacted by the investigative team with information relevant to the inquiry:

1. Roger Sutton - former CEO, CERA
2. John Ombler - former CEO, CERA
3. Albert Brantley – CEO, Ōtākaro
4. Bronwyn Arthur - former General Counsel, CERA
5. Patricia Noble - former In-house counsel, CERA
6. Ewen McKenzie – Tulla Group
7. John Macculloch – Tulla Group
8. Melissa Paton - DPMC
9. Caroline Harvie (Fleetwood) - former CERA HR
10. Sally Bird - DPMC
11. Mark Wells - YHA CEO
12. Baden Ewart - former CERA manager
13. Warrick Isaacs - former CERA manager
14. Anne Shaw - DPMC
15. David Dynes
16. James Hay - former CERA manager
17. Huia Gordon - Global Structures Group, Australia
18. Nigel Trainor – South Canterbury DHB
19. Martin van Beynen – Journalist
20. 9(2)(a) privacy
21. Sheila McBreen-Kerr – former CERA manager
22. Gerard Dale – partner Lane Neave

Appendix 6 – Canterbury DHB chronology

17 October 2012 - Board Meeting- Board recommended the evaluation of viable alternatives for the future exit of non-patient services from the Princess Margaret Hospital.

15 May 2014 - CDHB's Board endorsed relocating CDHB's Corporate Services from The Princess Margaret Hospital to a leased facility within the Health Precinct.

April 2014 - CDHB's Property/Lease Administrator contacted by agent representing the owner of 32 Oxford Terrace regarding availability of potential space at 32 Oxford Terrace.

June 2014 - CDHB's Property/Lease Administrator contacted various agents to assist with identifying potential premises for CDHB's Corporate Office. This included initial discussions and receipt of proposals from potential Landlords, of which 32 Oxford Terrace was one.

July 2014 - Management decision made to carry out an open tendering process inviting expressions of interest (EOI's) from Landlords who had potential suitable premises.

August 2014 - EOI's put out on the Government Electronic Tendering System (GETS), of which one response received was from the landlord of 32 Oxford Terrace.

October 2014 - Following evaluation of 15 EOI submissions, five potentially suitable premises were shortlisted. 105 St Asaph Street and 32 Oxford Terrace were in the shortlist.

October 2014 - Additional questions were submitted to the five shortlisted respondents.

September 2014 - the Evaluation Committee's short list evaluation ranked 105 St Asaph Street as the top preferred property. 32 Oxford Terrace was the second preferred option.

28 October 2014 - QFARC meeting- paper recommended negotiation with the landlords of the two top preferred options (105 St Asaph Street and 32 Oxford Terrace). The Minutes of that meeting recommend negotiation with the owner of 105 St Asaph Street only.

13 November 2014 - Board meeting- the Board, as recommended by QFARC, delegated authority for CDHB to negotiate with the landlord of 105 St Asaph Street.

November 2014 - After informing the landlord of 32 Oxford Terrace that his property was not the top preferred option, a revised rental offer was presented. The new rental offered was the same rental rate as the 105 St Asaph Street property. It was also a consented building and was scheduled to be ready for occupation earlier than 105 St Asaph Street.

28 November 2014 - The Evaluation Committee met to further evaluate the top two preferred options, concluding that CDHB should instead move to secure 32 Oxford Terrace.

2 December 2014 - CDHB's CEO signed the Heads of Agreement to Lease for 32 Oxford Terrace, conditional on CDHB's formal Board approval within three working days.

5 December 2014 - the Board's Chair, by exercise of emergency delegation: (i) approved entry into the Heads of Agreement to Lease and approved satisfaction of the Board approval condition; and (ii) approved signature of the final Agreement to Lease by the CEO.

19 December 2014 - The Agreement to Lease for 32 Oxford Terrace signed.

16 July 2015 - A Facilities Sub- Committee of the Board was established with appointments approved by the Board on 17 September 2015 and 19 November 2015. Remuneration discussions were confirmed directly between the appointees and the Chair

11 December 2015 - Silverfin Capital Limited was incorporated, and Cheryl Macaulay was appointed Managing Director on incorporation.

18 January 2016 - The Deed of Lease for 32 Oxford Terrace was signed.

1 May 2016 - Murray Cleverley was appointed a Director of Silverfin Capital Limited.

3 May 2016 - Facilities Committee meeting- Interest Register recorded Cheryl Macaulay's interest as Managing Director of Silverfin Capital Limited.

19 May 2016 - Board meeting- the Chair advised the Board that he would advise the Board Secretariat of new interests for the next Board meeting.

30 May 2016 - Board meeting- Minutes record the Chair's disclosure of an interest as Director of Silverfin Capital Limited.

16 June 2016 – Board meeting- Interest Register recorded the Board Chair's interest as Director of Silverfin Capital Limited.

1 August 2016 - Facilities Committee- the Chair advised that Silverfin Capital Limited, a company for which he was Director and Cheryl Macaulay is Managing Director, was in the process of purchasing 32 Oxford Terrace and that this was not expected to pose a conflict but was important that the Facilities Committee was aware of the interest.

18 August 2016 - Board Meeting- the Chair declared a potential perceived conflict of interest with Silverfin Capital Limited looking to purchase 32 Oxford Terrace.

15 December 2016 - CDHB notified by the Landlord's solicitor that 32 Oxford Terrace had been sold by Oxford 32 Limited to TEA Custodians (Silverfin) Limited.

INDEX – BVL DOCUMENTS REFERRED TO IN M HERON QC FINAL REPORT

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4.02	BVL01.001	Email M Wells to S Clarke	20-May-14	4
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4.21	BVL01.057	Email G Gallagher to G Gallagher (forwarding Lane Neave email) attaching:	22-Sep-14	65
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Investment / Commercial Relations Weekly Report 06/04/14

Name: Gerard Gallagher

Last Week	
Meeting/ discussion with	Outcomes & potential
9(2)(a) privacy	Investigating the acquisition of 159 Hereford Street – provided Intel of what is planned for the area, what some other opportunities are and statistics of demand for worker, back packers and accommodation in general. Provided information on neighbouring sites. Potential to repair and develop 159 Hereford into a modern Back Packers
9(2)(a) privacy 9(2)(a) privacy	Positive response from them to investors list for the 9(2)(a) project however 9(2)(a) have managed the process poorly and some investors have not been contacted from the list provided 9(2)(a) have adequate investors willing to fund the project – the question is can they get them to agree on the risk.
9(2)(a) privacy	Discussed their High Street development and the issues they are having with CCC changing the approvals of the Consent in regards what they can do. They have their Lawyers involved and may come to us soon for help.
9(2)(a) privacy	Variety of Innovation Precinct projects being planned – require a neighbouring 9(2)(a) report, require information on land available to purchase for 9(2)(a), interested in a proposal for the 9(2)(a)

Next fortnight planned Mtgs.	
Meeting/discussion with	Planned outcome
9(2)(a)	Innovation – 9(2)(a) offer reviewed
9(2)(a) privacy	9(2)(a)
9(2)(a) privacy	159 Hereford Street offer support
9(2)(a)	Business appropriate for Innovation??
9(2)(a)	Progress with MBIE as a tenant and 9(2)(a) tidy up section
9(2)(a) privacy	9(2)(a) privacy follow up
9(2)(a)	Site in Innovation
9(2)(a) privacy	9(2)(a) privacy site Innovation

Potential opportunity for Minister, Roger, Warwick to be involved in engagements

David Osborn

From: Simon Nikoloff
Sent: 14 April, 2014 9:03 AM
To: 9(2)(a) privacy ; Janet Manners
Subject: Investor Relations Weekly Report 7th April.docx
Attachments: Investor Relations Weekly Report 7th April.docx

Investment / Commercial Relations Weekly Report 7/ 4/14

Name: Simon Nikoloff

Last Week	
Meeting/ discussion with	Outcomes & potential
9(2)(a) privacy	Researching investment in accom / office / car parking in central city, keen to invest early – sees advantage in early investment.
9(2)(a) privacy	9(2)(a) to research new tourism backpacker and accommodation business cases to meet commercial need at new market price points. This research will be funded from sources yet to be identified 9(2)(a) will provide an outline and sot by early May.
9(2)(a) privacy	Assistance for Back Packers development & Residential accom development 9(2)(a) undertake a major building programme with up to another 100 residential units. Mixed offices and residential and poss child care
9(2)(a) privacy	Planning assistance for 9(2)(a) privacy developments and accommodation conversions.
9(2)(a) privacy	General discussion on tourism accommodation issues and opportunities matters. Focus is on establishing backpacker's accommodation.
9(2)(a) privacy	Discuss employment support issues / opportunities in growing labour market

Next fortnight planned mtgs	
Meeting/discussion with	Planned outcome
9(2)(a) privacy YHA	Davidson House options for Davidson house building Backpacker opportunities with 9(2)(a) accommodation conversion
9(2)(a) (Singaporean hotel investors)	Investment opportunities in worker and visitor accommodation.
9(2)(a) privacy	Resources to offer for rebuild projects
9(2)(a) privacy	Investment in Innovation Precinct with interest in the 9(2)(a) office project, and will look at other projects.

2

Potential opportunity for Minister, Roger, Warwick to be involved in engagements
NIL to report

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David Osborn

From: Mark Wells <9(2)(a) privacy>
Sent: 20 May, 2014 4:46 PM
To: Steve Clarke
Cc: Gerard Gallagher; Simon Nikoloff
Subject: RE:

Follow Up Flag: Follow up
Flag Status: Flagged

Thanks Steve

I will make contact next week when back in town.

Regards

Mark

From: Steve Clarke [mailto:Steve.Clarke@cera.govt.nz]
Sent: Tuesday, 20 May 2014 3:06 p.m.
To: Mark Wells
Cc: Gerard Gallagher; Simon Nikoloff
Subject:

Hi Mark

Attached are v-cards for the two colleagues I mentioned last week. Gerard and Simon have been gathering intel around sites available, owner intentions, etc, so may well have info that is of use to you in identifying a development site/building for a new YHA facility. It would be good to meet with them at some point but in the interim it may be that phone and/or email does the trick.

Broad parameters are (check and amend as necessary):

1. Looking to develop up to a 300 bed facility – possibly/probably in two phases
2. Ideally not East of the Square
3. Not North of Kilmore St
4. Preference to have sufficient footprint to restrict build to two floors – so 1000-2000m2
5. Southern boundary?
6. Would consider a lease arrangement provided you have sufficient security of tenure
7. Would consider j/v with appropriate safeguards around dis-engagement

If you have any other parameters/wish list item that will assist Gerard and Simon to refine what the send through to you by way of prospective sites let us know and we can factor them in.

Keep in touch.

Regards

Steve

Steve Clarke

Investment Facilitator
Christchurch Central Development Unit
Canterbury Earthquake Recovery Authority
Private Bag 4999, Christchurch 8140

E: steve.clarke@cera.govt.nz

M: 9(2)(a)

P: +64 3 3542636

<p>Gerard Gallagher CCDU Investment Facilitator</p> <p>+64 3 3520971 Work 9(2)(a) Mobile gerard.gallagher@cera.govt.nz</p>	<p>Simon Nikoloff CCDU Investment Facilitator</p> <p>+64 3 3542688 Work 9(2)(a) Mobile simon.nikoloff@cera.govt.nz</p>
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"This communication, including any attachments, is confidential. If you are not the intended recipient, you should not read it - please contact me immediately, destroy it, and do not copy or use any part of this communication or disclose anything about it. Thank you. Please note that this communication does not designate an information system for the purposes of the Electronic Transactions Act 2002."

David Osborn

From: Strategic Advantage 9(2)(a) privacy
Sent: 22 July, 2014 7:45 AM
To: 9(2)(a)
Cc: Gerard Gallagher
Subject: Company

Hi John hope all is well. We are in a 2 day course hence the response on my phone. The co we have set it up is "project and investment management limited", 3 shareholders Gerard Gallagher, simon nikoloff, Murray Cleverley. I'm the sole director at this stage. Address for service is 9(2)(a) privacy . Christchurch. Email in the meantime is 9(2)(a) privacy

Kind regards

Simon Nikoloff
Mob 9(2)(a)
Sent from my iPhone

David Osborn

From: Gerard Gallagher
Sent: 28 July, 2014 11:05 AM
To: Simon Nikoloff
Attachments: 9(2)(a).docx
i

Gerard Gallagher

Investment Facilitator
Christchurch Central Development Unit (CCDU)
Canterbury Earthquake Recovery Authority (CERA)
62 Worcester Boulevard
Private Bag 4999, Christchurch 8140

M: 9(2)(a)
DDI: 03 3520 971
E: gerard.gallagher@cera.govt.nz
W: www.cera.govt.nz

9(2)(a)

Proposal to purchase 209 High Street - Confidential

The following is to confirm interest to purchase 209 High Street from you by a 'yet to be formalised' company named Project and Investment Management Ltd (PIML). One of the shareholders of this company will be Gerard Gallagher and at this stage Gerard is acting as independent Agent from a personal interest. There will be 2 other shareholders of PIML.

Gerard has declared his potential conceived conflict in regards his role at CERA and this potential conceived conflict is mitigated due to this offer being of a personal commercial nature, outside of Gerard's role at CERA.

If you are interested in proceeding with the suggested path forward PIML will formalise the offer into a Sale and Purchase Agreement through PIML's Lawyer.

PIML's proposal is to purchase the 139M² section at 209 High Street, Christchurch under the following terms and Conditions.

1. Purchase Price of \$300,000 (plus GST if any) plus interest as shown in 3 below.
2. Settlement date will be 12 months following:
 - a. Formal agreement that PIML has access to the site to commence construction prior to 2b. below
 - b. The signing of a formal Sale and Purchase agreement
3. Interest of \$15,000 to be due and paid on settlement date
4. Total due at settlement will be \$315,000 plus GST if any
5. Possession and physical access to the site to be immediately on signing of agreement
6. Penalty interest of 10% p.a. will be paid on total owing at settlement if payment is delayed after the 12 month period
7. No deposit will be required to be paid

David Osborn

From: Gerard Gallagher
Sent: 29 July, 2014 4:34 PM
To: 'gerard@9(2)(a) privacy'
Subject: ggg
Attachments: 9(2)(a)

Gerard Gallagher

Investment Facilitator
Christchurch Central Development Unit (CCDU)
Canterbury Earthquake Recovery Authority (CERA)
62 Worcester Boulevard
Private Bag 4999, Christchurch 8140

M: 9(2)(a)
DID: 03 3520 971
E: gerard.gallagher@cera.govt.nz
W: www.cera.govt.nz

28th July 2014

9(2)(a) privacy

Proposal to purchase 209 High Street - Confidential

Following on from our conversations, I confirm an interest to purchase 209 High Street by a 'yet to be formalised' company, Project and Investment Management Ltd (PIML).

I am acting as an agent for that company and will be a shareholder of this company along with 2 other shareholders. In case of any potential conflict, I have declared this interest to my employer CERA.

Proposal

PIML's proposal is to purchase the vacant 139M² section, (Kennett's Jewellers site) at 209 High Street, Christchurch under the following Terms and Conditions:

1. Purchase Price of \$300,000 (plus GST if any) plus interest as follows;
 - a) Confirmation will be 30 days after signing agreement
 - b) Possession and access to the site upon confirmation
 - c) Settlement date will be 12 months following confirmation
 - d) No deposit will be required to be paid
 - e) Purchase price is plus interest of \$15,000 due and paid on settlement date, (total due at settlement \$315,000 plus GST if any)
 - f) Penalty interest of 10% p.a. for late settlement

2. The proposed development will be known as "Kennett House" or an alternative name you would like.

Naturally I urge you to take independent advice and if you wish to proceed with the above offer, PIML will formalise the offer into a formal Sale and Purchase Agreement through PIML's lawyer. Please let me know the selling entity and details, and your lawyers / accountants details.

