

## 4. TAKEOVER PROVISIONS FOR NZAX ISSUERS THAT ARE NOT CODE COMPANIES

### 4.1 INTERPRETATION

4.1.1 **Definitions:** In this section 4 unless the context otherwise requires:

“**Acquisition Notice**” has the meaning given in NZAX Listing Rule 4.8.1.

“**Affected Group**” means:

- (a) in respect of a Restricted Transfer effected otherwise than by trades matched through the NZX’s order matching market each of:
  - (i) the group comprised of persons who are not recipients (disregarding inadvertent non-receipt) of the offer or invitation which would implement the proposed Transfers;
  - (ii) if the Transfers are not of an equal proportion of all holdings which are offered for disposal, the groups comprised of Transferors whose Transfers represent substantially identical proportionate parts of the holdings offered by them; and
  - (iii) the group comprised of persons who are not members of the groups described in (i) and (ii) and who are not the Transferees and other persons whose Relevant Interests would be taken into account in determining whether the Transfer is a Restricted Transfer, but disregarding the proviso to the definition of Restricted Transfer;
- (b) in respect of a Restricted Transfer affected by trades matched through the NZX’s order matching market, the group comprised of those other than:
  - (i) the persons whose control of Votes would in aggregate determine whether the Transfer is a Restricted Transfer; and
  - (ii) insiders.

“**Affected Securities**” has the meaning given in NZAX Listing Rule 4.8.1.

“**Appraisal Report**” means an appraisal report complying with NZSX Listing Rule 1.2.

“**Compulsory Acquisition Provisions**” means provisions in the Constitution of an NZAX Issuer complying with NZAX Listing Rules 4.8.1 to 4.8.6 inclusive.

“**Default**” by a holder of Equity Securities of an NZAX Issuer, means non-compliance with Notice and Pause Provisions, or Minority Veto Provisions, in the Constitution of the NZAX Issuer.

“**Defaulter**” means a person with a Relevant Interest in Quoted Equity Securities of an NZAX Issuer who has acquired that Relevant Interest in breach of Notice and Pause Provisions or Minority Veto Provisions (other than a breach committed by the NZAX Issuer itself or its Directors).

“**Differential Offer**” means an offer, or invitation to agree on Transfers, which:

- (a) is made to some but not all holders of a Class of Equity Securities; or
- (b) would result in different prices or other terms applying among holders of the same Class of Equity Securities; or
- (c) would result in the Transfer of different proportions of those portions of holdings of Equity Securities of the same Class which are offered for disposal.

“**Director**” includes in relation to an Issuer that is a Managed Fund a Director of the Manager.

“**Enforcement Provisions**” means provisions in the Constitution of an NZAX Issuer complying with NZAX Listing Rules 4.7.1 to 4.7.7 inclusive and NZAX Listing Rule 4.9.

“**Insider**” means in respect of an NZAX Issuer:

- (a) Directors or Associated Persons of Directors;

(b) persons who hold Material Information of the NZAX Issuer which has not been disclosed to the market.

“**Majority Holder**” has the meaning given in NZAX Listing Rule 4.8.1.

“**Minority Veto Provisions**” has the meaning given in NZAX Listing Rule 4.6.1.

“**Notice and Pause Provisions**” has the meaning given in NZAX Listing Rule 4.5.1.

“**Relevant Group**” in respect of an NZAX Issuer means each of the groups comprising;

- (a) holders of Securities who are Members of the Public; and
- (b) holders of Securities who are not Members of the Public;

in each Class of Quoted Equity Securities of that NZAX Issuer the rights of which are governed by the Constitution of that NZAX Issuer.

“**Remaining Holders**” has the meaning given in NZAX Listing Rule 4.8.1.

“**Restricted Transfer**” means:

- (a) the Transfer which would result in the Votes controlled by any person or group of persons who are Associated Persons of each other, of any Class of Quoted Equity Securities of an NZAX Issuer:
  - (i) exceeding 20% of the Votes attached to that Class; or
  - (ii) if the person or group of persons controls 20% or more of the Votes attached to that Class, increasing by more than 5% in any period of 12 months excluding increases as a result of Transfers pursuant to a Restricted Transfer notice previously given by the person or group of persons; together with
- (b) any other Transfer which is likely to be contemporaneous with, or subsequent to, the Transfer in sub paragraph (a) of this definition and

comprises with that Transfer part of a scheme or linked series of transactions:

Provided that for the purposes of this definition acquisition of interests in Equity Securities of an NZAX Issuer may be disregarded:

- (a) where it is determined by NZX that the acquisition was involuntary and occasioned by the action of another party over which the acquiring party had no effective control or influence in the matter; or
- (b) where, and to the extent that, it is determined by NZX that the aggregation of holdings among Associated Persons would include holdings of persons who have no practical likelihood of acting in concert, or exercising Votes or otherwise acting in collusion, with each other or any common party:

Provided also that this definition shall not apply:

- (c) where the Transfer is between two entities, one of which is directly or indirectly wholly owned beneficially by the other, or both of which are directly or indirectly wholly owned beneficially by the same entity; or
- (d) where the Transfer is in performance of the obligations of an underwriter pursuant to an underwriting agreement disclosed in a registered Prospectus for an offering of the relevant Class of Quoted Equity Securities.

