

ITEM 6.4 - UNITYWATER CONSENT TO FUND STRATEGIC INVESTMENT (Cont.)

#1 - Unitywater letter to Moreton Bay Regional Council



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ABN: 89 791 717 472

Our ref: A6118403

Greg Chemello
Chief Executive Officer
Moreton Bay Regional Council
PO Box 159
Caboolture QLD 4510

19 June 2020

Dear Greg

Strategic investments by Unitywater

Thank you for meeting with Jim Soorley, Chairman and Michael Arnett, Director and myself on 8 June 2020.

As discussed in our meeting, Unitywater's strategic goal is to be the lowest price water and sewerage provider in South East Queensland by 2027. To achieve this goal, Unitywater is focusing on delivering beneficial commercial outcomes for its customers and Participant Councils via a combination of savings from efficiencies and cost reductions and increased revenue (Customer Benefits).

Unitywater is exploring new and innovative ways to leverage its assets and applying the industry-leading skills and capabilities of its people to offer new products and services to customers through investments (financial or other) aligned with its core business to further increase its Customer Benefits.

Unitywater has the opportunity to invest in new or existing businesses that are either closely aligned with its core business (vertical integration) or enable delivery of core business services outside of Unitywater's current geographic region. Investments of this nature would provide Unitywater additional economies of scope and scale, as well as generate additional revenue streams and returns to Participant Councils.

To achieve our 2027 goals, Unitywater expects to invest up to in aggregate \$50M in these proposed activities over the next 5 years.

Consents and confirmations

To make these investments, certain approvals are required.

Unitywater sought and received approval from the Queensland Treasurer on 18 November 2019 (**attachment 1**) to establish one or more new SPVs to pursue these proposed activities, which may require the acquisition of shares (Type 1), provision of loans (Type 2), and allow Unitywater to manage any associated risk through standard commercial legal structures.

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Unitywater is now seeking to provide capital to the first of these SPVs which requires specific consents and confirmations from Queensland Treasury Corporation (QTC) and its Participant Councils to do so. Unitywater received the conditional consent from QTC on 27 May 2020 (**attachment 2**), and requests that Council provides the following in writing to Unitywater by 30 June 2020:

1. Consent under clause 9.4(g) of the *Participating Local Government Loan Agreement (Subordinated Debt)* on a standing offer basis to Unitywater providing financial support of any kind to a Subsidiary or an Associated Entity that has financial accommodation provided by an entity other than the Lender, the Borrower or a Subsidiary, subject to 2 and 3;
2. Consent is given by QTC and each of the other Participating Councils under the Intercreditor Deed to Unitywater; and
3. Consent is in respect of transactions as approved by the Unitywater Board with a total value of the transactions or dealings being less than \$50,000,000 over a 5-year period.

Next Steps

Please feel free to use the attached sample letter to provide consent to Unitywater (**attachment 3**).

Once these consents and approvals are in place, each investment within these consents and approvals will be considered and approved by Unitywater's Board in accordance to its Delegation of Authority.

To discuss any aspects of this letter Pauline Thomson, Chief Financial Officer, can be contacted via email at pauline.thomson@unitywater.com or telephone on (07) 5431 8259.

Yours sincerely

George Theo
Chief Executive Officer

Cc: Jim Soorley, Chairman, Unitywater
Encl. Attachment 1: Unitywater – Master Facility Terms Agreement
Attachment 2: Conditional consent from QTC
Attachment 3: Draft consent letter from Council

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#2 - Queensland Treasury letter to Unitywater



Queensland Treasury

Our Ref: 01873-2019
Your Ref: A5376018

Mr Jim Soorley
Chairman
Unitywater
PO Box 953
CABOOLTURE QLD 4510

Dear Mr Soorley

Jim

Thank you for your letter of 13 May 2019 to the Honourable Jackie Trad MP, Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships seeking approval under the *Statutory Bodies Financial Arrangements Act 1982* (SBFA Act) for Unitywater to form a subsidiary company (Headworks Australia Pty Ltd) for the purposes of research and development, and to lend money to the subsidiary.