Kind regards

Gerard Gallagher

PROJECT AND INVESTMENT MANAGEMENT LIMITED (5408561) *Removed*

To maintain this company [log on here](#)

Last updated on 12 Oct 2016

Company Summary

Company number: 5408561

NZ Business Number: 9429041365236

Incorporation Date: 13 Aug 2014

Company Status: **Removed**

[Hide Previous Status](#)

Registered

from 13 Aug 2014 to 12 Oct 2016

Entity type: NZ Limited Company

Constitution filed: No

Ultimate holding
company: No

Company addresses: **Registered Office**
9(2)(a) privacy
Christchurch, 8042 , New Zealand
Address for service
9(2)(a) privacy
Christchurch, 8042 , New Zealand
[View all addresses](#)

Directors Showing 1 of 1 directors

Simon Carl NIKOLOFF
9(2)(a) privacy
Christchurch, 8042 , New Zealand

Company record link: <http://www.companies.govt.nz/co/5408561>

Additional company information

Trading Name:

Website:

Phone:

Email:

Business Classification: M696205 Business consultant service

Premise Address:

NZSX Code:

The following information has been voluntarily provided by the company and any queries relating to it should be directed to the company. This information does not form part of the companies register and the Registrar is not responsible for maintaining it.

Directors (1)

Full legal name: Simon Carl NIKOLOFF

Residential Address: 9(2)(a) privacy

New Zealand

Appointment Date: 13 Aug 2014

Consent: [View Consent Form](#)

Shareholdings (3)

Total Number of Shares: 1000

Extensive Shareholding: No

Shareholders in Allocation:

Allocation 1: 334 shares (33.40%)

Donald Murray CLEVERLEY

9(2)(a) privacy

7975 , New Zealand

Allocation 2: 333 shares (33.30%)

Gerard Anthony GALLAGHER

9(2)(a) privacy

7700 , New Zealand

Allocation 3: 333 shares (33.30%)

Simon Carl NIKOLOFF

9(2)(a) privacy

Christchurch, 8042 , New Zealand

Addresses

Registered office address: 9(2)(a) privacy
New Zealand

Valid NZ Address

Address for service: 9(2)(a) privacy
New Zealand

Valid NZ Address

There are no Other Addresses

Historic data for addresses

[Show History](#)

PPSR Search

A search can be conducted for PROJECT AND INVESTMENT MANAGEMENT LIMITED on the Personal Property Securities Register by selecting this [link](#).

Documents (7)

<u>Date</u>	<u>Document Type</u>	<u>Size</u>
25 Aug 2016 11:21	<u>Voluntary De-Registration</u>	
	<u>IRD Letter</u>	50kb
	<u>Special Resolution of Shareholders (Removal)</u>	36kb
03 Sep 2015 10:53	<u>Annual Return Filed</u>	
13 Aug 2014 09:03	<u>New Company Incorporation</u>	
13 Aug 2014 09:03	<u>Director Consent Form</u>	
	<u>Director Consent Form</u>	110kb
13 Aug 2014 09:03	<u>Shareholder Consent Form</u>	
	<u>Shareholder Consent Form</u>	107kb
13 Aug 2014 09:03	<u>Shareholder Consent Form</u>	
	<u>Shareholder Consent Form</u>	104kb
13 Aug 2014 09:03	<u>Shareholder Consent Form</u>	
	<u>Shareholder Consent Form</u>	105kb

Generated on Monday, 13 February 2017 16:45:27 NZDT



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13/8/14

Consent and certificate of director or directors of proposed company

Section 12(1) Companies Act 1993

Name of proposed company

Barcode (for office use)

PROJECT AND INVESTMENT
MANAGEMENT LIMITED

50000815540

Proposed company number
5408561

Director's first name(s) Simon Carl

Director's surname NIKOLOFF

Director's residential address 9(2)(a) privacy

I consent to be a director of the above proposed company and certify that I am not disqualified from being appointed or holding office as a director of a company.

Signature 9(2)(a) privacy

DISQUALIFICATION DETAILS

Please ensure that you are not disqualified from being a director for this company before signing this consent form.

A person cannot be a director of a company if he or she is any of the following:

- > under 18 years of age; or
- > an undischarged bankrupt. Search the bankruptcy database online for free at www.insolvency.govt.nz; or
- > prohibited from being a director or promoter of, or being concerned or taking part in the management of a company under any statutory provisions. This includes (but is not limited to) people who have been convicted of a crime involving dishonesty in the last five years or have been prohibited from managing a company by the Registrar of Companies. It also includes people who have been prohibited from being a director or promoter of, or being concerned or taking part in the management of, an overseas company under an order made, or notice given, under the law of a prescribed overseas jurisdiction (Australia) in accordance with section 151(2)(eb) of the Companies Act 1993; or
- > subject to a property order under sections 30 or 31 of the Protection of Personal Property Rights Act 1988; or
- > not eligible because of requirements contained in the company's constitution (if any).

A person who is not a natural person cannot be a director of a company.

For more information refer to sections 151 and 382 to 385 of the Companies Act 1993. View a copy of the Act online for free at www.legislation.govt.nz

Completed by

Simon Carl NIKOLOFF
9(2)(a) privacy



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13/8/14

Consent of shareholder of proposed company

Section 12(1) Companies Act 1993

Name of proposed company

Barcode (for office use)

PROJECT AND INVESTMENT
MANAGEMENT LIMITED

50000815543

Proposed company number

5408561

Shareholder's full legal name

Simon Carl NIKOLOFF

Shareholder's address

9(2)(a) privacy

Number of shares held

333

I consent to act as shareholder of the above proposed company and to taking the number of shares specified.

Signature

9(2)(a) privacy

IMPORTANT INFORMATION

Shareholders

- > A trust, whether expressed, implied or constructive, cannot be entered on the share register. Where, for example, shares are held by a family trust the name of the trustees must be entered individually as members of a share parcel.
- > Initials of the person's name are not allowed. The full legal name must be provided.
- > A postal address, private bag or DX number is not permitted for the shareholder's address.
- > Only one person must complete this form. If the shares are held jointly with others then each share holder must complete and sign their own form, indicating they own them jointly.
- > If the shareholder is a natural person, please give a residential address. If the shareholder is a body corporate, please give the address of its registered office or, if it does not have a registered office, the address of its principal place of business.
- > If this form has been signed by an agent, it must be accompanied by the instrument authorising the agent to sign it. An example where this would be used is when the shareholder is overseas and unable to sign the form when the company is to be incorporated. To obtain more information on this process including a sample authorisation form then visit our website.
- > If this form is signed under power of attorney, the attorney must provide a Certificate of Non-Revocation. To obtain more information on this process then visit our website.

Completed by

Simon Carl NIKOLOFF
9(2)(a) privacy



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13/8/14

Consent of shareholder of proposed company

Section 12(1) Companies Act 1993

Name of proposed company

PROJECT AND INVESTMENT
MANAGEMENT LIMITED

Barcode (for office use)

50000815541

Proposed company number

5408561

Shareholder's full legal name

Gerard Anthony GALLAGHER

Shareholder's address

9(2)(a) privacy

Number of shares held

333

I consent to act as shareholder of the above proposed company and to taking the number of shares specified.

Signature

9(2)(a) privacy

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- > Only one person must complete this form. If the shares are held jointly with others then each shareholder must complete and sign their own form, indicating they own them jointly.
- > If the shareholder is a natural person, please give a residential address. If the shareholder is a body corporate, please give the address of its registered office or, if it does not have a registered office, the address of its principal place of business.
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Completed by

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9(2)(a) privacy



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Consent of shareholder of proposed company

Section 12(1) Companies Act 1993

Name of proposed company

Barcode (for office use)

PROJECT AND INVESTMENT
MANAGEMENT LIMITED

50000815542

Proposed company number

5408561

Shareholder's full legal name

Donald Murray CLEVERLEY

Shareholder's address

9(2)(a) privacy

Number of shares held

334

I consent to act as shareholder of the above proposed company and to taking the number of shares specified.

Signature

9(2)(a) privacy

IMPORTANT INFORMATION

Shareholders

- › A trust, whether expressed, implied or constructive, cannot be entered on the share register. Where, for example, shares are held by a family trust the name of the trustees must be entered individually as members of a share parcel.
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- › If this form is signed under power of attorney, the attorney must provide a Certificate of Non-Revocation. To obtain more information on this process then visit our website.

Completed by

Simon Carl NIKOLOFF
9(2)(a) privacy

David Osborn

Subject: Strategy Meeting - Gerard/Simon
Location: Murray'
Start: Wed 13-Aug-14 3:00 PM
End: Wed 13-Aug-14 4:00 PM
Show Time As: Tentative
Recurrence: (none)
Meeting Status: Not yet responded
Organizer: Murray Cleverley
Required Attendees: Gerard Gallagher;9(2)(a) Simon Nikoloff

Will also keep the 4.30pm meeting in his diary as well.

David Osborn

From: Gerard Gallagher
Sent: 4 September, 2014 4:47 PM
To: Simon Nikoloff
Subject: RE: Building Manchester St

Well – Mmmmm

How bout I meet with him, I am happy to do that and say it is too short notice for the investor to meet and just convince him that we/they are serious. Maybe say the investor is from Ashburton and not available. I could ask 9(2)(a) privacy if I can use his name and profile?

What do you think?

G

Gerard Gallagher
Investment Facilitator
Christchurch Central Development Unit (CCDU)
Canterbury Earthquake Recovery Authority (CERA)
62 Worcester Boulevard
Private Bag 4999, Christchurch 8140

M: 9(2)(a)
DDI: 03 3520 971
E: gerard.gallagher@cera.govt.nz
W: www.cera.govt.nz

From: Simon Nikoloff
Sent: Thursday, 4 September 2014 4:35 p.m.
To: Gerard Gallagher
Subject: Fwd: Building Manchester St

He's left a message and he's keen as! Not sure what to do from here.

Re des pricing is that Aussie\$ and does it include freight to nz?

Kind regards

Simon Nikoloff
Mob 9(2)(a)
Sent from my iPhone

Begin forwarded message:

From: Mark Wells 9(2)(a) privacy
Date: 4 September 2014 4:32:35 pm NZST
To: Simon Nikoloff <Simon.Nikoloff@cera.govt.nz>
Cc: Gerard Gallagher <Gerard.Gallagher@cera.govt.nz>
Subject: RE: Building Manchester St

Hi Simon

I left a message on your phone to indicate that I would be interested in meeting.

It would be good to do so before my Board meeting i.e. sometime tomorrow. I could do anytime up until 3pm.

Regards

Mark Wells
Chief Executive



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Level 1, 166 Moorhouse Ave, PO Box 436, Christchurch 8140
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 *Please consider the environment before printing this email*

From: Simon Nikoloff [<mailto:Simon.Nikoloff@cera.govt.nz>]
Sent: Thursday, 4 September 2014 12:19 p.m.
To: Mark Wells
Cc: Gerard Gallagher
Subject: Building Manchester St

Good morning Mark,

Following on from our conversation earlier today and meeting a few weeks back, I confirm we are working with a party who have expressed interest in purchasing this building.

The party are serious, commercially experienced buyers and will complete their due diligence expediently. Terms and conditions are expected to be minimal, i.e. subject to engineering reports and usual due diligence.

They intend to redevelop the site into commercial space in the future. In the interim may use it for worker accommodation subject to engineering and relevant approvals. The price indication is "fair value" based on current land prices plus residual value on the building depending on engineering reports, indicated in the vicinity of \$2 - \$2.5.m

If you would like to discuss this in more detail please contact me directly and I will arrange a meeting. Best contact is my mobile 9(2)(a) or this email.

Thank you & kind regards

Simon Nikoloff

Investment Facilitator

Greater Christchurch Investment Strategy
Christchurch Central Development Unit
Canterbury Earthquake Recovery Authority – CERA
HSBC Building
62 Worcester Boulevard
Private Bag 4999
Christchurch 8140
P: +64 3 3542600 ext: 30902
M: 9(2)(a)
E: simon.nikoloff@cera.govt.nz
W: www.cera.govt.nz

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David Osborn

From: Mark Wells <9(2)(a) privacy
Sent: 5 September, 2014 8:05 AM
To: Gerard Gallagher
Subject: RE: Building Manchester St

See you at 10

*Mark Wells
Chief Executive*



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From: Gerard Gallagher [mailto:Gerard.Gallagher@cera.govt.nz]
Sent: Friday, 5 September 2014 7:53 a.m.
To: Mark Wells
Cc: Simon Nikoloff
Subject: RE: Building Manchester St

Morning Mark,

I could not contact the Investor overnight however I am happy to meet with you to discuss his approach.

How would you be placed at 10am here at CERA – HSBC building 64 Worcester Blvd. If you come up to Level 8 reception and ask for me. A colleague will sit in on the meeting with me as well.

If 10am is no good then 11am is OK for me as well

Thanks
Gerard

Gerard Gallagher
Investment Facilitator
Christchurch Central Development Unit (CCDU)
Canterbury Earthquake Recovery Authority (CERA)
62 Worcester Boulevard
Private Bag 4999, Christchurch 8140

M: 9(2)(a)
DDI: 03 3520 971
E: gerard.gallagher@cera.govt.nz
W: www.cera.govt.nz

From: Mark Wells9(2)(a) privacy
Sent: Thursday, 4 September 2014 5:32 p.m.
To: Gerard Gallagher
Subject: RE: Building Manchester St

Cheers

Sent from my Windows Phone

From: Gerard Gallagher
Sent: 04/09/2014 17:02
To: 'Mark Wells'
Cc: Simon Nikoloff
Subject: RE: Building Manchester St

Hi Mark,

Simon is away tomorrow but I may be able to meet with you – I am fully aware of the site and Investors position. I will try to contact the Investor/developer and confirm with you in the morning.

Kind regards
Gerard

Gerard Gallagher
Investment Facilitator
Christchurch Central Development Unit (CCDU)
Canterbury Earthquake Recovery Authority (CERA)
62 Worcester Boulevard
Private Bag 4999, Christchurch 8140

M: 9(2)(a)
DDI: 03 3520 971
E: gerard.gallagher@cera.govt.nz
W: www.cera.govt.nz

From: Mark Wells 9(2)(a) privacy
Sent: Thursday, 4 September 2014 4:33 p.m.
To: Simon Nikoloff
Cc: Gerard Gallagher
Subject: RE: Building Manchester St

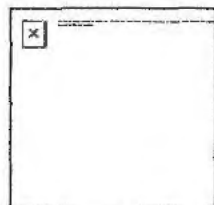
Hi Simon

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Regards

Mark Wells
Chief Executive



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 9(2)(a) privacy

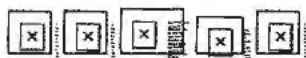



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To: Mark Wells

Cc: Gerard Gallagher

Subject: Building Manchester St

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Thank you & kind regards

Simon Nikoloff

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David Osborn

From: Gerard Gallagher
Sent: 5 September, 2014 2:33 PM
To: 'Mark Wells'
Cc: Simon Nikoloff
Subject: RE: Building Manchester St
Attachments: YHA Confidentiality Agreement.pdf

Hi Mark,

Thanks for that.

The investor is happy that I sign the Confidentiality Agreement (see attached) and confirms that he will make a decision to submit an offer within 2 weeks (maximum – potentially sooner) of receipt of the engineering and other documents we discussed.

He has also confirmed he would like a fast unconditional process if possible – with the general intent of settlement in October 2014.

I look forward to hearing after the weekend what your board decide and receipt of the documentation.

Kind regards
Gerard

Gerard Gallagher

Investment Facilitator
Christchurch Central Development Unit (CCDU)
Canterbury Earthquake Recovery Authority (CERA)
62 Worcester Boulevard
Private Bag 4999, Christchurch 8140

M: **9(2)(a)**
DDI: 03 3520 971
E: gerard.gallagher@cera.govt.nz
W: www.cera.govt.nz

From: Mark Wells [mailto:9(2)(a) privacy]
Sent: Friday, 5 September 2014 10:39 a.m.
To: Gerard Gallagher
Subject: RE: Building Manchester St

Hi Gerard

Good to meet .. and Confidentiality Agreement attached as discussed.