“**Special Resolution**” means a resolution passed by a majority of 75% of Votes of holders of Equity Securities entitled to vote and voting.

“**Transfer**” in relation to an Equity Security includes sale of that Security, and the grant of rights or interests, whether conditional or not, which are intended to create for the recipient benefits which are substantially equivalent to ownership of that Security (or of an interest in that Security). In particular it includes:

- (a) a transaction whereby one party disposes of, alienates, or proposes to dispose of or alienate (temporarily or permanently), any interest or right of title to any Equity Security or in the Votes, dividends or income arising in respect of any Equity Security;

- (b) any agreement arrangement or understanding in respect of Equity Securities under which the Votes attaching to them may be exercised by a person other than the registered holder, alone or jointly with the registered holder, or with other persons acting in concert, other than by reason of a bona fide appointment of a proxy or other representative for voting purposes under which the appointment may be terminated at will, and the appointor is entitled, if the appointor so wishes, to direct the proxy as to the manner in which Votes are to be cast;
- (c) any transaction whereby the holder of the Equity Securities enters into a commitment (whether conditional or unconditional) to sell the Equity Securities, or to grant an option over them or any part thereof, or at any future time to grant any of the rights referred to above;
- (d) the creation of a charge or other security interest enforceable by a right of possession or a power of sale or other disposition which would fall within other parts of this definition of “Transfer”, other than the creation of such an interest for bona fide financing purposes; or
- (e) any transaction, agreement or arrangement that has substantially the same effect as (a), (b) (c) or (d) above

but excludes the issue, or acquisition, of Equity Securities by the NZAX Issuer in accordance with the NZAX Listing Rules.

“**Transferor**” and “**Transferee**” have corresponding meanings.

4.1.2 **Non-application to Code Companies:** Nothing in this section 4 shall apply in respect of any NZAX Issuer which is a Code Company.

## 4.2 RESTRICTIONS AND DEFENSIVE MEASURES

4.2.1 **Prohibited Conduct:** Except as permitted or required by NZAX Listing Rule 4.3 no NZAX Issuer may:

- (a) include in its Constitution any provision; or
- (b) do anything or omit to do anything;

which would have the effect of causing or permitting an outcome or condition described in NZAX Listing Rule 4.2.2.

4.2.2 **Transfer Restrictions and Defensive Measures Prohibited:** An outcome or condition is prohibited for the purposes of NZAX Listing Rule 4.2.1 if

- (a) registration of any transfer of a Quoted Equity Security is prevented or restricted, or made subject to a precondition, other than as permitted by section 11; or
- (b) the enjoyment by a new holder of any benefit or right conferred by the NZAX Issuer on the holder of a Quoted Equity Security, is conditional on anything other than registration of the relevant transfer; or
- (c) any benefit or right conferred by the NZAX Issuer on the holder of a Quoted Equity Security is cancelled or varied or made contingent by reason of a Transfer of that Quoted Equity Security; or
- (d) any Quoted Equity Security may be redeemed, cancelled, made forfeit, disposed of or otherwise dealt with, by reason of a Transfer of that or any other Quoted Equity Security without the consent of the holder, other than as permitted by NZAX Listing Rules 8.2 and 8.5; or
- (e) any benefit or right conferred by the NZAX Issuer on the holder of a Security is enhanced, extended, or crystallises or attaches by reason of a Transfer of a Quoted Equity Security; or
- (f) any material benefit, right or asset of the NZAX Issuer terminates or is disposed of or is made contingent or the subject of a third party option by reason of a Transfer of a Quoted Equity Security of the NZAX Issuer; or
- (g) any material liability or obligation of the NZAX Issuer crystallises or arises or can be made due and payable before its normal maturity by a third party by reason of a Transfer of a Quoted Equity Security of the NZAX Issuer.

Nothing in this NZAX Listing Rule limits any listing rule of law, whether relating to the duties of Directors or otherwise.

4.2.3 **Exceptions:** Notwithstanding NZAX Listing Rule 4.2.1 an NZAX Issuer may enter into an agreement which may have one or more of the effects specified in NZAX Listing Rule 4.2.2(f) or (g) if that agreement is entered into with a person who is not a Related Party (as defined in NZAX Listing Rule 9.2.3) of the NZAX Issuer and if, in approving the entry into of that agreement, the Directors of the NZAX Issuer act in good faith in the best interests of the NZAX Issuer, and not with the intention of restricting or preventing Transfers of Securities of the NZAX Issuer.

