



24 December 2014

ANNOUNCEMENT OF NZ MARKETS DISCIPLINARY TRIBUNAL

PUBLIC CENSURE OF SEALEGS CORPORATION LIMITED BY THE NZ MARKETS DISCIPLINARY TRIBUNAL FOR BREACHES OF NZX MAIN BOARD LISTING RULES 3.3.1(c), 3.6.2(b), AND 3.6.2(c).

1. The NZ Markets Disciplinary Tribunal (**Tribunal**) has approved a settlement agreement between NZX Limited (**NZX**) and Sealegs Corporation Limited (**SLG**) dated 17 December 2014 (**Settlement Agreement**) in respect of SLG's breaches of NZX Main Board Listing Rules (**Rules**) 3.3.1(c), 3.6.2(b), and 3.6.2(c).

Summary

2. SLG is a New Zealand incorporated company with its ordinary shares quoted on the NZX Main Board. SLG is bound by the Rules.
3. On 26 September 2014, NZX became aware that SLG had failed to comply with its obligations under Rule 3.3.1(c) by failing to ensure that SLG had at least two Independent Directors, Rule 3.6.2(b) by not having at least three members sitting on its Audit Committee, and Rule 3.6.2(c) by not having a majority of Independent Directors on its Audit Committee.
4. SLG has admitted the breaches and accepts the penalties outlined below.

Background

5. On 18 August 2014, Michael Beagley, an Independent Director of SLG, indicated his intention to resign from the SLG Board.
6. On 28 August 2014, Mr Beagley tendered his resignation from the SLG Board and Audit Committee.
7. In correspondence between SLG's legal counsel and NZX dated 6 October 2014, SLG informed NZX that it was unaware of Mr Beagley's intention to resign until 18 August 2014.
8. On 26 September 2014, SLG applied to NZX for a temporary, retrospective waiver from Rules 3.3.1(c), 3.6.2(b), and 3.6.2(c).
9. On 22 October 2014, NZX formally declined to grant SLG a retrospective waiver from Rules 3.3.1(c), 3.6.2(b), and 3.6.2(c).
10. On 3 November 2014, SLG advised the market that it had completed a \$1.27m capital raising to meet working capital and development requirements.
11. On 11 November 2014, SLG advised the market that it had appointed Wayne Mapp to its Board as an independent non-executive director. Mr Mapp also sits on SLG's Audit Committee. This appointment was effective approximately ten weeks after Mr Beagley's resignation.

12. Pursuant to Rule 3.3.1(c), SLG shall ensure that the composition of its Board includes at least two Independent Directors.
13. Pursuant to Rule 3.6.2(b), SLG shall ensure that its Audit Committee has a minimum of three members.
14. Pursuant to Rule 3.6.2(c), SLG shall ensure that its Audit Committee is comprised of a majority of Independent Directors.
15. From the date of Mr Beagley's resignation on 28 August 2014 until 11 November 2014, SLG had only one Independent Director on its board, namely Christopher Weir.
16. During this time, SLG also had only two members, and did not have a majority of Independent Directors, sitting on its Audit Committee.
17. SLG accepts that it breached its obligations pursuant to 3.3.1(c), 3.6.2(b), and 3.6.2(c).

Determination

18. The Tribunal considers breaches of the corporate governance provisions of the Rules to be a serious matter. The corporate governance provisions are important for the integrity of the market, and give investors confidence that directors have been appointed to represent shareholder interests. A breach of the corporate governance rules can bring NZX and the market into disrepute.
19. In determining to approve the Settlement Agreement, the Tribunal considered certain aggravating factors, including that:
 - a. SLG was in breach of Rules 3.3.1(c), 3.6.2(b), and 3.6.2(c) for approximately ten weeks; and
 - b. SLG only notified NZX in relation to the breaches, and applied for a waiver in relation to the breaches, on 16 September 2014, approximately four weeks after becoming in breach of the Rules.
20. In determining to approve the Settlement Agreement, the Tribunal considered certain mitigating factors, including that:
 - a. SLG has now rectified the breaches;
 - b. There is no evidence that any investors have been adversely affected by the breaches;
 - c. SLG states that Mr Beagley's resignation was unexpected;
 - d. Due to its size, and the financial restraints associated with being a company of that size, SLG has some difficulty attracting appropriately qualified Independent Directors; and
 - e. SLG has not previously been referred to the Tribunal.

Penalties

21. NZX and SLG have reached a settlement and agreed that:
 - a. This public censure by the Tribunal will be made.
 - b. SLG will pay to the NZX Discipline Fund \$8,000 by way of penalty (plus GST, if any) for its breaches of Rules 3.3.1(c), 3.6.2(b), and 3.6.2(c).
 - c. SLG will pay the costs of the Tribunal (plus GST, if any).

- d. SLG will contribute \$640 towards the costs of NZX (plus GST, if any).

Approval

22. The Settlement Agreement is approved by the Tribunal pursuant to Rule 10 of the NZ Markets Disciplinary Tribunal Rules (**Tribunal Rules**), and as such, the Settlement Agreement is the determination of the Tribunal.

Censure

23. The Tribunal hereby publicly censures SLG for its breaches of Rules 3.3.1(c), 3.6.2(b), and 3.6.2(c).

The Tribunal

24. The Tribunal is a disciplinary body which is independent of NZX and its subsidiaries. The Financial Markets Authority approves its members. Under the Tribunal Rules the Tribunal determines and imposes penalties for referrals made to it by NZX in relation to the conduct of parties regulated by the market rules.

Dated 24 December 2014