Regards

Mark Wells
Chief Executive




YHA New Zealand National Office
Level 1, 166 Moorhouse Ave. PO Box 436 Christchurch 8140
9(2)(a) privacy

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Mark Wells
Chief Executive



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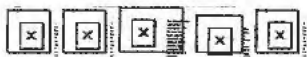


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Sent: Thursday, 4 September 2014 12:19 p.m.
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Cc: Gerard Gallagher
Subject: Building Manchester St

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Thank you & kind regards

Simon Nikoloff

Investment Facilitator

Greater Christchurch Investment Strategy
Christchurch Central Development Unit
Canterbury Earthquake Recovery Authority – CERA
HSBC Building
62 Worcester Boulevard
Private Bag 4999
Christchurch 8140
P: +64 3 3542600 ext: 30902
M: 9(2)(a) privacy
E: simon.nikoloff@cera.govt.nz
W: www.cera.govt.nz

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Confidentiality and Non-disclosure Agreement

This agreement is made on the 5th day of September 2014

Between:

Youth Hostels Association of New Zealand Incorporated PO Box 436, Christchurch Mail Centre, Christchurch 8140. ("YHANZ")

And:

Gerard Gallagher - Representing an Investor
Investment Facilitator
 CERA - CCOU.

- A. This is a mutual agreement intended to cover the supply of confidential information from one party ("the Owner") to the other ("the Recipient").
- B. The Recipient accepts that such information is confidential and the property of the Owner.

It is agreed as follows:

1. For the purposes of this agreement, "confidential information" shall mean all information disclosed by the Owner to the Recipient or its advisers relating to existing or contemplated structure, system, business proposal, operations, marketing, intellectual property, trade secrets, management, or financial performance of the Owner. It also includes information owned by the Owner's customers, whether by way of oral explanation or by making available any records, contracts, books of account or any other written or electronically stored information or materials.
2. The Recipient acknowledges that the confidential information, and any notes or copies made from it, will be received and held in strict confidence for the sole purpose of appraisal by the Recipient. All right, title and interest in confidential information shall remain with the Owner.
3. Confidential information does not apply to information and materials which:
 - a) Are now, or later become, generally available to the public, other than as a result of unauthorised disclosure by the Recipient or any of its associates or advisers, or
 - b) Become available to the Recipient on a non-confidential basis from a source other than a party to this agreement who or which is entitled to disclose it, or
 - c) Was known to the Recipient on a non-confidential basis prior to disclosure under this agreement.
4. In consideration of the Owner disclosing confidential information to the Recipient and its advisers, the Recipient undertakes:
 - a) Not to disclose, or in any form communicate, the confidential information or any copies to any party at any time, except to those of its advisers as shall be necessary for the purposes for which the confidential information was disclosed.

- b) Not to use, or attempt to use, the confidential information for its own purposes or the purposes of any third party, which may damage or cause loss to the Owner, or which may affect the carrying on of the Owner's business or any scheme or system disclosed in such information.
 - c) Upon request from the Owner, to return promptly all confidential information and all copies, and destroy all copies of notes, analysis, compilations, or other documents containing or reflecting any confidential information.
 - d) To hold the confidential information securely so as to prohibit unauthorised access, in at least as secure conditions as those applied to the Recipient's own trade secrets and confidential information.
5. The Owner makes no representation, warranty, or undertaking, express or implied, as to the accuracy or completeness of the confidential information. The Owner is under no liability to the Recipient or any other person resulting from the Recipient's use of the confidential information.
 6. The Recipient acknowledges that this agreement gives rise to fiduciary obligations as well as contractual obligations, and that damages alone will be an insufficient remedy for the breach of the Recipient's obligations under this Agreement. The appropriate remedies for such breach or threatened breach will include, at the election of the Owner, orders for specific performance and/or injunctive relief, as well as all other contractual and/or fiduciary remedies.
 7. The Recipient acknowledges that failure on the part of the Owner to enforce at any time any of the provisions of this agreement shall not be construed as a waiver of any of the Owner's rights under this agreement. Nor shall any such failure affect the validity of any of the provisions of this agreement or otherwise prejudice the Owner in any way.
 8. The provisions of this agreement shall be in addition to the obligations upon the Recipient implied by the common law relating to breach of confidential information.
 9. This agreement is governed by the laws in force in New Zealand. The Parties submit to the exclusive jurisdiction of the courts of New Zealand with respect to any dispute between them concerning this agreement.

Signed for and on behalf of YHANZ
By Mark Wells – Chief Executive.

Signed for and on behalf of (Other party)
By its authorised signatory.

9(2)(a) privacy

M Wells

Authorised Signatory

David Osborn

From: 9(2)(a) privacy
Sent: 8 September, 2014 10:45 AM
To: Gerard Gallagher
Subject: RE: Catch up

Hi Gerard
9(2)(a) privacy

5pm will be fine for a meeting

Regards
9(2)(a)

From: Gerard Gallagher [mailto:Gerard.Gallagher@cera.govt.nz]
Sent: Monday, 8 September 2014 10:31 a.m.
To: 9(2)(a) privacy
Subject: Catch up

9(2)(a) privacy
Hi

How has the past few weeks been going??

9(2)(a) privacy

Also I have an investment opportunity (a building in the city) that I would like to discuss with you. If you are not interested our team will put it out to others who we have.

Are you about tomorrow afternoon – say 5pm your office. 9(2)(a) privacy
9(2)(a) privacy

Hear from you soon.
Cheers
Gerard

Gerard Gallagher
Investment Facilitator
Christchurch Central Development Unit (CCDU)
Canterbury Earthquake Recovery Authority (CERA)
62 Worcester Boulevard
Private Bag 4999, Christchurch 8140

M: 9(2)(a)
DDI: 03 3520 971
E: gerard.gallagher@cera.govt.nz
W: www.cera.govt.nz

From: 9(2)(a) privacy
Sent: Friday, 15 August 2014 10:53 a.m.
To: Gerard Gallagher
Subject: RE:9(2)(a) (invite to meeting)

Thanks gerard

From: Gerard Gallagher [mailto:Gerard.Gallagher@cera.govt.nz]
Sent: Friday, 15 August 2014 9:55 a.m.
To: 9(2)(a) privacy
Subject: RE:9(2)(a) (invite to meeting)

9(2)(a) privacy

G


Gerard Gallagher
Investment Facilitator
Christchurch Central Development Unit (CCDU)
Canterbury Earthquake Recovery Authority (CERA)
62 Worcester Boulevard
Private Bag 4999, Christchurch 8140

M: 9(2)(a)
DDI: 03 3520 971
E: gerard.gallagher@cera.govt.nz
W: www.cera.govt.nz


From: 9(2)(a) privacy
Sent: Friday, 15 August 2014 9:30 a.m.
To: Gerard Gallagher
Subject: 9(2) (invite to meeting)
Importance: High

Hi Gerard
9(2)(a) privacy


Thanks
9(2)(a)
privacy

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David Osborn

From: Gerard Gallagher
Sent: 8 September, 2014 1:06 PM
To: Janet Manners
Subject: Weekly Update
Attachments: 08.09.14 Ministers Weekly Status Report.docx

Cheers

G

Gerard Gallagher
Investment Facilitator
Christchurch Central Development Unit (CCDU)
Canterbury Earthquake Recovery Authority (CERA)
62 Worcester Boulevard
Private Bag 4999, Christchurch 8140

M: 9(2)(a)
DDI: 03 3520 971
E: gerard.gallagher@cera.govt.nz
W: www.cera.govt.nz

Gerard Gallagher to 8th September 2014**Investment Appendix 20140411****Trends & Market Intelligence**

- Commercial interest strengthening for acquisition of CERA owned land
- JV arrangements for supply chain businesses are becoming more evident

Meetings held this week	
Meeting/ discussion with	Outcomes
9(2)(a) privacy	Request to acquire neighbouring land owned by CERA. Discussed process and offered assistance
9(2)(a) privacy	Promote 9(2)(a) privacy concept with LINZ
9(2)(a) privacy	Skype call to Dubai Investor representative. Understand process and possible fit into the Rebuild. Requires further analysis
9(2)(a) privacy	9(2)(a) Supplier from Korea visit – he is keen to develop a JV with a local company. Also interest from Korea for direct investment into the Rebuild
9(2)(a) privacy	Has commenced operation in Christchurch and welcomed 9(2)(a) privacy regards procurement
YHA – Mark Wells CEO	Presented investment opportunity for Acquisition of Manchester Street property that YHA is divesting

Next fortnight planned meetings	
Meeting/discussion with	Planned outcome
YHA Investor meeting – 9(2)(a)	Decision on uptake
9(2)(a) privacy – Malaysian Investors meeting	Understanding on investment needs and investment type sought
9(2)(a) privacy – Investor	Discussion regards 9(2)(a) privacy developments within the city
9(2)(a) privacy – Investor	Arrange CCC consenting meeting with Urban Regeneration team

David Osborn

From: Mark Wells <9(2)(a) privacy
Sent: 9 September, 2014 12:47 PM
To: Gerard Gallagher
Cc: Simon Nikoloff
Subject: RE: Building Manchester St
Attachments: image001.jpg; image002.jpg; image004.png; image005.png; image006.png; image007.png; image008.png; image009.jpg; image011.jpg

Thanks Gerard

-----Original Message-----

From: Gerard Gallagher [<mailto:Gerard.Gallagher@cera.govt.nz>]
Sent: Tue 9/9/2014 12:24 PM
To: Mark Wells
Cc: Simon Nikoloff
Subject: RE: Building Manchester St

Hi Mark,

Thank you for that confirmation.
Our investor will now proceed with DD and be back in contact with you within 2 weeks with a response.

I will keep you informed

Regards
Gerard

Gerard Gallagher
Investment Facilitator
Christchurch Central Development Unit (CCDU)
Canterbury Earthquake Recovery Authority (CERA)
62 Worcester Boulevard
Private Bag 4999, Christchurch 8140

M: 9(2)(a)
DDI: 03 3520 971
E: gerard.gallagher@cera.govt.nz<<mailto:gerard.gallagher@cera.govt.nz>>
W: www.cera.govt.nz<<http://www.cera.govt.nz>>

From: Mark Wells9
Sent: Tuesday, 9 September 2014 11:08 a.m.
To: Gerard Gallagher
Cc: Simon Nikoloff
Subject: RE: Building Manchester St
Importance: High

Hi Gerard

At this stage I can confirm that the other party has NOT confirmed the contract.

We are negotiating a short extension with a roll-over clause on the basis of your party progressing their consideration . but that has yet to be confirmed.

Regards

Mark Wells
Chief Executive

[cid:image001.jpg@01CFCC28.F98DC650]

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Level 1, 166 Moorhouse Ave. PO Box 436, Christchurch 8140
9(2)(a) privacy

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From: Gerard Gallagher [<mailto:Gerard.Gallagher@cera.govt.nz>]
Sent: Friday, 5 September 2014 2:33 p.m.
To: Mark Wells
Cc: Simon Nikoloff
Subject: RE: Building Manchester St

Hi Mark,

Thanks for that.

The investor is happy that I sign the Confidentiality Agreement (see attached) and confirms that he will make a decision to submit an offer within 2 weeks (maximum - potentially sooner) of receipt of the engineering and other documents we discussed. He has also confirmed he would like a fast unconditional process if possible - with the general intent of settlement in October 2014.

I look forward to hearing after the weekend what your board decide and receipt of the documentation.

Kind regards
Gerard

Gerard Gallagher
Investment Facilitator
Christchurch Central Development Unit (CCDU)
Canterbury Earthquake Recovery Authority (CERA)
62 Worcester Boulevard
Private Bag 4999, Christchurch 8140

M: 9(2)(a)
DDI: 03 3520 971
E: gerard.gallagher@cera.govt.nz<<mailto:gerard.gallagher@cera.govt.nz>>

W: www.cera.govt.nz<<http://www.cera.govt.nz>>

From: Mark Wells 9(2)(a) privacy
Sent: Friday, 5 September 2014 10:39 a.m.
To: Gerard Gallagher
Subject: RE: Building Manchester St

Hi Gerard

Good to meet .. and Confidentiality Agreement attached as discussed.

Regards

Mark Wells
Chief Executive

[cid:image001.jpg@01CFCC28.F98DC650]

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Level 1, 166 Moorhouse Ave, PO Box 436, Christchurch 8140
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From: Gerard Gallagher [<mailto:Gerard.Gallagher@cera.govt.nz>]
Sent: Friday, 5 September 2014 7:53 a.m.
To: Mark Wells
Cc: Simon Nikoloff
Subject: RE: Building Manchester St

Morning Mark,

I could not contact the Investor overnight however I am happy to meet with you to discuss his approach.

How would you be placed at 10am here at CERA - HSBC building 64 Worcester Blvd. If you come up to Level 8 reception and ask for me. A colleague will sit in on the meeting with me as well.

If 10am is no good then 11am is OK for me as well

Thanks
Gerard

Gerard Gallagher
Investment Facilitator
Christchurch Central Development Unit (CCDU)
Canterbury Earthquake Recovery Authority (CERA)
62 Worcester Boulevard
Private Bag 4999, Christchurch 8140

M: 9(2)(a)
DDI: 03 3520 971
E: gerard.gallagher@cera.govt.nz<mailto:gerard.gallagher@cera.govt.nz>
W: www.cera.govt.nz<http://www.cera.govt.nz/>

From: Mark Wells 9(2)(a) privacy
Sent: Thursday, 4 September 2014 5:32 p.m.
To: Gerard Gallagher
Subject: RE: Building Manchester St

Cheers

Sent from my Windows Phone

From: Gerard Gallagher<mailto:Gerard.Gallagher@cera.govt.nz>
Sent: 04/09/2014 17:02
To: 'Mark Wells'9(2)(a) privacy
Cc: Simon Nikoloff<mailto:Simon.Nikoloff@cera.govt.nz>
Subject: RE: Building Manchester St
Hi Mark,

Simon is away tomorrow but I may be able to meet with you - I am fully aware of the site and Investors position.
I will try to contact the Investor/developer and confirm with you in the morning.

Kind regards
Gerard

Gerard Gallagher
Investment Facilitator
Christchurch Central Development Unit (CCDU)
Canterbury Earthquake Recovery Authority (CERA)
62 Worcester Boulevard
Private Bag 4999, Christchurch 8140

M: 9(2)(a)
DDI: 03 3520 971
E: gerard.gallagher@cera.govt.nz<mailto:gerard.gallagher@cera.govt.nz>
W: www.cera.govt.nz<http://www.cera.govt.nz/>

From: Mark Wells 9(2)(a) privacy
Sent: Thursday, 4 September 2014 4:33 p.m.
To: Simon Nikoloff
Cc: Gerard Gallagher
Subject: RE: Building Manchester St

Hi Simon

I left a message on your phone to indicate that I would be interested in meeting.

It would be good to do so before my Board meeting i.e. sometime tomorrow. I could do anytime up until 3pm.

Regards

Mark Wells

Chief Executive

[cid:image001.jpg@01CFC861.C0659760]

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Level 1, 166 Moorhouse Ave, PO Box 436, Christchurch 8140
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<<http://www.twitter.com/YHANewZealand>> [cid:image008.png@01CFC861.C0659760] <<http://weibo.com/yhanewzealand>>

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From: Simon Nikoloff [mailto:Simon.Nikoloff@cera.govt.nz]
Sent: Thursday, 4 September 2014 12:19 p.m.
To: Mark Wells
Cc: Gerard Gallagher
Subject: Building Manchester St

Good morning Mark,

Following on from our conversation earlier today and meeting a few weeks back, I confirm we are working with a party who have expressed interest in purchasing this building.