### 4.3 CONSTITUTIONAL PROVISIONS

4.3.1 **Compulsory Provisions:** The Constitution of each NZAX Issuer shall contain or incorporate by reference;

- (a) Notice and Pause Provisions (which may be modified in accordance with NZAX Listing Rule 4.4.2);
- (b) Enforcement Provisions; and
- (c) Compulsory Acquisition Provisions.

4.3.2 **Optional Provision:** The Constitution of an NZAX Issuer may (subject to NZAX Listing Rule 4.4.1) contain or incorporates by reference Minority Veto Provisions.

4.3.3 **Routine Disclosure:** Each NZAX Issuer the Constitution of which:

- (a) contains or incorporate by reference Minority Veto Provisions; or
- (b) contains provisions modified in accordance with NZAX Listing Rule 4.4.2,

shall, in any report to holders of its Quoted Equity Securities, in any Offering Document relating to its Quoted Equity Securities, and otherwise to any person who requests in writing, clearly disclose that fact.

4.3.4 **Copies of Constitutional Provisions:** An NZAX Issuer shall provide, to any person who requests in writing, a copy of the provisions of its Constitution which deal with the matters dealt with in this section 4.

4.3.5 **Explanation:** An NZAX Issuer the Constitution of which contains Minority Veto Provisions or the Constitution of which contains or incorporates by reference provisions modified in accordance with NZAX Listing Rule 4.4.2 shall, with the copy of the relevant provisions of its Constitution to be provided on request under NZAX Listing Rule 4.3.4, supply also a summary and explanation of those provisions in the form previously approved by the NZX.

#### 4.4 ADOPTION AND MODIFICATION OF PROVISIONS

4.4.1 **Adoption of Minority Veto Provisions:** An NZAX Issuer shall not include Minority Veto Provisions in its Constitution unless:

- (a) those provisions are approved by a Special Resolution of each Relevant Group; or
- (b) those provisions are included in the Constitution of the NZAX Issuer at the time at which Equity Securities of the NZAX Issuer are first Quoted.

4.4.2 **Modification of Notice and Pause Provisions:** An NZAX Issuer may modify Notice and Pause Provisions in its Constitution so that those provisions apply only to Restricted Transfers in which the Transferees are Insiders. An NZAX Issuer shall not do so unless:

- (a) that modification is approved by a Special Resolution of each Relevant Group; or
- (b) that modification is included in the Constitution of the NZAX Issuer at the time at which Equity Securities of the NZAX Issuer are first Quoted.

4.4.3 **Subsequent Modifications:** An NZAX Issuer may delete Minority Veto Provisions from its Constitution, or cancel any modification to Notice and Pause Provisions in terms of NZAX Listing Rule 4.4.2 (so that the Notice and Pause Provisions apply to all Restricted Transfers) only with the approval of a Special Resolution of each Relevant Group.

4.4.4 **Procedure for Meetings:** The Constitution of each NZAX Issuer shall contain or incorporate by reference provisions governing the calling of



meetings for the purposes of NZAX Listing Rules 4.4.1, 4.4.2 and 4.4.3. The Constitution may provide that, for the purposes of voting by Relevant Groups for the purposes of those NZAX Listing Rules, one meeting may be held of holders constituting both Relevant Groups, so long as voting is by way of poll, and proper arrangements are made to distinguish between the Votes of members of the different Relevant Groups.

**In respect of the contents of a notice of meeting for the purposes of NZAX Listing Rules 4.4.1 to 4.4.3, see NZAX Listing Rules 6.2.3 and 6.2.4.**

- 4.4.5 **Meeting On Request:** The Directors of an NZAX Issuer may at any time, and shall upon receipt of a request of the nature referred to in the next sentence, submit for the consideration of the holders of Securities of the NZAX Issuer a change to the Constitution to include or exclude Minority Veto Provisions, to modify the Constitution in accordance with NZAX Listing Rule 4.4.2, or to cancel any such modification. A request to the Directors shall:
- (a) be in writing, and be signed by or on behalf of the holders of Quoted Equity Securities of the NZAX Issuer carrying 5% or more of the Votes attaching to all Quoted Equity Securities of the NZAX Issuer; and
  - (b) specify in general terms the change to the Constitution which is proposed.
- 4.4.6 **Procedure:** If the Directors wish, or are required in accordance with NZAX Listing Rule 4.4.5, to submit for consideration a change to the Constitution of the NZAX Issuer, the Directors shall without delay:
- (a) cause draft amendments to the Constitution to be prepared, and approved by NZX in accordance with NZAX Listing Rule 6.2.3; and
  - (b) cause those amendments to be submitted for the approval by Special Resolutions of the Relevant Groups, and by such other resolutions as may be necessary to effect an amendment to the Constitution of the NZAX Issuer.