While this request was sought from the Honourable Jackie Trad MP, Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships, I have delegated authority to approve such requests.

I am advised that officers of Queensland Treasury and Unitywater have worked closely to progress this matter and resolve information requirements needed to support the application.

Pursuant to sections 60A and 73(1) of the SBFA Act, I grant specific approval for Unitywater to enter into the following type 1 financial arrangements:

- (a) forming, or participating in forming, Headworks Australia Pty Ltd;
- (b) forming, or participating in forming, subsidiary companies of Headworks Australia Pty Ltd; and
- (c) acquiring and holding shares in Headworks Australia Pty Ltd and subsidiary companies of Headworks Australia Pty Ltd.

This approval is granted on the following conditions:

- (a) that Headworks Australia Pty Ltd adopt a constitution in the same or substantially similar form to the constitution provided to Queensland Treasury;
- (b) that any subsidiary companies of Headworks Australia Pty Ltd adopt a constitution with the same objects, or a subset of those objects, found in Headworks Australia Pty Ltd's constitution; and
- (c) that any wholly owned subsidiary companies of Headworks Australia Pty Ltd adopt a constitution in substantially similar form to Headworks Australia Pty Ltd's constitution.

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GPO Box 611 Brisbane
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Telephone +61 7 3035 1933
Website www.treasury.qld.gov.au
ABN 90 856 020 239

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I also grant specific approval for Unitywater to enter into type 2 financial arrangements to lend amounts to Headworks Australia Pty Ltd. This approval is granted on the condition that Unitywater may only enter into loans, or vary the terms of existing loans, with Headworks Australia Pty Ltd while it is a wholly owned subsidiary of Unitywater.

A copy of the relevant SBFA Act specific approval instruments are attached for your records.

If you require further information your officers can contact Ms Nicole Cravigan, A/Director, Agency Performance and Investment on (07) 3035 1853.

Yours sincerely



Frankie Carroll
Under Treasurer

18/11/2019

Encl.

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Statutory Bodies Financial Arrangements Act 1982

SPECIFIC APPROVAL UNDER DIVISION 3 OF PART 9

Approval

1. Under sections 60A and 73(1) of the Act, I grant specific approval for Unitywater to enter into the following type 1 financial arrangements:
 - (a) forming, or participating in forming Headworks Australia;
 - (b) forming, or participating in forming, subsidiary companies of Headworks Australia; and
 - (c) acquiring and holding shares in Headworks Australia and subsidiary companies of Headworks Australia.

Conditions

2. This approval is granted on the following conditions:
 - (a) that Headworks Australia adopt a constitution in the same or substantially similar form to the Constitution;
 - (b) that any subsidiary companies of Headworks Australia adopt a constitution with the same objects, or a subset of those objects, as found in the Constitution; and
 - (c) that any wholly owned subsidiary companies of Headworks Australia adopt a constitution in substantially similar form to the Constitution.

Delegation

3. The power to grant this approval is exercised under the delegation executed by the then Treasurer under section 76 of the Act on 23 March 2006.

Interpretation

4. In this document, these terms have the following meanings:

Act	<i>Statutory Bodies Financial Arrangements Act 1982;</i>
Constitution	the document entitled "Constitution of Headworks Australia Pty Ltd" provided to Queensland Treasury on 6 November 2019
Headworks Australia	a company to be formed or acquired by Unitywater for the purposes of research and development and proposed to be named Headworks Australia Pty Ltd; and
Unitywater	the Northern SEQ Distributor-Retailer Authority established under the <i>South-East Queensland Water (Distribution and Retail Restructuring) Act 2009</i> .

**FRANKIE CARROLL
UNDER TREASURER**

...10/11/2019

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Statutory Bodies Financial Arrangements Act 1982

SPECIFIC APPROVAL UNDER DIVISION 3 OF PART 9

Approval

1. Under sections 61A and 73(1) of the Act, I grant specific approval for Unitywater to enter into type 2 financial arrangements to lend amounts to Headworks Australia.