The party are serious, commercially experienced buyers and will complete their due diligence expediently. Terms and conditions are expected to be minimal, i.e. subject to engineering reports and usual due diligence.

They intend to redevelop the site into commercial space in the future. In the interim may use it for worker accommodation subject to engineering and relevant approvals. The price indication is "fair value" based on current land prices plus residual value on the building depending on engineering reports, indicated in the vicinity of \$2 - \$2.5.m

If you would like to discuss this in more detail please contact me directly and I will arrange a meeting. Best contact is my mobile 9(2) or this email.

Thank you & kind regards

Simon Nikoloff

Investment Facilitator

Greater Christchurch Investment Strategy
Christchurch Central Development Unit
Canterbury Earthquake Recovery Authority - CERA
HSBC Building

62 Worcester Boulevard
Private Bag 4999
Christchurch 8140
P: +64 3 3542600 ext: 30902
M: 9(2)(a)
E: simon.nikoloff@cera.govt.nz<<mailto:simon.nikoloff@cera.govt.nz>>
W: www.cera.govt.nz<<http://www.cera.govt.nz>>

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David Osborn

From: Gerard Gallagher 9(2)(a) privacy
Sent: 9 September, 2014 8:46 PM
To: Gerard Gallagher
Subject: YHA & Kennett House

OK

YHA

1. Organise engineer - need 34% for occupancy
2. List of chattles
3. Investment plan - PIMCO 10%
4. PIMCO role
5. Business Case - Budgets
6. Repairs cost analysis

Kennett House

1. List of what needs to be done
- 2.

-- --
Gerard Gallagher
Gallagher Grant Ltd
Ph:9(2)(a)
Mobile 9(2)(a)
www.gallaghergrant.co.nz

David Osborn

From: 9(2)(a) privacy
Sent: 10 September, 2014 4:36 PM
To: Gerard Gallagher
Subject: RE: Manchester Street

Thanks gerard

From: Gerard Gallagher [mailto:Gerard.Gallagher@cera.govt.nz]
Sent: Wednesday, 10 September 2014 3:45 p.m.
To: 9(2)(a) privacy
Subject: RE: Manchester Street

Hi 9(2)(a) privacy

The yield is an indicator for typical investor yield in the CBD and was put on this doc just as a base bottom line indicator. Before your investment is confirmed we will have a definitive set of figures showing yield much higher than that backed up with a business plan.

The plan and costing for development and operational management by PIMCO will also be provided to you before you commit to investment. We will have that to you before the offer is submitted.

Murray Cleverley is a shareholder of PIMCO – we don't have a CEO – all equal shareholders

Anything else just call or email
Cheers
G

Gerard Gallagher
Investment Facilitator
Christchurch Central Development Unit (CCDU)
Canterbury Earthquake Recovery Authority (CERA)
62 Worcester Boulevard
Private Bag 4999, Christchurch 8140

M: 9(2)(a)
DDI: 03 3520 971
E: gerard.gallagher@cera.govt.nz
W: www.cera.govt.nz

From: 9(2)(a)
Sent: Wednesday, 10 September 2014 11:32 a.m.
To: Gerard Gallagher
Subject: Manchester Street

Hi Gerard

Just a couple of things regarding the above investment

In the Memo in refers to a 'typical yield 7 – 10%' What is this relating to?


Also, we need some indications on the income and management fee structure for managing the ongoing tenancies by PIMCO

What was the name of your CEO again?

Kind Regards
9(2)(a) privacy

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David Osborn

From: Gerard Gallagher
Sent: 15 September, 2014 8:10 AM
To: 9(2)(a) privacy
Subject: Meetings

Hi 9(2)(a)

Hope you had a good weekend

I suggest Managers meeting Tuesday at 5pm – let me know if that suits.
Also I suggest Shareholders meeting next week on either Tuesday or Thursday at the same time.

Is your brother interested in looking at Manchester Street. Our plan is to organise an engineer on site one day this week so we can get confirmation the building can be increased to 34% of code – if not the project is not worth proceeding with as planned. Once I get the date I will let you know so you can have a look as well. Let me know any day that will not suit you.

The conditional offer (or not) needs to be in Friday.

Cheers
Gerard

Gerard Gallagher
Investment Facilitator
Christchurch Central Development Unit (CCDU)
Canterbury Earthquake Recovery Authority (CERA)
62 Worcester Boulevard
Private Bag 4999, Christchurch 8140

M: 9(2)(a)
DDI: 03 3520 971
E: gerard.gallagher@cera.govt.nz
W: www.cera.govt.nz

David Osborn

From: Gerard Gallagher
Sent: 15 September, 2014 9:44 AM
To: Janet Manners
Subject: Weekly Report
Attachments: 14.09.14 Ministers Weekly Status Report.docx

Morning Janet
Have a great week
Gerard

Gerard Gallagher
Investment Facilitator
Christchurch Central Development Unit (CCDU)
Canterbury Earthquake Recovery Authority (CERA)
62 Worcester Boulevard
Private Bag 4999, Christchurch 8140

M: 9(2)(a)
DDI: 03 3520 971
E: gerard.gallagher@cera.govt.nz
W: www.cera.govt.nz

Gerard Gallagher to 14th September 2014

Investment Appendix 20140411

Trends & Market Intelligence

- Stronger interest in low cost housing methods becoming available from off shore supply chains

Meetings held this week	
Meeting/ discussion with	Outcomes
9(2)(a) privacy	Introduction of 9(2) development opportunity to 9(2)(a) privacy site in Innovation Precinct
YHA – 9(2)(a) privacy - Investor	Introduce YHA Development Opportunity on Manchester Street for worker accommodation
Malaysian Investor - 9(2)(a) privacy	Presented several CBD commercial developments
9(2)(a) privacy – Global Edge Ltd	Interest in light commercial and housing developments. Will bring 9(2)(a) privacy supply chain out of Australia

Next fortnight planned meetings	
Meeting/discussion with	Planned outcome
9(2)(a) privacy Global Edge Ltd	Interest in Worker Accommodation
9(2)(a) privacy Chinese property development company	Interest in developing Hotels and other commercial developments
9(2)(a) privacy – Investor	YHA – site visit and meeting CEO

MANCHESTER ST 273 LIMITED (5469184) Registered

To maintain this company [log on here](#)

Last updated on 09 May 2016

Company Summary

Company number: 5469184
NZ Business Number: 9429041422496
Incorporation Date: 22 Sep 2014
Company Status: Registered
Entity type: NZ Limited Company
Constitution filed: No
AR filing month: April , last filed on [09 May 2016](#)

Ultimate holding company: No

Company addresses: **Registered Office**
LANE NEAVE, 141 Cambridge Terrace, Christchurch Central, Christchurch, 8013 , New Zealand
Address for service
LANE NEAVE, 141 Cambridge Terrace, Christchurch Central, Christchurch, 8013 , New Zealand
[View all addresses](#)

Directors Showing 1 of 1 directors
Jonathan Ashley TAGGART
9(2)(a) privacy
Christchurch, 8022 , New Zealand

Company record link: <http://www.companies.govt.nz/co/5469184>

Additional company information

Trading Name:

Website:

Phone:

Email:

Business Classification:L671230 Investment – commercial property

Premise Address:

NZSX Code:

The following information has been voluntarily provided by the company and any queries relating to it should be directed to the company. This information does not form part of the companies register and the Registrar is not responsible for maintaining it.

Directors (1)

Full legal name: Jonathan Ashley TAGGART

Residential Address: 9(2)(a) privacy , Christchurch, 8022 ,
New Zealand

Appointment Date: 22 Sep 2014

Shareholder: [Yes](#)

Consent: [View Consent Form](#)

Shareholdings (1)

Total Number of Shares: 100

Extensive Shareholding: No

Shareholders in Allocation:

Allocation 1: 100 shares (100.00%)

Jonathan Ashley TAGGART
9(2)(a) privacy
Christchurch, 8022 , New Zealand
Director: [Yes](#)

Addresses

Registered office address:	LANE NEAVE, 141 Cambridge Terrace, Christchurch Central, Christchurch, 8013 , New Zealand	Valid NZ Address
Address for service:	LANE NEAVE, 141 Cambridge Terrace, Christchurch Central, Christchurch, 8013 , New Zealand	Valid NZ Address

There are no Other Addresses

Historic data for addresses

[Show History](#)

PPSR Search

A search can be conducted for MANCHESTER ST 273 LIMITED on the Personal Property Securities Register by selecting this [link](#).

Documents (6)

<u>Date</u>	<u>Document Type</u>	<u>Size</u>
09 May 2016 15:51	Annual Return Filed	
04 May 2016 14:31	Particulars of Company Address	
09 Apr 2015 11:21	File Annual Return	
22 Sep 2014 14:31	New Company Incorporation	
22 Sep 2014 14:31	Director Consent Form	
	Director Consent Form	499kb
22 Sep 2014 14:31	Shareholder Consent Form	
	Shareholder Consent Form	493kb

Generated on Monday, 13 February 2017 14:53:47 NZDT

David Osborn

From: Gerard Gallagher
Sent: 18 September, 2014 4:08 PM
To: 'Mark Wells'
Cc: Simon Nikoloff
Subject: RE: Building Manchester St

Hi Mark,

Just to let you know the Investor's Lawyer – Lane Neave - are preparing a Sale and Purchase Agreement with an offer to purchase 273 Manchester Street and you will receive that offer on Monday 22nd, next week as promised. The offer will be similar to what I mentioned to you last week.

Regards
Gerard

Gerard Gallagher
Investment Facilitator
Christchurch Central Development Unit (CCDU)
Canterbury Earthquake Recovery Authority (CERA)
62 Worcester Boulevard
Private Bag 4999, Christchurch 8140

M: 9(2)(a)
DDI: 03 3520 971
E: gerard.gallagher@cera.govt.nz
W: www.cera.govt.nz

From: Mark Wells [mailto:9(2)(a) privacy]
Sent: Tuesday, 9 September 2014 12:47 p.m.
To: Gerard Gallagher
Cc: Simon Nikoloff
Subject: RE: Building Manchester St

Thanks Gerard

-----Original Message-----

From: Gerard Gallagher [mailto:Gerard.Gallagher@cera.govt.nz]
Sent: Tue 9/9/2014 12:24 PM
To: Mark Wells
Cc: Simon Nikoloff
Subject: RE: Building Manchester St

Hi Mark,

Thank you for that confirmation.
Our investor will now proceed with DD and be back in contact with you within 2 weeks with a response.

I will keep you informed

Regards

Gerard

Gerard Gallagher
Investment Facilitator
Christchurch Central Development Unit (CCDU)
Canterbury Earthquake Recovery Authority (CERA)
62 Worcester Boulevard
Private Bag 4999, Christchurch 8140

M: 9(2)(a)
DDI: 03 3520 971
E: gerard.gallagher@cera.govt.nz<mailto:gerard.gallagher@cera.govt.nz>
W: www.cera.govt.nz<http://www.cera.govt.nz/>

From: Mark Wells9(2)(a) privacy
Sent: Tuesday, 9 September 2014 11:08 a.m.
To: Gerard Gallagher
Cc: Simon Nikoloff
Subject: RE: Building Manchester St
Importance: High

Hi Gerard

At this stage I can confirm that the other party has NOT confirmed the contract.

We are negotiating a short extension with a roll-over clause on the basis of your party progressing their consideration . but that has yet to be confirmed.

Regards

Mark Wells
Chief Executive

[cid:image001.jpg@01CFCC28.F98DC650]

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Level 1, 166 Moorhouse Ave, PO Box 436, Christchurch 8140
9(2)(a) privacy

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<http://www.facebook.com/YHANewZealand> [cid:image006.png@01CFCC28.F98DC650]
<https://www.youtube.com/YHANewZealand> [cid:image007.png@01CFCC28.F98DC650]
<http://www.twitter.com/YHANewZealand> [cid:image008.png@01CFCC28.F98DC650] <http://weibo.com/yhanewzealand>

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From: Gerard Gallagher [mailto:Gerard.Gallagher@cera.govt.nz]

Sent: Friday, 5 September 2014 2:33 p.m.
To: Mark Wells
Cc: Simon Nikoloff
Subject: RE: Building Manchester St

Hi Mark,

Thanks for that.

The investor is happy that I sign the Confidentiality Agreement (see attached) and confirms that he will make a decision to submit an offer within 2 weeks (maximum - potentially sooner) of receipt of the engineering and other documents we discussed. He has also confirmed he would like a fast unconditional process if possible - with the general intent of settlement in October 2014.

I look forward to hearing after the weekend what your board decide and receipt of the documentation.

Kind regards
Gerard

Gerard Gallagher
Investment Facilitator
Christchurch Central Development Unit (CCDU)
Canterbury Earthquake Recovery Authority (CERA)
62 Worcester Boulevard
Private Bag 4999, Christchurch 8140

M: 9(2)(a)
DDI: 03 3520 971
E: gerard.gallagher@cera.govt.nz<mailto:gerard.gallagher@cera.govt.nz>
W: www.cera.govt.nz<http://www.cera.govt.nz/>

From: Mark Wells9(2)(a) privacy
Sent: Friday, 5 September 2014 10:39 a.m.
To: Gerard Gallagher
Subject: RE: Building Manchester St

Hi Gerard

Good to meet .. and Confidentiality Agreement attached as discussed.

Regards

Mark Wells
Chief Executive

[cid:image001.jpg@01CFCC28.F98DC650]

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<<http://www.twitter.com/YHANewZealand>> [cid:image008.png@01CFCC28.F98DC650] <<http://weibo.com/yhanewzealand>>

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From: Gerard Gallagher [mailto:Gerard.Gallagher@cera.govt.nz]
Sent: Friday, 5 September 2014 7:53 a.m.
To: Mark Wells
Cc: Simon Nikoloff
Subject: RE: Building Manchester St

Morning Mark,

I could not contact the Investor overnight however I am happy to meet with you to discuss his approach.

How would you be placed at 10am here at CERA - HSBC building 64 Worcester Blvd. If you come up to Level 8 reception and ask for me. A colleague will sit in on the meeting with me as well.

If 10am is no good then 11am is OK for me as well

Thanks
Gerard

Gerard Gallagher
Investment Facilitator
Christchurch Central Development Unit (CCDU)
Canterbury Earthquake Recovery Authority (CERA)
62 Worcester Boulevard
Private Bag 4999, Christchurch 8140

M: 9(2)(a)
DDI: 03 3520 971
E: gerard.gallagher@cera.govt.nz<mailto:gerard.gallagher@cera.govt.nz>
W: www.cera.govt.nz<<http://www.cera.govt.nz/>>

From: Mark Wells 9(2)(a) privacy
Sent: Thursday, 4 September 2014 5:32 p.m.
To: Gerard Gallagher
Subject: RE: Building Manchester St

Cheers

Sent from my Windows Phone

From: Gerard Gallagher<mailto:Gerard.Gallagher@cera.govt.nz>
Sent: 04/09/2014 17:02
To: 'Mark Wells' 9(2)(a) privacy
Cc: Simon Nikoloff<mailto:Simon.Nikoloff@cera.govt.nz>
Subject: RE: Building Manchester St
Hi Mark,

Simon is away tomorrow but I may be able to meet with you - I am fully aware of the site and Investors position. I will try to contact the Investor/developer and confirm with you in the morning.

Kind regards
Gerard

Gerard Gallagher
Investment Facilitator
Christchurch Central Development Unit (CCDU)
Canterbury Earthquake Recovery Authority (CERA)
62 Worcester Boulevard
Private Bag 4999, Christchurch 8140

M: 9(2)(a)
DDI: 03 3520 971
E: gerard.gallagher@cera.govt.nz<<mailto:gerard.gallagher@cera.govt.nz>>
W: www.cera.govt.nz<<http://www.cera.govt.nz>>

From: Mark Wells 9(2)(a) privacy
Sent: Thursday, 4 September 2014 4:33 p.m.
To: Simon Nikoloff
Cc: Gerard Gallagher
Subject: RE: Building Manchester St

Hi Simon

I left a message on your phone to indicate that I would be interested in meeting.