## 4.5 NOTICE AND PAUSE PROVISIONS

- 4.5.1 **Introduction:** Notice and Pause Provisions are the provisions set out in NZAX Listing Rules 4.5.2 to 4.5.9 inclusive.
- 4.5.2 **Notice Requirements:** No Restricted Transfer of Quoted Equity Securities shall take place unless notice is given to the NZAX Issuer, and to NZX in a manner complying with NZAX Listing Rule 10.3.3 for release to the market, not later than the time specified in NZAX Listing Rule 4.5.3, containing the following particulars:
- (a) the price or consideration, either specified as a fixed amount or expressed as a range with the higher price or consideration being not greater than 20% more than the lower price or consideration of that range;
  - (b) any conditions or arrangements directly or indirectly associated with the Transfer which could be material to the assessment of the price or price range by prospective Transferors of the Equity Securities;
  - (c) identification of the Class, and the maximum number of Securities and percentage of the relevant Class, to which the Transfer proposal relates;
  - (d) the identity of all persons reasonably expected to acquire Relevant Interests in the Equity Securities as a result of the Transfer proposal;
  - (e) the number of Equity Securities (expressed in each case as a percentage of the total number in each relevant Class of Securities) which will be held, or in which Relevant Interests will be held, upon completion of the proposed transactions, by each Transferee and Associated Persons of each Transferee;
  - (f) the times within which the Transfers are intended to occur;
  - (g) how the Transfers are to be effected (for example, through NZX's order matching market, by widespread direct offer, private treaty, etc);
  - (h) the date the notice is given.

4.5.3 **Time for Initial Notice:** Each notice referred to in NZAX Listing Rule 4.5.2 shall be given:

- (a) if any Transferee under the Transfer in question is an Insider, at least 15 Business Days before the Transfer; or
- (b) if no Transferee is an Insider, and subject to NZAX Listing Rule 4.5.5, at least three Business Days before the Transfer.

**“Transfer” includes entering into any agreement or commitment concerning the sale of Equity Securities. Refer to the full definition in NZAX Listing Rule 4.1.1.**

4.5.4 **Notice of Change:** Any change in, or addition to, particulars notified under NZAX Listing Rule 4.5.2 shall be made by giving a notice of change. Each such notice shall be given:

- (a) if any Transferee under the Transfer in question is an Insider, at least two Business Days before the change takes effect in the case of a change to price or amount of consideration, and at least 15 Business Days before the change takes effect in the case of a change to any other particulars listed in NZAX Listing Rule 4.5.2, including without limitation the nature of the consideration; or
- (b) if no Transferee is an Insider, and subject to NZAX Listing Rule 4.5.5, at least one Business Day before the change takes effect in the case of a change to price or other consideration, and at least three Business Days before the change takes effect in the case of a change to any other particulars listed in NZAX Listing Rule 4.5.2, including without limitation the nature of the consideration.

4.5.5 **NZX Transactions:** If:

- (a) a Restricted Transfer is effected solely by trades matched through NZX's order matching market;
- (b) no Transferee is an Insider; and

(c) the conditions specified in the next sentence are satisfied,

then the period of notice referred to in NZAX Listing Rule 4.5.3(b) shall be one Business Day, and the periods of notice referred to in NZAX Listing Rule 4.5.4(b) shall be two hours during which NZX is open for business, and one Business Day, respectively. The conditions referred to above are:

- (a) before notice is given the Trading Participant instructed to make the offers must be satisfied that the entire offer in the notice has been the subject of instructions accepted by Trading Participant;
- (b) the consideration must be readily capable of settlement through the FASTER system;
- (c) the Transferee must have previously undertaken to the Trading Participant through whom its orders are placed, for the benefit of holders of the relevant Securities, to complete the transaction in accordance with the notice given, if offers or acceptances are sufficient to enable it to do so;
- (d) the instructions must be in terms that orders will be matched and completed by NZX's order matching system even if the entire offer is not accepted completely; and
- (e) the period during which transactions will be effected does not end before one Business Day after it begins or until Transfers have been agreed to complete the maximum number of Securities to which the Transfer proposal relates, whichever is the earlier.

4.5.6 **Immediate Response Requirement:** Directors of an NZAX Issuer whose Quoted Equity Securities are the subject of a notice under NZAX Listing Rule 4.5.2 shall give notice as soon as can be achieved, and before the expiry of the notice periods referred to in NZAX Listing Rule 4.5.3 or 4.5.5:

- (a) whether any Director or Associated Person of a Director is expected by any Director to be a Transferee in the notified transaction;

- (b) whether there is any Material Information pertaining to the NZAX Issuer which any Director believes is likely to be available to any Transferee in the proposed transaction, which has not been made generally available to the market;
- (c) whether any Director considers there is any undisclosed Material Information which should materially affect the decision of a reasonably informed prospective Transferor in the proposed Transfer and, if so, an indication whether the Director would consider the Transfer to be made more or less desirable to the prospective Transferor by the Material Information; and
- (d) a statement as to the timing, and expected significance of any further action, investigation, report, or disclosure which the Directors or any of them, intend to make in response to the relevant proposals for Transfers.