Conditions

2. This approval is granted on the condition that Unitywater may only enter into loans, or vary the terms of existing loans, with Headworks Australia while it is a wholly owned subsidiary of Unitywater.

Delegation

3. The power to grant this approval is exercised under the delegation executed by the then Treasurer under section 76 of the Act on 23 March 2006.

Interpretation

4. In this document, these terms have the following meanings:

Act	<i>Statutory Bodies Financial Arrangements Act 1982;</i>
Headworks Australia	a company to be formed or acquired by Unitywater for the purposes of research and development and proposed to be named Headworks Australia Pty Ltd; and
Unitywater	the Northern SEQ Distributor-Retailer Authority established under the <i>South-East Queensland Water (Distribution and Retail Restructuring) Act 2009</i> .



**FRANKIE CARROLL
UNDER TREASURER**

..... / 11 / 2019

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#3 - Queensland Treasury Corporation letter to Unitywater



27 May 2020

Ms Pauline Thomson
Chief Financial Officer
Unitywater
PO Box 953
CABOOLTURE QLD 4510

Dear Pauline

Unitywater – Master Facility Terms Agreement

I refer to your letter to QTC dated 11 May 2020 and subsequent conference call between Unitywater and QTC on 22 May 2020 regarding your facility documentation. As you are aware, QTC and Unitywater are parties to an amended and restated Master Facility Terms Agreement dated 17 July 2017 (**MFTA**). For the purpose of this letter, all capitalised terms have the meanings as defined in the MFTA.

We have addressed each of the points raised in the letter and on the conference call as follows:

1. **Intercompany loans** – in accordance with clause 6.4(h) of the MFTA, QTC confirms that its consent to enter into a loan transaction with a Subsidiary is only required where that Subsidiary of Unitywater obtains external debt. Based on the circumstances described to QTC, it appears that both Headworks Australia Pty Ltd and Unitywater Properties Pty Ltd are fully funded by Unitywater and that no other financial accommodation is being provided. On that basis, Unitywater would therefore be permitted to undertake intercompany loan transactions to those Subsidiaries without QTC's written consent. As discussed on the conference call, Unitywater is obliged to keep QTC informed about these intercompany arrangements in accordance with the requirements of clause 3.2 (Credit Review) and 6.1 (Periodic Reporting) of the MFTA.
2. **Transactions with non-wholly owned entities** – as discussed on the conference call, QTC is required under clause 10(a)(ii) of the Intercreditor Deed to notify each Participating Local Government of any consent that QTC provides under a Finance Document. Given the nature of this request, QTC is amenable to providing a standing consent in favour of Unitywater in order for it to enter into future transactions provided that:
 - a. each Participating Local Government confirms to QTC that it is comfortable for QTC to provide such a consent to Unitywater, and
 - b. the total value of that transaction or dealing to which QTC is consenting to is less than \$50 million.

In relation to item 2(a) above, we ask that you contact each PLG and discuss your requested changes to the current notification requirements for transactions with non-wholly owned entities of Unitywater. We note that this change will not be formalised until the MFTA is varied and that consequential amendments may be required to other Finance Documents.

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3. **Amendments to MFTA** – the MFTA is due for review on 1 April 2021 (clause 3.1(a) of the MFTA). As discussed on the conference call, QTC would like to bring forward the current review and transition Unitywater to QTC’s preferred facility documentation being its Umbrella Product Terms (**UPTs**). The UPTs are a master form of agreement between QTC and its large borrower clients and bring all current and future borrowing, investment, guarantee and spot foreign exchange products under one set of legal terms. Additionally, the UPTs align with QTC’s current products and transaction processes. QTC proposes to address Unitywater’s requested changes to the MFTAs in a draft of the UPT documentation which we will circulate following a response on item 2.

We trust that this letter addresses your queries in the interim and we look forward to progressing the standing consent and UPTs in due course.

If you would like to discuss any aspect of this letter, please contact Robyn Usher, Manager - Statutory Bodies & Local Government on 3017 6341.

Sincerely



Peter King (May 27, 2020 15:14 GMT+10)

Peter King
Director
Treasury Management Advisory