It would be good to do so before my Board meeting i.e. sometime tomorrow. I could do anytime up until 3pm.

Regards

Mark Wells
Chief Executive

[cid:image001.jpg@01CFC861.C0659760]

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<<https://www.youtube.com/YHANewZealand>> [cid:image007.png@01CFC861.C0659760]
<<http://www.twitter.com/YHANewZealand>> [cid:image008.png@01CFC861.C0659760] <<http://weibo.com/yhanewzealand>>

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From: Simon Nikoloff [<mailto:Simon.Nikoloff@cera.govt.nz>]
Sent: Thursday, 4 September 2014 12:19 p.m.
To: Mark Wells
Cc: Gerard Gallagher
Subject: Building Manchester St

Good morning Mark,

Following on from our conversation earlier today and meeting a few weeks back, I confirm we are working with a party who have expressed interest in purchasing this building.

The party are serious, commercially experienced buyers and will complete their due diligence expediently. Terms and conditions are expected to be minimal, i.e. subject to engineering reports and usual due diligence.

They intend to redevelop the site into commercial space in the future. In the interim may use it for worker accommodation subject to engineering and relevant approvals. The price indication is "fair value" based on current land prices plus residual value on the building depending on engineering reports, indicated in the vicinity of \$2 - \$2.5.m

If you would like to discuss this in more detail please contact me directly and I will arrange a meeting. Best contact is my mobile 9(2)(a) or this email.

Thank you & kind regards

Simon Nikoloff

Investment Facilitator

Greater Christchurch Investment Strategy
Christchurch Central Development Unit
Canterbury Earthquake Recovery Authority - CERA
HSBC Building
62 Worcester Boulevard
Private Bag 4999
Christchurch 8140
P: +64 3 3542600 ext: 30902
M: 9(2)(a)
E: simon.nikoloff@cera.govt.nz
W: www.cera.govt.nz

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David Osborn

From: Gerard Gallagher
Sent: 19 September, 2014 1:09 PM
To: 'Ashley Taggart'
Cc: Simon Nikoloff
Subject: RE: YHA Investor

Hi Ashley,

Just back in the office – agree with Simon's comment re name of Co
Regards you questions

1. The address is 273 Manchester Street
2. It is our responsibility to get the building up to 34% of code after the purchase

Call if you have any other questions

Cheers
Gerard

Gerard Gallagher
Investment Facilitator
Christchurch Central Development Unit (CCDU)
Canterbury Earthquake Recovery Authority (CERA)
62 Worcester Boulevard
Private Bag 4999, Christchurch 8140

M: 9(2)(a)
DDI: 03 3520 971
E: gerard.gallagher@cera.govt.nz
W: www.cera.govt.nz

From: Ashley Taggart 9(2)(a) privacy
Sent: Friday, 19 September 2014 8:53 a.m.
To: Gerard Gallagher
Cc: Simon Nikoloff
Subject: RE: YHA Investor

Hi Gerard

There is an existing company name "Manchester Investments Limited" already registered with the Companies Office. Consequently, the Companies Office are likely to reject our application to incorporate a new company known as "Manchester Invest Ltd", as they will consider the two names to be too similar. Do you have another name or names?

Can you also come back to me on the following points:

1. property address; and
2. who is responsible to ensure that the building(s) is 34% of code and habitable for workers accommodation.

Regards
Ashley

Ashley Taggart
Partner

Lane Neave
137 Victoria Street, Christchurch 8013
PO Box 2331, Christchurch 8140

9(2)(a) privacy



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From: Gerard Gallagher [<mailto:Gerard.Gallagher@cera.govt.nz>]
Sent: Friday, 19 September 2014 8:06 a.m.
To: Ashley Taggart
Cc: Simon Nikoloff
Subject: FW: YHA Investor

Morning Ashley,

I have been thinking and I feel it will be best to form the company as Manchester Invest Ltd rather than YHA Investments Ltd. They may feel uncomfortable with using YHA

Thanks
Gerard

Gerard Gallagher
Investment Facilitator
Christchurch Central Development Unit (CCDU)
Canterbury Earthquake Recovery Authority (CERA)
62 Worcester Boulevard
Private Bag 4999, Christchurch 8140

M: 9(2)(a)
DDI: 03 3520 971
E: gerard.gallagher@cera.govt.nz
W: www.cera.govt.nz

From: Gerard Gallagher
Sent: Thursday, 18 September 2014 4:51 p.m.
To: 'Ashley Taggart'
Cc: Simon Nikoloff
Subject: YHA Investor

Hi Ashley,

Further to my phone call please prepare the agreement for the investor/s to include

1. Company Name – YHA Investments Ltd
2. Offer - \$2,200,000 (inclusive of GST if any)
3. Conditions
 - a. As is where is – all current chattels included – will need a list from them
 - b. Subject to finance
 - c. 30 days DD
 - d. Building will need to achieve 34% of code and be habitable as workers accommodation
4. Deposit say 10 after signed agreement
5. Full settlement say 30 days (working days)

6. Maybe we also try for access to site at agreement after deposit paid prior to full settlement so the improvements can be started

Address it to:

Mark Wells
Chief Executive



YHA New Zealand National Office
Level 1, 166 Moorhouse Ave, PO Box 436, Christchurch 8140
9(2)(a) privacy

Call if you need anything else just call – the agreement needs to be at YHA on Monday

Cheers
Gerard

Gerard Gallagher
Investment Facilitator
Christchurch Central Development Unit (CCDU)
Canterbury Earthquake Recovery Authority (CERA)
62 Worcester Boulevard
Private Bag 4999, Christchurch 8140

M: 9(2)(a)
DDI: 03 3520 971
E: gerard.gallagher@cera.govt.nz
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David Osborn

From: Gerard Gallagher
Sent: 22 September, 2014 3:22 PM
To: 'gerard9(2)(a) privacy'
Subject: FW: Offer - 273 Manchester Street, Christchurch - NIK941/1
Attachments: _2209151154.pdf.zip

Gerard Gallagher
Investment Facilitator
Christchurch Central Development Unit (CCDU)
Canterbury Earthquake Recovery Authority (CERA)
62 Worcester Boulevard
Private Bag 4999, Christchurch 8140

M: 9(2)(a)
DDI: 03 3520 971
E: gerard.gallagher@cera.govt.nz
W: www.cera.govt.nz

From: Ashley Taggart 9(2)(a) privacy
Sent: Monday, 22 September 2014 3:20 p.m.
To: Gerard Gallagher; Simon Nikoloff
Cc: 9(2)(a) privacy
Subject: FW: Offer - 273 Manchester Street, Christchurch - NIK941/1

Hi Gerard and Simon

Offer now sent to YHA – see email below. I'll touch base with you both once I have Mark's response.

Kind regards
Ashley

Ashley Taggart
Partner

Lane Neave
137 Victoria Street, Christchurch 8013
PO Box 2331, Christchurch 8140

9(2)(a) privacy



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From: Ashley Taggart
Sent: Monday, 22 September 2014 3:18 p.m.
To: '9(2)(a) privacy'
Subject: Offer - 273 Manchester Street, Christchurch

Dear Mark

Please find attached an offer for YHA's property located at 273 Manchester Street, Christchurch for YHA's consideration.

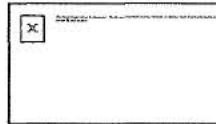
I look forward to hearing from you in due course.

Kind regards
Ashley

Ashley Taggart
Partner

Lane Neave
137 Victoria Street, Christchurch 8013
PO Box 2331, Christchurch 8140

9(2)(a) privacy



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insurance lawyers
in New Zealand

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AGREEMENT FOR SALE AND PURCHASE OF REAL ESTATE

This form is approved by the Real Estate Institute of New Zealand Incorporated and by Auckland District Law Society Incorporated.

DATE:

VENDOR: Youths Hostels Association of New Zealand Incorporated

PURCHASER: Manchester St 273 Limited

and/or nominee

The vendor is registered under the GST Act in respect of the transaction evidenced by this agreement and/or will be so registered at settlement:

Yes/No

PROPERTY				
Address: 273 Manchester Street, Christchurch				
Estate:	FEE SIMPLE	LEASEHOLD	STRATUM-IN-FREEHOLD	STRATUM-IN-LEASEHOLD
	CROSSLEASE (FEE SIMPLE)		CROSSLEASE (LEASEHOLD)	(if none is deleted fee simple)
Legal Description:		Lot/Flat/Unit:	DP:	Unique Identifier or CT:
Area (more or less):		Lot 3	18924	CB3C/623
880 square metres				

PAYMENT OF PURCHASE PRICE	
Purchase price: \$2,200,000.00	Plus GST (if any) OR Inclusive of GST (if any). If neither is deleted the purchase price includes GST (if any).
	GST date (refer clause 13.0):
Deposit (clause 2.0): \$10% of the Purchase Price payable to the Vendor's solicitor's trust account 10 working days following the date that this Agreement is confirmed as unconditional	
Balance of purchase price to be paid or satisfied as follows:	
(1) By payment in cleared funds on the settlement date which is 30 working days following the date that this Agreement is confirmed as unconditional or such other date as agreed in writing by the parties.	Interest rate for late settlement: 10 % p.a.
OR	
(2) In the manner described in the Further Terms of Sale.	

CONDITIONS (clause 9.0)		
Finance condition	LIM required:	Yes/No
Lender:	Building report required:	Yes/No
Amount required:	OIA Consent required:	Yes/No
Finance date:	Land Act/OIA date:	

TENANCIES (if any)			
Name of tenant: Vacant Possession			
Bond:	Rent:	Term:	Right of renewal:

SALE BY:	Private Treaty
	Licensed Real Estate Agent

It is agreed that the vendor sells and the purchaser purchases the property, and the chattels listed in Schedule 1, on the terms set out above and in the General Terms of Sale and any Further Terms of Sale.

**SCHEDULE 2
(GST Information – see clause 14.0)**

This Schedule must be completed if the vendor has stated on the front page that the vendor is registered under the GST Act in respect of the transaction evidenced by this agreement and/or will be so registered at settlement. Otherwise there is no need to complete it.

Section 1

1.	The vendor's registration number (if already registered):	
2.	The purchaser is registered under the GST Act and/or will be so registered at settlement.	Yes/No
3.	The purchaser intends at settlement to use the property for making taxable supplies	Yes/No

If the answer to either or both of questions 2 and 3 is 'No', go to question 6

4.	The purchaser's details are as follows: (a) Full name: Manchester St 273 Limited (b) Address: TBA (c) Registration number (if already registered): TBA	
5.	The purchaser intends at settlement to use the property as a principal place of residence by the purchaser or a person associated with the purchaser under section 2A(1)(c) of the GST Act (connected by blood relationship, marriage, civil union, de facto relationship or adoption). OR The purchaser intends at settlement to use part of the property as a principal place of residence by the purchaser or a person associated with the purchaser under section 2A(1)(c) of the GST Act. That part is: (e.g. "the main farmhouse" or "the apartment above the shop")	Yes/No Yes/No
6.	The purchaser intends to direct the vendor to transfer title to the property to another party ("nominee")	Yes/No

If the answer to question 6 is "Yes", then please continue. Otherwise, there is no need to complete this Schedule any further.

Section 2

7.	The nominee is registered under the GST Act and/or is expected by the purchaser to be so registered at settlement.	Yes/No
8.	The purchaser expects the nominee at settlement to use the property for making taxable supplies.	Yes/No

If the answer to either or both of questions 7 and 8 is 'No', there is no need to complete this Schedule any further.

9.	The nominee's details (if known to the purchaser) are as follows: (a) Full name: (b) Address: (c) Registration number (if already registered):	
10.	The purchaser expects the nominee to intend at settlement to use the property as a principal place of residence by the nominee or a person associated with the nominee under section 2A(1)(c) of the GST Act (connected by blood relationship, marriage, civil union, de facto relationship or adoption). OR The purchaser expects the nominee to intend at settlement to use part of the property as a principal place of residence by the purchaser or a person associated with the purchaser under section 2A(1)(c) of the GST Act. That part is: (e.g. "the main farmhouse" or "the apartment above the shop").	Yes/No Yes/No

WARNING (This warning does not form part of this agreement)

This is a binding contract. Read the information set out on the back page before signing.

Acknowledgements

Where this agreement relates to the sale of a residential property and this agreement was provided to the parties by a real estate agent, or by a licensee on behalf of the agent, the parties acknowledge that they have been given the advice about the sale of residential property approved by the Real Estate Agents Authority.

Signature of vendor(s)

Signature of purchaser(s)
9(2)(a) privacy

.....

.....

.....

.....

BEFORE SIGNING THE AGREEMENT

- It is recommended both parties seek professional advice before signing. This is especially so if:
 - there are any doubts. Once signed, this will be a binding contract with only restricted rights of termination.
 - property such as a hotel or a farm is being sold. The agreement is designed primarily for the sale of residential and commercial property.
 - the property is vacant land in the process of being subdivided or there is a new unit title or cross lease to be issued. In these cases additional clauses may need to be inserted.
 - there is any doubt as to the position of the boundaries.
 - the purchaser wishes to check the weathertightness and soundness of construction of any dwellings or other buildings on the land.
- The purchaser should investigate the status of the property under the Council's District Plan. The property and those around it are affected by zoning and other planning provisions regulating their use and future development.
- The purchaser should investigate whether necessary permits, consents and code compliance certificates have been obtained from the Council where building works have been carried out. This investigation can be assisted by obtaining a LIM from the Council.
- The purchaser should compare the title plans against the physical location of existing structures where the property is a unit title or cross lease. Structures or alterations to structures not shown on the plans may result in the title being defective.
- In the case of a unit title, before the purchaser enters into the agreement:
 - the vendor must provide to the purchaser a pre-contract disclosure statement under section 146 of the Unit Titles Act 2010;
 - the purchaser should check the minutes of the past meetings of the body corporate, enquire whether there are any issues affecting the units and/or the common property, check the body corporate's long term maintenance plan and enquire whether the body corporate has imposed or proposed levies for a long term maintenance fund or any other fund for the maintenance of, or remedial or other work to, the common property.
- The vendor should ensure the warranties and undertakings in clauses 6.0 and 8.0:
 - are able to be complied with; and if not
 - the applicable warranty is deleted from the agreement and any appropriate disclosure is made to the purchaser.
- Both parties should ensure the chattels list in Schedule 1 is accurate.
- Before signing this agreement, both parties should seek professional advice regarding the GST treatment of the transaction. This depends upon the GST information supplied by the parties and could change before settlement if that information changes.

THE ABOVE NOTES ARE NOT PART OF THIS AGREEMENT AND ARE NOT A COMPLETE LIST OF MATTERS WHICH ARE IMPORTANT IN CONSIDERING THE LEGAL CONSEQUENCES OF THIS AGREEMENT.

PROFESSIONAL ADVICE SHOULD BE SOUGHT REGARDING THE EFFECT AND CONSEQUENCES OF ANY AGREEMENT ENTERED INTO BETWEEN THE PARTIES.

THE PURCHASER IS ENTITLED TO A COPY OF ANY SIGNED OFFER AT THE TIME IT IS MADE.

AGREEMENT FOR SALE AND PURCHASE OF REAL ESTATE

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DATE:

VENDOR:

Youths Hostels Association of New Zealand Incorporated

Contact Details:

VENDOR'S LAWYERS:

Firm:

Individual Acting:

Contact Details:

PURCHASER:

Manchester St 273 Limited

Contact Details:

PURCHASER'S LAWYERS:

Firm: Lane Neave

Individual Acting: Ashley Taggart

Contact Details:

PO Box 2331, Christchurch 8140

ashley.taggart@lanencave.co.nz

Tel: +64 3 379 3720 | Fax: +64 3 379 8370

LICENSED REAL ESTATE AGENT:

Agent's Name:

Manager:

Salesperson:

Contact Details:

David Osborn

From: 9(2)(a) privacy
Sent: 23 October, 2014 3:56 PM
To: Simon Nikoloff
Cc: 9(2)(a) Gerard Gallagher
Subject: Re: YHA information and other information

Dear Simon,

Thank you for the opportunity of YHA building you gave me and opinions and information for our apartment development projects.