**These obligations (and others on Directors in this section) recognise that boards commonly divide these matters into:**

- (a) the Directors perceived to have a conflict of interest in relation to an offer; and
- (b) those who can be seen to be affected only by concern for the best interests of the NZAX Issuer and shareholders not connected with the offeror.

**4.5.7 General Response Requirement:** The Directors of an NZAX Issuer whose Quoted Equity Securities are the subject of a notice under NZAX Listing Rule 4.5.2, or who become aware that a Restricted Transfer proposal is more likely than not in the immediate future, shall:

- (a) take all steps necessary to ensure that they and the NZAX Issuer are in a position to respond to the offer as required by these NZAX Listing Rules, including under NZAX Listing Rule 10.1;
- (b) not be relieved of their disclosure obligations under these NZAX Listing Rules by reason of a conflict of interest arising from involvement as or with a prospective Transferee or Transferor, but

such Directors shall disclose in any notice or statement the nature of their possible conflict;

- (c) in the case of a conflict of interest or of views as to how to proceed, if necessary release separate statements or notices to inform NZX promptly, with appropriate explanation; and
- (d) ensure that holders of the relevant Equity Securities are well informed to consider competitive offers for the control of Votes attached to the Equity Securities where there is any reasonable prospect of competition emerging to the completion of a Restricted Transfer proposal.

4.5.8 **Appraisal Report:** If any Transferee under a Restricted Transfer is an Insider, then (subject to NZAX Listing Rule 4.5.9) the Directors shall, forthwith upon a notice being given under NZAX Listing Rule 4.5.2 in respect of that Restricted Transfer, or notice being given under NZAX Listing Rule 4.5.4 in respect of that Restricted Transfer where the change relates to a change in the nature of the consideration offered, commission an Appraisal Report in respect of that Restricted Transfer. That report may contain such reasonable qualifications and limitations as are needed to recognise the deadlines within which it is required to be produced. That report shall:

- (a) be delivered to NZX for release to the market at least two Business Days before expiration of the relevant notice, accompanied by a summary (approved by the reporter) suitable for release to the market; and
- (b) be copied to the NZAX Issuer and to any holder of Quoted Equity Securities of the NZAX Issuer upon request; and
- (c) be despatched to all holders of Securities to whom the offer may be made at least three Business Days before the expiration of the relevant notice.

4.5.9 **Exceptions:** The requirement for an Appraisal Report in NZAX Listing Rule 4.5.9 shall not apply if:

- (a) all Transferors consent to waive the requirement; or

- (b) a majority of the Disinterested Directors certify that in their opinion the cost and difficulty of providing the Appraisal Report will outweigh the benefit, because prospective Transferors are not at an information disadvantage in relation to prospective Transferees and their Associated Persons or because the Appraisal Report would not materially remedy any such information prejudice.

For the purposes of this NZAX Listing Rule, “Disinterested Directors” means Directors who are not involved as prospective Transferors (in relation to a proposal for a Differential Offer) or as Transferees, and who are not Associated Persons of any such Transferors or Transferees.

**4.5.10 Restricted Transfer Status Report:** If a Restricted Transfer is not completed within three months of the notice required to be given under NZAX Listing Rule 4.5.2, or any status report given under this NZAX Listing Rule 4.5.10 then, before continuing with the Restricted Transfer, additional market information on the status of the Restricted Transfer must be provided to the NZAX Issuer and NZX in a manner complying with NZAX Listing Rule 10.3.3 for release to the market. The additional market information shall include:

- (a) when the Restricted Transfer is intended to be completed; and
- (b) details of the Transfer(s) that comprise the Restricted Transfer which have not been completed.

**4.5.11 NZAX Issuer Response to Restricted Transfer Status Report:** On receipt of the information provided under NZAX Listing Rule 4.5.10, the Directors of the NZAX Issuer shall promptly advise NZX:

- (a) of any change in circumstances (and the implications of the change) which would affect the continuing relevance and currency of any Appraisal Report or the response initially provided under NZAX Listing Rule 4.5.6; and
- (b) that the NZAX Issuer is complying with NZAX Listing Rule 10.1.

## 4.6 MINORITY VETO PROVISIONS

**4.6.1 Introduction:** Minority Veto Provisions are:

- (a) Notice and Pause Provisions not modified as permitted by NZAX Listing Rule 4.4.2, but modified so that:
  - (i) the notice period referred to in NZAX Listing Rule 4.5.3(b) is 15 Business Days;
  - (ii) the notice periods referred to in NZAX Listing Rule 4.5.4(b) are the two Business Days and 15 Business Days respectively; and
  - (iii) the notice periods referred to in NZAX Listing Rule 4.5.5 are five Business Days, two Business Days, and five Business Days respectively; and
- (b) the further provisions set out in NZAX Listing Rules 4.6.2 and 4.6.3.

**4.6.2 Additional Requirements:** Except with the sanction of resolutions passed by a simple majority of Votes of each Affected Group:

- (a) all Transfers involved in a Restricted Transfer shall be pursuant to:
  - (i) an offer in writing to all holders of Equity Securities of any Class which is the subject of the proposed Restricted Transfer, on the same terms; or
  - (ii) orders placed through a Trading Participant for execution in and through NZX's order matching market and in accordance with the requirements of NZAX Listing Rule 4.5.5; and
- (b) the Transfers must not result from Differential Offers, other than differences which arise from a change in the price of an on-market offer authorised under (a)(ii).

**4.6.3 Report:** Upon the giving of a notice under NZAX Listing Rule 4.5.2, (but not if that notice is given in respect of a Transfer complying with NZAX Listing Rule 4.5.5), or a notice under NZAX Listing Rule 4.5.4 where that change relates to a change in the nature of the consideration offered, the Directors shall commission a report from an independent appropriately qualified person previously approved by the NZX. That report shall:



- (a) be addressed to the holders of Securities of the Class or Classes the subject of the Restricted Transfer referred to in the notice;
- (b) express the opinion of the reporter as to the consideration and other terms of the proposed transaction; and
- (c) comply with the provisions of NZSX Listing Rule 1.2.2(e), (f), (g) and (h) as if that report were an Appraisal Report.

The provisions of NZAX Listing Rule 4.5.8(a), (b) and (c) shall apply to the report as if it were an Appraisal Report required by that NZAX Listing Rule.

## 4.7 ENFORCEMENT PROVISIONS

4.7.1 **Right to Enforce:** An NZAX Issuer may, following a Default, exercise a power described in NZAX Listing Rule 4.7.2(a) or (b) in respect of all or any Quoted Equity Securities in which the Defaulter has a Relevant Interest (“Defaulter’s Securities”).

4.7.2 **Default Consequences:** In the event of a Default:

- (a) no Vote may be cast on a poll, and if it is cast shall be disregarded, on Defaulter’s Securities while the Default is unremedied;
- (b) a Defaulter’s Securities may be sold by the NZAX Issuer. This power may not be exercised until one month after the NZAX Issuer has given notice to the Defaulter of its intention to exercise this power. It shall not be exercised if, during that month:
  - (i) the Defaulter has remedied the Default (where it can be remedied); or
  - (ii) the Defaulter has transferred its Relevant Interest in the Securities to a person who is not a Defaulter.

If the power to sell is exercised, the NZAX Issuer shall sell the Defaulter’s Securities through NZX, or in some other manner approved by NZX, and shall account to the holder of those Securities for the proceeds of sale after deduction of all sale expenses. The NZAX Issuer shall be deemed to be

authorised to take all steps, and sign all documents, necessary to effect the sale of the Defaulter's Securities.

- (c) neither the NZAX Issuer nor its Directors shall be liable to a Defaulter or apparent Defaulter for or in connection with the exercise or purported exercise of the powers permitted by this NZAX Listing Rule 4.7;
- (d) the NZAX Issuer shall have a lien on the Defaulter's Securities for, and deduct from the proceeds of sale pursuant to NZAX Listing Rule 4.7.2(b) any costs to the NZAX Issuer of determining whether a person is a Defaulter and exercising powers permitted by this NZAX Listing Rule 4.7;
- (e) the NZAX Issuer may treat as its costs for the purposes of paragraph 4.7.2(d) preceding, reimbursement by it of expenses of members of any Affected Group acting pursuant to NZAX Listing Rule 4.7.3; and
- (f) if NZX makes a Ruling dealing with the matters dealt with by this section 4, or with provisions of the Constitution of the NZAX Issuer required or permitted by this section 4, that Ruling shall be binding upon the NZAX Issuer and all holders of Securities of the NZAX Issuer, and shall take effect as if that Ruling were itself incorporated in the Constitution.

**4.7.3 Powers of Affected Group:** The NZAX Issuer shall, if so directed by a resolution of an Affected Group (passed by a simple majority of Votes) exercise the power referred to in NZAX Listing Rule 4.7.2(b), if that power has become exercisable. The holders of 5% or more of the Securities of an Affected Group may by notice to the Issuer require the Directors of the Issuer to convene a meeting of the Affected Group for the purpose of considering such a resolution.

**4.7.4 Voting Restriction:** An NZAX Issuer shall use reasonable endeavours to ascertain for the purposes of NZAX Listing Rule 4.7.2(a) whether any Securities are Defaulter's Securities, and accordingly whether a holder of those Securities is entitled to vote. If any holder of Securities of the NZAX Issuer, or NZX, alleges that any Securities are Defaulter's Securities, the NZAX Issuer shall properly consider and investigate that allegation.