Regarding YHA building opportunity, I actually didn't know the schedule you planned. 9(2)(a) privacy
9(2)(a) privacy

In view of the current status and schedules, I have to excuse for not being able to join the YHA building opportunity.

I will look forward some other chance with you and you team when my direction is very clear early next year.

Thank you again,

9(2)(a) privacy

On 21/10/2014, at 10:33 am, Simon Nikoloff <Simon.Nikoloff@cera.govt.nz> wrote:

Good morning 9(2)(a)
privacy

1. Attached a flyer on the YHA building. Our investment company, Project & Investment Management Limited has the contract on the building and will undertake to repair the building and delivery a compliant, habitable building to a new company to be formed. The building will be leased to an operator for workers accommodation that will include a food and beverage offering. When completed and tenanted based on rent roll the building will have a value at a cap rate of between 8% - 10% of \$5 to \$6m, with multiple options to hold or exit.

The structural engineers report attached outlines that additional cross bracing is to be added in the ceilings of both floors and restraint ties fitted to the masonry infill between the columns and fire doors repaired to bring it up to code. Note the cross bracing is in place of the ply bracing which was shown as an alternative method. We have allowed for structural repairs, refurbishment, painting, carpets and general make over as a result of the quakes and some vandalism. This work is labour intensive and will return the building to an acceptable standard for occupation.

2. Overseas workers on company contracts to supply / install equipment etc - awaiting reply from immigration agent.
3. Apartment development information from conversations with agents and developers and observations of the market. The East Frame is a prime site and will command a premium price. The purpose of the East Frame is to show case and stimulate inner city living. Therefore this is a significant project that for a variety of reasons must be assured of every success. A key risk is lower grade developments in this location which would impact the concept of inner city living and reduce the appeal of all inner city living projects.

The East Frame development will reflect the value the Crown needs to recover from the land purchase and preparation, i.e. maximise benefits and value, not necessarily maximise the price and the value of the location. The final developer selection process is underway and will be announced in depending on the process to finalise negotiations, late 2014 or early 2015.

In the absence of a finalised, consented development plan, thinking about the practical timeframes then it would seem logical:

- I. most of 2015 will be taken up with planning, designing and consenting
- II. It seem reasonable to expect to see earth turned mid to late 2015
- III. marketing will commence (sell off plans) when planning and design is completed - later 2015 or early 2106
- IV. first apartments completed and ready to occupy mid to late 2016
- V. time to construct about 850 apartments and surrounding public realm will take considerable time
- VI. apartments will be premium grade therefore prices will be at a premium
- VII. premium prices may dissuade absent land owners, i.e. commercial investors
- VIII. flooding the market with unsold apartments will depress prices

9(2)(a) privacy

9(2)(a) privacy

On the YHA building, if you have any questions please direct them to me. We are very excited about this project and are looking forward to partnering successfully with you so that we can be comfortable to work on other projects together too. We will need to know if you wish to commit by the end of this week to confirm with the vendor next week. Settlement date to be confirmed.

Thank you & kind regards

Simon Nikoloff

M: 9(2)(a)
E: simon.nikoloff@cera.govt.nz
W: www.cera.govt.nz

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<YHA Engineers Report.pdf><YHA - Christchurch Development Opportunities - October 2014.docx>

David Osborn

From: Gerard Gallagher
Sent: 25 September, 2014 5:06 PM
To: 'Ashley Taggart'
Cc: Simon Nikoloff
Subject: RE: 273 Manchester Street - NIK641/1

Hi Ashley

OK to go to YHA
Regards
Gerard

Gerard Gallagher
Investment Facilitator
Christchurch Central Development Unit (CCDU)
Canterbury Earthquake Recovery Authority (CERA)
62 Worcester Boulevard
Private Bag 4999, Christchurch 8140

M: 9(2)(a)
DDI: 03 3520 971
E: gerard.gallagher@cera.govt.nz
W: www.cera.govt.nz

From: Ashley Taggart 9(2)(a) privacy
Sent: Thursday, 25 September 2014 2:11 p.m.
To: Gerard Gallagher
Cc: Simon Nikoloff; 9(2)(a) privacy
Subject: RE: 273 Manchester Street - NIK641/1

Hi Gerard and Simon

Updated Agreement attached for your approval.

Regards
Ashley

Ashley Taggart
Partner

Lane Neave
137 Victoria Street, Christchurch 8013
PO Box 2331, Christchurch 8140
9(2)(a) privacy



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From: Gerard Gallagher [<mailto:Gerard.Gallagher@cera.govt.nz>]
Sent: Thursday, 25 September 2014 11:52 a.m.
To: Ashley Taggart

Cc: Simon Nikoloff
Subject: RE: 273 Manchester Street - NIK641/1

Hi Ashley,

A couple of small things to change (check) but rest OK to sign and go

1. Note under Deposit Clause page 1 – the word that is crossed out in hand should be removed??
2. Clause 28.1 – should 5 be five (5) – and the same in clause 22.3 ??

Everything else OK
Cheers
Gerard

Gerard Gallagher
Investment Facilitator
Christchurch Central Development Unit (CCDU)
Canterbury Earthquake Recovery Authority (CERA)
62 Worcester Boulevard
Private Bag 4999, Christchurch 8140

M: 9(2)(a)
DDI: 03 3520 971
E: gerard.gallagher@cera.govt.nz
W: www.cera.govt.nz

From: Ashley Taggart 9(2)(a) privacy
Sent: Thursday, 25 September 2014 11:26 a.m.
To: Gerard Gallagher; Simon Nikoloff
Cc: 9(2)(a) privacy
Subject: 273 Manchester Street - NIK641/1

Hi Gerard and Simon

Please find attached the updated offer (Agreement for Sale and Purchase) in relation to the Manchester Street property. I would be grateful if you could review the Agreement and contact me to discuss any changes and/or to approve.

Look forward to hearing from you.

Kind regards
Ashley

Ashley Taggart
Partner

Lane Neave
137 Victoria Street, Christchurch 8013
PO Box 2331, Christchurch 8140

9(2)(a) privacy



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Ninth Edition 2012 (2)

AGREEMENT FOR SALE AND PURCHASE OF REAL ESTATE

This form is approved by the Real Estate Institute of New Zealand Incorporated and by Auckland District Law Society Incorporated.

DATE:

VENDOR: Youths Hostels Association of New Zealand Incorporated

PURCHASER: Manchester St 273 Limited

and/or nominee

The vendor is registered under the GST Act in respect of the transaction evidenced by this agreement and/or will be so registered at settlement:

Yes/No

PROPERTY			
Address: 273 Manchester Street, Christchurch			
Estate:	FEE SIMPLE	LEASEHOLD	STRATUM-IN-FREEHOLD
	GROSSLEASE (FEE SIMPLE)	GROSSLEASE (LEASEHOLD)	STRATUM-IN-LEASEHOLD
			(if none is deleted fee simple)
Legal Description:	Lot/Flat/Unit:	DP:	Unique Identifier or CT:
Area (more or less): 880 square metres	Lot 3 Lot 1	18924	CB3C/623

PAYMENT OF PURCHASE PRICE	
Purchase price: \$2,200,000.00 \$2,300,000	<i>Plus GST (if any) MV</i> Plus GST (if any) OR Inclusive of GST (if any). If neither is deleted the purchase price includes GST (if any). GST date (refer clause 13.0):
Deposit (clause 2.0): \$10% of the Purchase Price payable to the Vendor's solicitor's trust account 10 working days following the date that this Agreement is confirmed as unconditional	
Balance of purchase price to be paid or satisfied as follows:	
OR	(1) By payment in cleared funds on the settlement date which is 30 working days following the date that this Agreement is confirmed as unconditional or such other date as agreed in writing by the parties. Interest rate for late settlement: 10 % p.a.
	(2) In the manner described in the Further Terms of Sale.

CONDITIONS (clause 9.0)		
Finance condition	LIM required:	Yes/No
Lender:	Building report required:	Yes/No
Amount required:	OIA Consent required:	Yes/No
Finance date:	Land Act/OIA date:	

TENANCIES (if any)			
Name of tenant: Vacant Possession			
Bond:	Rent:	Term:	Right of renewal:

SALE BY:	Private Treaty
Licensed Real Estate Agent	

It is agreed that the vendor sells and the purchaser purchases the property, and the chattels listed in Schedule 1, on the terms set out above and in the General Terms of Sale and any Further Terms of Sale.

**SCHEDULE 2
(GST Information – see clause 14.0)**

This Schedule must be completed if the vendor has stated on the front page that the vendor is registered under the GST Act in respect of the transaction evidenced by this agreement and/or will be so registered at settlement. Otherwise there is no need to complete it.

Section 1

1.	The vendor's registration number (if already registered):	11 - 141 - 064
2.	The purchaser is registered under the GST Act and/or will be so registered at settlement.	Yes/No
3.	The purchaser intends at settlement to use the property for making taxable supplies	Yes/No

If the answer to either or both of questions 2 and 3 is 'No', go to question 6

4.	The purchaser's details are as follows:	
	(a) Full name: Manchester St 273 Limited	
	(b) Address: TBA	
	(c) Registration number (if already registered): TBA	
5.	The purchaser intends at settlement to use the property as a principal place of residence by the purchaser or a person associated with the purchaser under section 2A(1)(c) of the GST Act (connected by blood relationship, marriage, civil union, de facto relationship or adoption). OR The purchaser intends at settlement to use part of the property as a principal place of residence by the purchaser or a person associated with the purchaser under section 2A(1)(c) of the GST Act. That part is: (e.g. "the main farmhouse" or "the apartment above the shop")	Yes/No Yes/No
6.	The purchaser intends to direct the vendor to transfer title to the property to another party ("nominee")	Yes/No

If the answer to question 6 is "Yes", then please continue. Otherwise, there is no need to complete this Schedule any further.

Section 2

7.	The nominee is registered under the GST Act and/or is expected by the purchaser to be so registered at settlement.	Yes/No
8.	The purchaser expects the nominee at settlement to use the property for making taxable supplies.	Yes/No

If the answer to either or both of questions 7 and 8 is 'No', there is no need to complete this Schedule any further.

9.	The nominee's details (if known to the purchaser) are as follows:	
	(a) Full name:	
	(b) Address:	
	(c) Registration number (if already registered):	
10.	The purchaser expects the nominee to intend at settlement to use the property as a principal place of residence by the nominee or a person associated with the nominee under section 2A(1)(c) of the GST Act (connected by blood relationship, marriage, civil union, de facto relationship or adoption). OR The purchaser expects the nominee to intend at settlement to use part of the property as a principal place of residence by the purchaser or a person associated with the purchaser under section 2A(1)(c) of the GST Act. That part is: (e.g. "the main farmhouse" or "the apartment above the shop").	Yes/No Yes/No

WARNING (This warning does not form part of this agreement)

This is a binding contract. Read the information set out on the back page before signing.

Acknowledgements

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Signature of vendor(s)
9(2)(a) privacy

Signature of purchaser(s)
9(2)(a) privacy

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.....
.....

Ninth Edition 2012 (2)

BEFORE SIGNING THE AGREEMENT

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 - there is any doubt as to the position of the boundaries.
 - the purchaser wishes to check the weathertightness and soundness of construction of any dwellings or other buildings on the land.
- The purchaser should investigate the status of the property under the Council's District Plan. The property and those around it are affected by zoning and other planning provisions regulating their use and future development.
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- Both parties should ensure the chattels list in Schedule 1 is accurate.
- Before signing this agreement, both parties should seek professional advice regarding the GST treatment of the transaction. This depends upon the GST information supplied by the parties and could change before settlement if that information changes.

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AGREEMENT FOR SALE AND PURCHASE OF REAL ESTATE

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DATE:

VENDOR:

Youths Hostels Association of New Zealand Incorporated

Contact Details:

VENDOR'S LAWYERS:

Firm:

Individual Acting:

Contact Details:

PURCHASER:

Manchester St 273 Limited

Contact Details:

PURCHASER'S LAWYERS:

Firm: Lane Neave

Individual Acting: Ashley Taggart

Contact Details:

PO Box 2331, Christchurch 8140
ashley.taggart@laneneave.co.nz

Tel: +64 3 379 3720 | Fax: +64 3 379 8370

LICENSED REAL ESTATE AGENT:

Agent's Name:

Manager:

Salesperson:

Contact Details:

NIK6411

9(2)(a)
privacy

David Osborn

From: Gerard Gallagher
Sent: 30 September, 2014 7:43 AM
To: 'Ashley Taggart'
Cc: Simon Nikoloff
Subject: RE: 9(2)(a) privacy - Project and Investment Management Limited - 209 High Street, Christchurch - PRO990/1

Ashley,

There will be 2 payments of \$2,500 – one from Murray Cleverley PIMCO (the one you referred to) and one from 9(2) 9(2)(a) PIMCO and you will receive \$15,000 from 9(2)(a) – \$10,000 for 9(2)(a) shares and \$2,500 each for Simon and Myself PIMCO shares and finally you will receive \$10,000 from 9(2)(a) in Australia. This should total \$30,000

9(2)(a) will be sorting out the shareholding of Kennett House Ltd with 1/3rd 9(2)(a) 1/3rd 9(2)(a) and 1/3rd PIMCO
i

Cheers
Gerard

Gerard Gallagher

Investment Facilitator
Christchurch Central Development Unit (CCDU)
Canterbury Earthquake Recovery Authority (CERA)
62 Worcester Boulevard
Private Bag 4999, Christchurch 8140

M: 9(2)(a)
DDI: 03 3520 971
E: gerard.gallagher@cera.govt.nz
W: www.cera.govt.nz

From: Ashley Taggart 9(2)(a) privacy
Sent: Monday, 29 September 2014 10:26 a.m.
To: Gerard Gallagher; Simon Nikoloff
Cc: 9(2)(a) privacy
Subject: FW:9(2)(a) privacy - Project and Investment Management Limited - 209 High Street, Christchurch - PRO990/1

Dear Gerard and Simon

I have provided the vendor's solicitor with an update in relation to the Agreement and deposit (see email immediately below).

In relation to the deposit, can you confirm the identity of those persons who will be contributing to the deposit and what each person will pay? In this regard, we have received \$2,500 in today from the 9(2)(a) privacy with a narration of Kennett House.

Kind regards
Ashley

Ashley Taggart
Partner

Lane Neave
137 Victoria Street, Christchurch 8013
PO Box 2331, Christchurch 8140

9(2)(a) privacy



voted the best
insurance lawyers
in New Zealand

From: Ashley Taggart
Sent: Monday, 29 September 2014 10:22 a.m.
To: 9(2)(a) privacy
Subject: 9(2)(a) privacy - Project and Investment Management Limited - 209 High Street, Christchurch
- PRO990/1

Dear 9(2)(a) privacy

I expect to have both the fully signed Agreement and deposit by Wednesday this week. Accordingly, I would be grateful if you could email to me your trust account deposit slip.