- 4.7.5 **Proceedings at Meeting:** The ruling of the chairperson of any meeting as to whether any holder of Securities is or is not entitled to vote at that meeting pursuant to NZAX Listing Rule 4.7.2(a) shall, for the purposes of proceedings at that meeting, be conclusive, and the proceedings of, or any resolution passed at, any meeting shall not be impugned by reason of a breach of NZAX Listing Rule 4.7.2(a). This NZAX Listing Rule shall not prejudice any action which any person may have against the holder of any Securities by reason of that holder having cast a Vote at any meeting in breach of NZAX Listing Rule 4.7.2(a).
- 4.7.6 **Limitation of Remedies:** Subject to NZAX Listing Rule 4.7.7, the sole remedy of an NZAX Issuer, a holder of Securities of an NZAX Issuer, a Director of an NZAX Issuer, or any other person, in respect of a breach or alleged breach of this section 4, or of provisions in the Constitution of an NZAX Issuer required or permitted by this section 4, shall be to exercise, or require the Directors of the NZAX Issuer to exercise, the powers referred to in NZAX Listing Rule 4.7.2(a) and (b). Without limiting the preceding sentence, no person shall be entitled to seek any injunction or other remedy to prevent a transaction alleged to be in breach of the provisions referred to in that sentence.
- 4.7.7 **Exception:** Nothing in NZAX Listing Rule 4.7.6 shall affect the remedies of a holder of Securities of an NZAX Issuer against the Directors of that NZAX Issuer in respect of a breach of this section 4, or the provisions of the Constitution referred to in NZAX Listing Rule 4.7.6, by that Director.
- 4.7.8 **Special Provisions as to Rulings:** The NZX (in this NZAX Listing Rule 4.7.8 an “Arbiter”) may, for the purposes of making a Ruling as to whether any person is a Defaulter, give notice to any person who the Arbiter believes may be a Defaulter. That notice shall:
- (a) set out in general terms the grounds on which the Arbiter believes that person to be a Defaulter; and
  - (b) require that person, within a reasonable time specified in the notice, to produce evidence to rebut the Arbiter's belief that that person is a Defaulter.

If the person to whom the notice is given fails within the time specified in the notice to produce to the Arbiter evidence satisfactory to the Arbiter that

that person is not a Defaulter, then the Arbitrator shall be entitled to assume without further evidence that that person is a Defaulter, and to make a Ruling to that effect.

**Rulings will take effect as if part of the Constitution. See NZAX Listing Rule 4.7.2(f).**

## 4.8 COMPULSORY ACQUISITION PROVISIONS

4.8.1 **Acquisition Notice:** If a person, or a group of Associated Persons, acquires beneficial ownership of 90% or more of a Class of Quoted Equity Securities of an NZAX Issuer, that person or group of persons (the “Majority Holder”) shall, within 20 Business Days after that circumstance arises, give notice (the “Acquisition Notice”) to all other holders (the “Remaining Holders”) of Securities of that Class (“Affected Securities”) and at the same time to the NZAX Issuer and NZX:

Provided that when calculating the total number of Quoted Equity Securities in that Class, Treasury Stock shall not be regarded as part of that Class.

4.8.2 **Contents of Notice:** The Acquisition Notice shall specify:

- (a) that the Majority Holder has beneficial ownership of 90% or more of the Affected Securities;
- (b) either:
  - (i) that the Majority Holder intends to acquire all Affected Securities held by the Remaining Holders; or
  - (ii) that any Remaining Holder may require the Majority Holder to acquire the Affected Securities held by that Remaining Holder by giving notice to that effect to the Majority Holder within one month after the date of the Acquisition Notice; and
- (c) the consideration to be provided by the Majority Holder for Affected Securities.

- 4.8.3 **Obligation of Majority Holder:** Upon giving an Acquisition Notice, the Majority Holder shall be entitled and bound:
- (a) if the Acquisition Notice contains the statement in NZAX Listing Rule 4.8.2(b)(i), to acquire all Affected Securities held by the Remaining Holders; or
  - (b) if the Acquisition Notice contains the statement in NZAX Listing Rule 4.8.2(b)(ii), to acquire all Affected Securities held by Remaining Holders in respect of which the holder, within one month after the date of the Acquisition Notice, gives notice requiring the Majority Holder to acquire.
- 4.8.4 **Consideration:** The consideration to be provided for Affected Securities which the Majority Holder is entitled and bound to acquire shall be determined as follows:
- (a) the Acquisition Notice shall specify the consideration which the Majority Holder is prepared to provide. The Majority Holder shall, before giving the Acquisition Notice, provide to NZX a report from an independent appropriately qualified person, previously approved by NZX, confirming that that consideration is fair to the Remaining Holders, using the same criteria set out in paragraph (c)(iv) of this NZAX Listing Rule.
  - (b) if, within 10 Business Days after the date of the Acquisition Notice, the NZAX Issuer receives written objections to the consideration specified in the Acquisition Notice from the holders of 10% or more of the Affected Securities held by the Remaining Holders, then the consideration shall be determined in accordance with (c) and (d). If objections are received, the NZAX Issuer shall forthwith notify the Majority Holder and NZX of that fact. If such objections are not received, the consideration shall be as specified in the Acquisition Notice;
  - (c) if objections of the nature referred to in (b) are received by the NZAX Issuer the consideration shall be determined by an independent appropriately qualified person. That person shall:
    - (i) be a different person from the person referred to in (a); and