Kind regards
Ashley Taggart
Partner

Lane Neave
137 Victoria Street, Christchurch 8013
PO Box 2331, Christchurch 8140

9(2)(a) privacy



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in New Zealand

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David Osborn

From: Gerard Gallagher
Sent: 2 October, 2014 1:21 PM
To: 'Ashley Taggart'
Cc: Murray Cleverley; Simon Nikoloff
Subject: RE9(2)(a) privacy - Project and Investment Management Limited - 209 High Street - PRO990/1

Hi Ashley,

Sorry - I have been out of the office 9(2)(a) 10K was paid to 9(2)(a) privacy yesterday - maybe check with him re Transfer and I have left a message with 9(2)(a)

If I don't hear from 9(2)(a) we will pay his for him direct into your account overnight - is that OK

I will touch base with you later in the day Thanks Gerard

Gerard Gallagher
Investment Facilitator
Christchurch Central Development Unit (CCDU) Canterbury Earthquake Recovery Authority (CERA)
62 Worcester Boulevard
Private Bag 4999, Christchurch 8140

M: 9(2)(a)
DDI: 03 3520 971
E: gerard.gallagher@cera.govt.nz
W: www.cera.govt.nz

-----Original Message-----

From: Ashley Taggart 9(2)(a) privacy
Sent: Thursday, 2 October 2014 10:25 a.m.
To: Gerard Gallagher
Subject: Re: 9(2)(a) privacy - Project and Investment Management Limited - 209 High Street - PRO990/1

Hi Gerard, nothing through. Still 12500 short. Could you follow that up with the two outstanding payees and come back to me. Cheers

Sent from my iPhone

On 2/10/2014, at 8:03 am, "Gerard Gallagher"
<Gerard.Gallagher@cera.govt.nz<mailto:Gerard.Gallagher@cera.govt.nz>> wrote:

Hi Ashley,

Did you get all the funds in overnight?

Cheers

Gerard

Gerard Gallagher

Investment Facilitator

Christchurch Central Development Unit (CCDU) Canterbury Earthquake Recovery Authority (CERA)
62 Worcester Boulevard
Private Bag 4999, Christchurch 8140

M: 9(2)(a) privacy
DDI: 03 3520 971
E: gerard.gallagher@cera.govt.nz<mailto:gerard.gallagher@cera.govt.nz>
W: www.cera.govt.nz<http://www.cera.govt.nz/>

From: Ashley Taggart 9(2)(a) privacy
Sent: Wednesday, 1 October 2014 3:03 p.m.
To: 9(2)(a) privacy
Cc: 9(2)(a) privacy ; Simon Nikoloff; Gerard Gallagher
Subject: 9(2)(a) privacy - Project and Investment Management Limited - 209 High Street - PRO990/1

Dear 9(2)(a) privacy

Please find attached the fully signed Agreement for Sale and Purchase. I have to hand \$17,500 of the deposit funds and understand the remaining \$12,500 is coming through this afternoon/overnight. Once received, I'll transfer it into your firms trust account.

Kind regards
Ashley

Ashley Taggart
Partner

Lane Neave
137 Victoria Street, Christchurch 8013
PO Box 2331, Christchurch 8140

9(2)(a) privacy

[cid:image001.png@01CFDD88.C21B6620]
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David Osborn

From: Simon Nikoloff
Sent: 6 October, 2014 5:37 PM
To: Murray Cleverley
Subject: Heads of Agreement Final October 6.doc
Attachments: Heads of Agreement Final October 6.doc

Heads of Agreement

between:

Property & Investment Management Limited (PIM)

&

9(2)(a) privacy

Date: 6th October 2014

1. Purpose:

- 1.1 ^{9(2)(a)} wish to sell the property at 159 Hereford Street, Christchurch; and PIM wish to purchase the said property to convert and upgrade the building into a B Grade Commercial Building for investment purposes.
- 1.2 PIM shall register a new entity to be the investment and operating vehicle for this venture. The new venture company, Hereford 159 Ltd, shall undertake the project development and management of the property improvement.
- 1.3 The objective of this venture is to increase (1) the potential rental revenue and (2) the property value; resulting from the proposed earthquake repairs, seismic strengthening and upgrading the property to a B Grade Building.

2. Structure:

- 2.1 A new company Hereford 159 St Limited (159 Ltd) will be formed and the said property sold to 159 Ltd.
- 2.2 Shareholdings to be finalised, a shareholders agreement completed within 30 days of the Sale & Purchase Agreement being finalised outlining the development plans, governance and reporting.
- 2.3 There is an expectation of other investors and/or venture shareholders.
- 2.4 Share capital retirement (to discuss / agree at a future meeting).

3. Price, Confirmation & Settlement:

- 3.1 PIM to purchase the property at 159 Hereford Street for agreed price of \$5.0m plus GST if any, on an as-is-where-is basis as per 3.2 below.
- 3.2 A Sale and Purchase agreement will be prepared conditional upon PIM raising finance within 30 days.
- 3.3 Upon confirmation settlement will be as follows:

3.3.1.1 Full payment of \$5.0m will be made.

3.3.1.2 9(2) agree to advance \$2.0m to the venture, security is by way of a first mortgage, unless 9() opt to exercise his right to convert part or all of the \$2.0m into share equity. The residual loan mortgage may be retired by the 159 Ltd at any time simply by repayment. Terms and fair interest rate to be determined.

4. Disclosure & Reporting

4.1 Parties agree to operate a “no surprises” policy and timely disclosure of pertinent information at all times, including “open book” pricing and costing.

5. 9() will:

- 5.1 Make available all information in relation to the property relevant to the engineering and operation of the building
- 5.2 Assist with financial modelling
- 5.3 Assist with location and management of tenancies
- 5.4 Assist with all aspects of the building operation
- 5.5 Board representation on the 159 Ltd board if desired

6. PIM Ltd will:

- 6.1 Carryout project management and project oversight
- 6.2 Assemble a development plan with revenue and expense modelling
- 6.3 Location and management of tenancies
- 6.4 Carry out all aspects of the building operation
- 6.5 Directors representation on the 159 Ltd board if desired
- 6.6 Sourcing of investor funds

7. Commencement:

7.1 A Sale & Purchase agreement will be completed, with confirmation and deposit to be paid within 60 working days.

Signed

Signed

Position

Position

Date

Date

Indicative Costs for Refurbishment

1. To "B" Grade"
2. To 100 -120% of NBS
3. Rental target \$275 -\$325 per metre plus GST & OPEX.

Strip Out & Dump	Per floor	10,000 x 6	60,000
Quake Strengthening			800,000
Windows & Facades	Per floor	100,000 x 6	600,000
Carpeting & Blinds	Per floor	40,000 x 6	240,000
Lifts			50,000
Fire Systems			350,000
Paint / finishing	Per floor	10,000 x 6	60,000
Showers, toilets, kitchenette	Per floor	25,000 x 6	150,000
Heating & Ventilation	Per floor	40,000 x 6	240,000
Electrical & Lighting	Per floor	40,000 x 6	240,000
Ceiling Tiling (replacements)	Per floor	25,000 x 2	50,000
Security & Emergency lighting	Per floor	10,000 x 6	60,000
Scaffolding & Access			75,000
Professional Fees & Permits			75,000
Project Management			350,000
Basement conversion (carpark)			150,000
Contingency			500,000
Total			\$4,050,000

Company & Key Personnel

Company

Project & Investment Management Limited
9(2)(a) privacy

Lawyers

Ashley Taggart
Lane Neave
Christchurch

Accountants

9(2)(a) privacy

Bank

Westpac Bank
9(2)(a)
privacy
Ashburton

Key Personnel

Murray Cleverley MBA, EEDI, NZIMF

Murray is a professional director and the General Manager for the Greater Christchurch Investment Strategy in the Christchurch Central Development Unit.

Murray is a specialist in governance, economic development and change management. He is an Associate Fellow of New Zealand Institute of Management, a member of the New Zealand Institute of Directors and a life member of South Canterbury Chamber of Commerce.

Murray is currently chair of multiple companies and director of several businesses. He is heavily involved in the health arena, currently Chairman of the South Canterbury District Health Board, Deputy Chairman of NZ District Health Board and Trustee of Warbirds Over Wanaka, Chairman of 7 years.

9(2)(a) privacy

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Simon Nikoloff MBA Regd Electrician

Simon's 30 year business career includes business recovery, business case development, advisory and governance with a focus on business recovery with a special interest in hospitality and hotel sectors. Simon holds a business degree (MBA), currently working as a portfolio manager and Senior Investment Advisor in Christchurch Central Development Unit.

Gerard Gallagher MBA Regd Electrician

Gerard has owned and operated successful small and medium-sized enterprises over the past 33 years. Gerard has a Master's Degree in Business Administration (MBA) through Henley in the UK, to further provide the business community with sound practical advice and consultancy.

Gerard has strong support networks for businesses, detailed knowledge of the Government funding systems and government support available to small, medium and large enterprises, with strong focus on business capability and governance.

David Osborn

From: 9(2)(a) privacy
Sent: 20 October, 2014 6:49 PM
To: Simon Nikoloff
Cc: 9(2)(a) Gerard Gallagher
Subject: Re: Message from "cer08mfd02"

Dear Simon,

Thank you very much.

We are very much encouraged with your support and getting more comfortable.

Hope to share more progress and waiting some other information which you will send soon.

Best Regards,
9(2)(a) privacy

On 20/10/2014, at 8:22 am, Simon Nikoloff <Simon.Nikoloff@cera.govt.nz> wrote:

Good morning 9(2)(a) privacy

I trust you got back to Auckland ok and enjoyed your week in Christchurch.

Thank you very much for all your time last week, it is very enjoyable and working with you and your team is a an honour and a pleasure.

Saturday was a highlight for me and I thoroughly enjoyed the day, we must do that again very soon.

I have scanned and attached scanned plans from 9(2)(a) privacy Also Gerard & I will visit 9(2)(a) again this week and ensure he understands the offer for 9(2)(a) privacy

I have a list of details to check for you and will email those to you later today or tomorrow, including the one page opportunity on the YHA building.

We are delighted to be partnering with you and look forward to providing you with connections and assistance. Please contact with myself, Gerard, 9(2) or Murray if you need any information

or assistance.

Thank you & kind regards

Simon Nikoloff

Investment Facilitator

Greater Christchurch Investment Strategy
Christchurch Central Development Unit
Canterbury Earthquake Recovery Authority - CERA
HSBC Building
62 Worcester Boulevard
Private Bag 4999
Christchurch 8140
P: +64 3 3542600 ext: 30902
M: 9(2)(a) privacy
E: simon.nikoloff@cera.govt.nz
W: www.cera.govt.nz

-----Original Message-----

From: MFD ScanToEmail
Sent: Monday, 20 October 2014 8:03 a.m.
To: Simon Nikoloff
Subject: Message from "cer08mfd02"

This E-mail was sent from "cer08mfd02" (Aficio MP C4501).

Scan Date: 20.10.2014 08:02:49 (+1300)
Queries to: mfd@cera.govt.nz

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<20141020080249782.pdf>

Project: YHA Building

Use: Worker Accommodation



Location:

- 273 Manchester Street, Central Christchurch

Description:

- Former YHA hostel, 875 sqm two level steel reinforced concrete and wooden first floor and trusses and iron roof building – purposed and consented for Backpacker accommodation prior to 2011. Quake strengthened in early 2000.
- Building has damage due to earthquakes, will be up to usable code of at least 34% after strengthening and refurbishment program
- Up to 10 car park spaces under cover
- Vehicle right of way on each side

Development Uses:

- Worker Accommodation – Caveat over non backpacker use as condition of purchase until 2019
- 55 bed rooms (160 beds) – potentially extra rooms able to be commissioned replacing offices (up to 4 additional rooms possible)
- Most rooms cater for 2+ people with several multi-bed rooms
- Consented to accommodate 160 people – potential up to 175
- Future use after 7 to 10 years either resort to Backpacker or mixed use

Consenting / Development Approvals:

- Requires approximately \$1.5M on strengthening, and improvements, to achieve minimum of 34% NBS – estimate 3 months' work
- Consenting allows building to be reinstated for former use under the CERA Act
- Consent includes use as Workers Accommodation
- Potential for Café open to public in foyer – CCC Urban Regeneration Centre support

Worker Accommodation Demands

- Research confirms there need for additional worker beds, Identified approximately 1,200 beds required in early 2015
- Two clients confirm need for 130 beds by end of March 2015

Revenue

- Lease on accommodation
- Lease on Café option developed
 - Total Revenue estimates are between \$500k GST exclusive (plus OPEX).

Price

- \$5m
- Turnkey fully operational building
- Improvements plus project management included in cost

Shareholding

- On offer a shareholding of minimum 60% (\$3m)
- Project & Investment Management Limited balance

Structure

- A new entity 273 Manchester St Limited will be formed to take ownership of the completed building. The shareholdings on offer are in this entity.

Returns

- Returns expected 8% - 10%



Investment Summary

Purchase: Refurbished building \$5m includes repairs and refurbishment to bring the building up to minimum 35% of NBS code, ready for "turnkey" opening by operator.

Land Value: CBD fringe; land price range \$1500 - \$2000 m2 (land value \$1.3 to \$1.75)

Partnership & Shareholding: A new company will hold the assets; Manchester 279 Limited. A minimum 60% shareholding (value \$3m) is on offer. Project & Investment Management Limited will hold the balance.

Funding & Securities: First security offered to funding partner.

Building Use: 160 workers and short stay accommodation; after 2109 revert to backpackers.

Rent Roll Summary: \$550k per year plus OPEX, providing an 8.5% -10% return.

Income Commences: 1 April 2015 (upon completion of repair program)

Management Contract: Two parties have expressed interest in obtaining the management rights; both are experienced operators wanting long term leases.

Accommodation Demand: Recruitment firms have expressed interest in filling all available rooms from early 2015. Rate \$25 – \$35 per night depending upon room configuration.

Future Development & Use: Mixed use, commercial, residential, retail, accommodation

Repair Summary: The engineers report was commissioned by YHA to maximize the insurance benefits by ensuring the building was close to 100% NBS and the new building code. This approach explains the variance in the 2 costing scenarios. Insurance has been settled at the higher figure.

Commissioned reporting engineer to provide strengthening scenarios of between 35% and 70% NBS using concealed bracing as per engineer's schedule. The repairs and refurbishment can be completed for \$1.5m. Project & Investment Management will oversee and project manage the program.

Timing: Confirmation of interest required, settlement December 2014. Repair program commencing January 2015.

About Project & Investment Management Limited (PIMCo): PIMCo is a private company with four commercially experienced business partners. PIMCo provides project and investment management services to clients and locates investments and presents opportunities to clients, partnering with clients on a value add basis.

Investment Options**Option 1**

Buy out of completed refurbished building, turn-key with tenant \$5.0m. Rent Roll \$550k per year plus OPEX, providing an 8.5% -10% return.

Option 2

Partnership – offering a 60% shareholding (\$3.0m) in partnership with PIMCo (40%).

Option 3

Hold, use bank funding sought to release capital after building completed and tenanted (up to 50%).

Option 4

Partner to provide funding only (\$3.0) for 12 months, Interest Rate 15% payable 12 months with first security offered.

Exit options

1. Hold as is – take 8.5% to 10% return
2. Hold and release capital - refinance at bank (50%);
3. Sell out at completion
4. Sell out tenanted taking increases value 2-5 years

Primary Contact

PIMCo Director

Simon Nikoloff

Email [simon@9\(2\)\(a\)privacy](mailto:simon@9(2)(a)privacy)

Mob 9(2)(a)

David Osborn

From: Gerard Gallagher
Sent: 2 December, 2014 4:48 PM
To: 'Ewen McKenzie 9(2)(a) privacy'
Subject: FW: Ewen McKenzie contact details
Attachments: Workers available for YHA.pdf; YHA Site Plans extract.pdf; Worker Accomodation Needs letters.docx; Forecasts YHA (2).xlsx; 121681 Fire dwgs Issue A 14 Mar 2013 drj[1].pdf.zip; Signed Agreement YHA.pdf; 121681 Structural Report Issue 1 20 May 2013 dgs[3].pdf.zip; YHA - Christchurch Development OpportunityOctober 2014.pdf

ATTACHED

Sorry Ewen

Missed you off this one
 Gerard

Gerard Gallagher

Investment Facilitator
 Christchurch Central Development Unit (CCDU)
 Canterbury Earthquake Recovery Authority (CERA)
 62 Worcester Boulevard
 Private Bag 4999, Christchurch 8140

M: 9(2)(a) privacy
DDI: 03 3520 971
E: gerard.gallagher@cera.govt.nz
W: www.cera.govt.nz

From: Gerard Gallagher
Sent: Tuesday, 2 December 2014 4:46 p.m.
To: 'Kevin Maloney'
Cc: Simon Nikoloff
Subject: RE: Ewen McKenzie contact details

Hi Kevin & Ewen,

Good to catch up today. Find attached all the information on the YHA at 273 Manchester St. 159 Hereford Street to come I have given you a sample of the YHA DD and engineering reports.

I will bring a hard copy of the numbers for both.

See you at 5pm
 Gerard

Gerard Gallagher

Investment Facilitator
 Christchurch Central Development Unit (CCDU)
 Canterbury Earthquake Recovery Authority (CERA)
 62 Worcester Boulevard
 Private Bag 4999, Christchurch 8140

M: 9(2)(a)
DDI: 03 3520 971
E: gerard.gallagher@cera.govt.nz
W: www.cera.govt.nz

-----Original Message-----

From: Kevin Maloney9

Sent: Tuesday, 2 December 2014 9:02 a.m.

To: Gerard Gallagher

Subject: Ewen McKenzie contact details

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4. Sell out tenanted taking increases value 2-5 years

Primary Contact

PIMCo Director

Simon Nikoloff

Email [simon@9\(2\)\(a\)privacy](mailto:simon@9(2)(a)privacy)

Mob 9(2)(a)privacy

From: Gerard Gallagher 9(2)(a) privacy
Sent: Wednesday, 3 December 2014 7:12 AM
To: Kevin Maloney; Ewen McKenzie
Cc: simon Nikoloff; Murray Cleverly
Subject: YHA

Hi Kevin & Ewen

I expect you are flying now - as promised here is a summary of the options for you in regards the acquisition of the YHA building on Manchester Street as discussed last evening. This is my personal business email which is appropriate to use in this case. We are using Project and Investment Management Ltd (PIMco) to complete this transaction - this company shareholders are Murray, Simon and myself. I am sure the boys informed you of our ability to do these types of transactions.

No Risk Option

1. Cost \$5m
2. Deposit on 12th December \$3.3M
3. Remaining \$2M paid on completion of repairs, fully tenanted and operational.
4. Estimate 3 months (1st April) project complete
5. PIMco will carry out all repairs up to 67% of NBS
6. PIMco will arrange Tenants
7. PIMco will guarantee you 10% return on your investment from 1st April 2015
8. PIMco will manage the building and oversee the ongoing operations for agreed contract
9. A Board of Directors will be established to govern strategic growth opportunity

Risk Option

1. Payment of \$2.6M (\$2.3M for building and \$300K for PIMco (cost of DD and finders fee)
2. PIMco manage repair project to 67% of NBS

4. PIMCO manage repair project to 07/70 of INDS
3. Agree on share (say 50/50) of cost savings for repairs under \$1.5M
4. Estimate 3 months (1st April) project complete
5. PIMCO organise Tenants
6. PIMCO arrange and manage operator and operations with target minimum 10% on investment
7. PIMCO manage the building, prepare the Business Plan and monthly operational performance reports to the board

8. A Board of Directors will be established to govern strategic growth opportunity
If you are wanting to close this deal with one of the above suggested options (or a mix that suits both of us) I suggest you give me a call today or tomorrow. As a courtesy I would like to contact the other party who is flying from Singapore on Sunday specifically to see the site and place an offer to inform them it is sold if you want to proceed.

Hear from you soon

Gerard

Gerard Gallagher
Gallagher Grant Ltd
Ph 9(2)(a)
Mobile 9(2)(a) privacy
www.gallaghergrant.co.nz

9(2)(a) privacy

9(2)(a) privacy

David Osborn

From: Gerard Gallagher
Sent: 3 February, 2015 12:35 PM
To: 'Mark Wells'
Cc: Simon Nikoloff
Subject: RE: Manchester Street

Hi Mark,

No problem. Just get back to me when you have time if you want to catch up

Regards
Gerard

Gerard Gallagher
Investment Facilitator
Christchurch Central Development Unit (CCDU)
Canterbury Earthquake Recovery Authority (CERA)
62 Worcester Boulevard
Private Bag 4999, Christchurch 8140

M: 9(2)(a)
DDI: 03 3520 971
E: gerard.gallagher@cera.govt.nz
W: www.cera.govt.nz

From: Mark Wells 9(2)(a) privacy
Sent: Tuesday, 3 February 2015 10:57 a.m.
To: Gerard Gallagher
Cc: Simon Nikoloff
Subject: RE: Manchester Street

Hi Gerard

Unfortunately I am out of town from tomorrow for 10 days ... and absolutely frenetic today.

Mark Wells
Chief Executive



YHA New Zealand National Office
Level 1, 166 Moorhouse Ave, PO Box 436, Christchurch 8140
9(2)(a) privacy

For direct hostel bookings visit www.yha.co.nz or Freephone: 0800 278 299

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From: Gerard Gallagher [mailto:Gerard.Gallagher@cera.govt.nz]
Sent: Tuesday, 3 February 2015 7:50 a.m.
To: Mark Wells
Cc: Simon Nikoloff
Subject: RE: Manchester Street

Morning Mark,

That is great news – well done. We are both really pleased we were able to help you get a result. I did hear from one of the investors over the weekend that they had done a deal.

It would be good to have a catch up some time soon – we have another back packer potential project for you to consider?

How are you placed on Thursday around the middle of the day?

Kind regards
Gerard

Gerard Gallagher
Investment Facilitator
Christchurch Central Development Unit (CCDU)
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Private Bag 4999, Christchurch 8140

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DDI: 03 3520 971
E: gerard.gallagher@cera.govt.nz
W: www.cera.govt.nz

From: Mark Wells 9(2)(a) privacy
Sent: Monday, 2 February 2015 3:09 p.m.
To: Gerard Gallagher
Cc: Simon Nikoloff
Subject: RE: Manchester Street

Hi Gerard

Your message of Friday refers.

We have now completed the sale of Manchester Street, including settlement.

Thanks for your help in this.

Kind regards

Mark Wells
Chief Executive




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From: Gerard Gallagher [<mailto:Gerard.Gallagher@cera.govt.nz>]
Sent: Wednesday, 26 November 2014 10:02 a.m.
To: Mark Wells
Cc: Simon Nikoloff
Subject: RE: Manchester Street

Hi Mark,

As mentioned yesterday and now as a result of your agreement to extend the option the investor has now confirmed he will arrive in Chch on the 8th December from Singapore – we will meet with him on site on the 9th and then he wanted a couple of days to finalise things so I have instructed Ashley at Lane Neave to formally request an extension to Friday 12th December (to ensure he has adequate time) with proposed settlement on the 22nd or the 23rd. I wanted to let you know as this is 2 days over the 2 weeks we discussed yesterday.

Thanks
Gerard

Gerard Gallagher
Investment Facilitator
Christchurch Central Development Unit (CCDU)
Canterbury Earthquake Recovery Authority (CERA)
62 Worcester Boulevard
Private Bag 4999, Christchurch 8140

M: **9(2)(a)**
DDI: 03 3520 971
E: gerard.gallagher@cera.govt.nz
W: www.cera.govt.nz

From: Mark Wells 9(2)(a) privacy
Sent: Tuesday, 25 November 2014 8:20 a.m.
To: Gerard Gallagher
Cc: Simon Nikoloff
Subject: RE: Manchester Street

Sure – 11.30 would be fine.

Mark Wells
Chief Executive



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Level 1, 166 Moorhouse Ave, PO Box 436, Christchurch 8140
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From: Gerard Gallagher [mailto:Gerard.Gallagher@cera.govt.nz]
Sent: Tuesday, 25 November 2014 8:17 a.m.
To: Mark Wells
Cc: Kevin Cameron; Simon Nikoloff
Subject: RE: Manchester Street

Hi Mark,

Would it be possible for Simon and I meet with you before 2pm today – say 11.30am - to discuss the position of the Investor from Singapore I mentioned yesterday.

We could come to your office if you like?

Regards

Gerard

Gerard Gallagher
 Investment Facilitator
 Christchurch Central Development Unit (CCDU)
 Canterbury Earthquake Recovery Authority (CERA)
 62 Worcester Boulevard
 Private Bag 4999, Christchurch 8140

M: 9(2)(a)
 DDI: 03 3520 971
 E: gerard.gallagher@cera.govt.nz
 W: www.cera.govt.nz

From: Mark Wells 9(2)(a) privacy
Sent: Monday, 24 November 2014 12:26 p.m.
To: Gerard Gallagher
Cc: Kevin Cameron
Subject: RE: Manchester Street

Hmm – that’s a tad concerning.

MW

From: Gerard Gallagher [mailto:Gerard.Gallagher@cera.govt.nz]
Sent: Monday, 24 November 2014 12:13 p.m.
To: Mark Wells
Cc: Simon Nikoloff
Subject: RE: Manchester Street

Hi Mark,

I was going to update you last week – sorry for not doing that.

9(2)(a) privacy withdrew on Wednesday last week however we did not only have them as possibilities as we have been working on others at the same time. There are still 2 other interested parties (Singapore group and also an Australian/Chch JV company). Both

have been doing their numbers on it over the past weeks so we remain positive that one of these will come through on Wednesday.

Will keep in touch
Gerard

Gerard Gallagher
Investment Facilitator
Christchurch Central Development Unit (CCDU)
Canterbury Earthquake Recovery Authority (CERA)
62 Worcester Boulevard
Private Bag 4999, Christchurch 8140

M: 9(2)(a)
DDI: 03 3520 971
E: gerard.gallagher@cera.govt.nz
W: www.cera.govt.nz

From: Mark Wells 9(2)(a) privacy
Sent: Monday, 24 November 2014 10:57 a.m.
To: Gerard Gallagher
Subject: Manchester Street

Hi Gerard

How are things looking for later this week ... re Manchester St??

Regards

Mark

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- In our roles as investment facilitators we have introduced numerous parties to numerous investments in the CBD including the YHA building.
- Over time we developed thorough and detailed knowledge on a number of buildings.
- Late in 2014 a Singapore investor became interested; seeking to de-risk the project asked us to become JV partners, investing capital and time.
- As local JV partner our role was to undertake project and development management through to turn key completion and on-going operational management.
- For this we could earn project and management fees, share in cost savings and share in operational profits.
- In our private capacity we undertook detailed engineering and refurbishment evaluation and costing, provided detailed market evaluation, development and business plans and a full business case. They did not complete the venture.
- An Australian consortium introduced by local partners, became aware of the investment opportunity and the detailed work we had completed and requested the same JV arrangement.
- A JV was agreed. However once provided with the IP, knowledge and development plans the Australian consortium elected to go it alone.

Lane Neave Accounts

Project	Notes	Amount	Who pays	Action
273 Manchester	YHA site Company formation & Sale & Purch agreement	\$3,339.50	PIMCO	Murray C to get repaid from Kevin Malone (finders fee?)
120 Manchester	9(2)(a) privacy Sale & Purch agreement Offer on table			
177 High St	Billings. Offer on table	\$835	9(2)(a)	GG/SN to talk to 9(2)
75 Carlton Mill Rd	S&P agreement - first option preserved	\$520	PIMCO	None
207/209 High St	Kennett House	\$1,015	9(2)	Ensure full transfer of contract has taken place
159 Hereford		\$1,422	PIMCO	None

David Osborn

From: Simon Nikoloff
Sent: 4 February, 2015 11:12 AM
To: Gerard Gallagher; 9(2)(a) 'murray@9(2)(a) privacy
Subject: Document2
Attachments: Document2.docx

David Osborn

From: Simon Nikoloff
Sent: 12 May, 2015 8:12 AM
To: Gerard Gallagher; 9(2)(a) 9(2)(a) privacy
Subject: Document3
Attachments: Document3.docx

Case Study Format

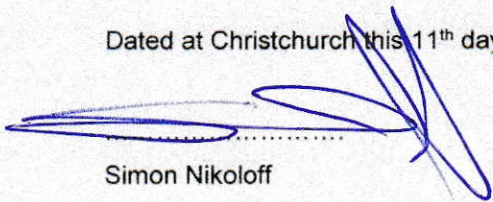
- **Project Name**
YHA, 270 Manchester St
- **Key message**
Our intervention resulted in 2 competitive bidders, accelerated the sale and redevelopment, providing confidence
- **Background / Problem**
Damaged building, capable of housing 170 workers, has a restraint of trade clause for back packer.
Confusing reports on building and remedial work required and value
Ugly duckling
Languished – no outcome on the horizon
Security / safety issue
Need to activate Manchester St
Need to provide confidence
- **Desired Outcome**
Have worker accommodation up and running asap
- **Our Intervention**
Work with CCC
Obtain engineers reports
Locate potential parties
Create interest (2 parties on the hook)
- **Outcome**
Sale to Australian interests for circa 1.9m with a backup offer from a Singaporean group for 2.3m
- **Without Intervention**
The building possibly would not have sold, missed opportunity, reduced sale price
Safety and security

In accordance with Principle 7 of the Privacy Act 1993, the statement on the following page received from Mr Gallagher and Mr Nikoloff is attach to the Report.

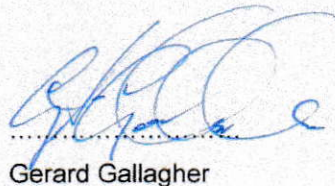
We, Simon Nikoloff and Gerard Gallagher seek correction of the following personal information held by the State Services Commission (and other agencies with whom our personal information has been shared):

- There was not a serious and sustained breach of the standards by which we were employed at CERA.
- CERA hired us because they needed our extensive private business networks, knowledge and commercial expertise – expertise and connections that CERA did not have.
- When we commenced with CERA, there was no induction or on-going counselling/training programme and we were not given a copy of the CERA Code of Conduct.
- We were advised that we were entitled to continue to pursue various business interests, including business interests we disclosed on commencement of employment, as long as they did not conflict with CERA's work. While Mr Heron says the documentation appears to be in conflict with that position, it is not unusual for an employee to have documentation that is inconsistent with the culture or requirements of the workplace. There is no evidence that contradicts what we were led to believe by CERA, that is, we were entitled to pursue private interests that did not conflict with CERA work.
- Our position is consistent with the Auditor-General's concerns in his report into CERA and with the work environment generally (see paragraphs 3.36 – 3.38 of Mr Heron's Report).
- We were expected to introduce investors, including our own networks, to private property opportunities in the city and we did so. We value our networks and always acted properly and professionally. There was no conflict of interest with CERA's work.
- We relied on publicly available information as well as our own private information in any private business activity. We did not use CERA's confidential information.
- We did not invest in any properties.
- We have always had potential investors in any project that we sought to pursue – their identity often needs to be confidential at the beginning.
- We have worked with many local and overseas investors and we have been highly effective in promoting the Central City Recovery Plan, which we understood was vital to the recovery of Christchurch, and attracting and securing investment that has advanced the rebuild and recovery of the CBD. We received positive work performance reports as we met all of our key performance indicators.
- We disclosed information of our private transactions to CERA's in-house lawyers and to our own lawyers, who also acted for CERA. We were open about the business we were doing amongst staff and management at CERA and we trusted these people to counsel us if we needed to take any further steps in respect of our roles at CERA. We believe the chronology of events we supplied, as referenced at paragraph 4.63 of Mr Heron's report, puts into doubt Ms Noble's recollection of events.
- At no time have we obtained personal gain for CERA related activities.
- We have fully engaged with this investigation which is consistent with there not being a serious and sustained breach of the standards by which we were employed at CERA and is consistent with our public duty.

Dated at Christchurch this 11th day of April 2017



Simon Nikoloff



Gerard Gallagher