- (ii) act as an expert and not as an arbitrator; and
  - (iii) be directed to provide a decision within 20 Business Days after his or her appointment; and
  - (iv) be directed to determine the consideration on the basis that it is fair to the Remaining Holders and is the pro-rated value of the Affected Securities based on the value of the NZAX Issuer as a whole and the rights and obligations attached to those Securities without taking into account any strategic or hold out value of the Affected Securities or any other factors relating to the Remaining Holders, the Majority Holder, their respective holdings in the NZAX Issuer or the relative extent of those holdings; and
  - (v) be appointed by the disinterested Directors (as defined in NZAX Listing Rule 4.5.9) of the NZAX Issuer (if any, and otherwise by the Directors of the NZAX Issuer) after approval by NZX;
- (d) if the consideration determined by the person appointed in accordance with (c):
- (i) is less than, or the same as, the consideration specified in the Acquisition Notice, the fee and expenses of that person shall be borne by the Remaining Holders who made the objections referred to in (b);
  - (ii) is more than the consideration specified in the Acquisition Notice, the fee and expenses of that person shall be borne by the Majority Holder.

If the fee and expenses of that person is to be borne by the objectors in terms of (i), the Majority Holder shall deduct that amount from the consideration payable by the Majority Holder to the objectors, in proportion to their holdings (and may, if the consideration is not cash, deduct and sell sufficient of that consideration to produce sufficient cash).

**As to the approval of a person for the purposes of NZAX Listing Rule 4.8.4(a) or (c), see the note to Listing Rule 1.2.1 – in the NZSX Listing Rules.**

4.8.5 **Default Consequences:** If a Majority Holder fails to give an Acquisition Notice, or, after having become bound to acquire the Affected Securities of Remaining Holders in accordance with the provisions of this NZAX Listing Rule 4.8, fails to do so, then the provisions of NZAX Listing Rules 4.7.1 to 4.7.5 shall apply with the following modifications:

- (a) the Affected Securities held by the Majority Holder shall be deemed to be Defaulter's Securities;
- (b) the failure to comply with this NZAX Listing Rule B3.8 shall be deemed to be a Default; and
- (c) the Remaining Holders shall be deemed to be an Affected Group.

4.8.6 **Further Provisions:** The Constitution shall also contain provisions:

- (a) providing for the payment or provision of consideration to each Remaining Holder within 12 Business Days after the Majority Holder becomes bound to acquire the Affected Securities of that Remaining Holder, or if consideration requires to be determined pursuant to NZAX Listing Rule 4.8.4, within two Business Days after the consideration is determined;
- (b) providing for the consideration payable to Remaining Holders who cannot be found to be held in trust for those holders for at least five years; and
- (c) providing for the NZAX Issuer, upon payment or provision of the consideration, to execute transfers on behalf of the Remaining Holders, and to take all other steps necessary to transfer to the Majority Holder the Affected Securities of the Remaining Holders.

## 4.9 HOLDING BY BARE TRUSTEE

4.9.1 **Bare Trustee:** For all purposes of this section 4, and notwithstanding anything in this section 4:

- (a) the Transfer of Quoted Equity Securities, or of any interest in Quoted Equity Securities, to a bare trustee shall be deemed to be a Transfer to

the person or persons for whom that bare trustee holds those Securities or that interest as trustee (the “Beneficial Owners”);

- (b) Quoted Equity Securities, or any interest in Quoted Equity Securities, held by a bare trustee shall be deemed to be held by the Beneficial Owners; and
- (c) a trustee may be a bare trustee notwithstanding that that trustee is entitled as a trustee to be remunerated out of the income or property of the relevant trust.

**4.9.2 Specific Issues:** Without limiting NZAX Listing Rule 4.9.1:

- (a) a bare trustee and a Beneficial Owner shall not, by reason solely of their relationship as bare trustee and Beneficial Owner, be Associated Persons;
- (b) a bare trustee of Quoted Equity Securities shall not, solely by reason of its position as bare trustee for the Beneficial Owner, have a Relevant Interest in those Quoted Equity Securities; and
- (c) a Beneficial Owner of Quoted Equity Securities shall not have a Relevant Interest in the Quoted Equity Securities of another Beneficial Owner solely because the same bare trustee acts as trustee for both of those Beneficial Owners.

**4.9.3 Separate Registration of Defaulter’s Securities:** In the event of a Default, if any Quoted Equity Securities held by a person as bare trustee on behalf of different Beneficial Owners include any Defaulter’s Securities:

- (a) the bare trustee shall, on request by the NZAX Issuer or NZX, provide to the NZAX Issuer and NZX details of the Beneficial Owners of those Defaulter’s Securities; and
- (b) the NZAX Issuer may at any time, and shall upon request by the bare trustee or any Beneficial Owner, take appropriate steps to ensure that those Defaulter’s Securities are separately designated in the register recording those Quoted Equity Securities.