

Securities Act (Livestock Improvement Corporation Limited) Exemption Notice 2012

Pursuant to section 70B of the Securities Act 1978, the Financial Markets Authority gives the following notice (to which is appended a statement of reasons of the Financial Markets Authority).

Contents

	Page
1 Title	1
2 Commencement	1
3 Expiry	1
4 Interpretation	1
5 Application of notice	3
6 Exemptions from sections 37 and 37A of Act and from Regulations (except regulation 23)	3
7 Condition of exemptions about what information must be provided	3
8 Condition of exemptions about what the dividend reinvestment plan must contain	3
9 Condition of exemptions about what information must be made available	5

Notice

- Title**

This notice is the Securities Act (Livestock Improvement Corporation Limited) Exemption Notice 2012.
- Commencement**

This notice comes into force on 11 May 2012.
- Expiry**

This notice expires on the close of 30 April 2017.
- Interpretation**

(1) In this notice, unless the context otherwise requires, —
Act means the Securities Act 1978
approved holding entity means an entity appointed by LIC to administer the dividend reinvestment plan



broker means any NZX Firm (as defined in Rule 1.1 of the NZX Participant Rules) appointed by the approved holding entity from time to time for the purposes of the dividend reinvestment plan

dividend has the same meaning as in section 53 of the Companies Act 1993

dividend reinvestment plan means a plan under which dividends to which participants are entitled are paid by LIC to the approved holding entity for the purpose of purchasing specified securities for transfer to those participants

eligible person means a person who, at 5pm on the date specified by LIC for determining entitlement to the relevant dividend -

- (a) is the registered holder of specified securities that are the same class as the securities offered under the dividend reinvestment plan; and
- (b) is not a director of LIC or an associated person (as defined in Rule 1.7 the NZAX Listing Rules) of a director of LIC; and
- (c) is a resident of a country that has not been excluded by LIC from the application of the dividend reinvestment plan to avoid any risk of breaching the laws of that country

LIC means Livestock Improvement Corporation Limited

material adverse information means information that is not publicly available that would, or would be likely to, have a material adverse effect on the realisable price of specified securities if the information were publicly available

NZAX Listing Rules means NZX's listing rules that apply to NZX Alternative Market issuers and the NZX Alternative Market

NZX Alternative Market means the securities market operated by NZX under that name

NZX means NZX Limited

participant means an eligible person who -

- (a) has elected to participate in the dividend reinvestment plan; and
- (b) whose participation in the dividend reinvestment plan has not been terminated in accordance with the terms of that plan

Regulations means the Securities Regulations 2009

relevant acquisition means, in relation to any dividend amount paid by LIC to the approved holding entity for the purposes of the dividend reinvestment plan on the declaration of a particular dividend, the acquisition of specified securities by the approved holding entity or broker using that dividend amount

relevant specified security means a specified security to which this notice applies

specified security means a share that is -

- (a) issued by LIC; and
 - (b) designated as an investment share under LIC's constitution; and
 - (c) listed by LIC on the NZX Alternative Market.
- (2) Any term or expression that is defined in the Act or the Regulations and used, but not defined, in this notice has the same meaning as in the Act or the Regulations.

5 Application of notice

This notice applies to specified securities that -

- (a) have been previously allotted; and
- (b) are to be transferred by the approved holding entity or broker under the dividend reinvestment plan to a participant.

6 Exemptions from sections 37 and 37A of Act and from Regulations (except Regulation 23)

LIC, the approved holding entity, the broker, and every person acting on behalf of any of them are exempted from sections 37 and 37A of the Act and the Regulations (except regulation 23) in respect of the relevant specified securities.

7 Condition of exemptions about what information must be provided

The exemptions in clause 6 are subject to the condition that, before an eligible person elects to acquire relevant specified securities, that person receives a document that contains -

- (a) an offer of relevant specified securities under the dividend reinvestment plan; and
- (b) a description of the dividend reinvestment plan and its terms and conditions; and
- (c) a statement that there is available from LIC (or LIC's share registrar), on request and free of charge, a copy of the most recent annual report and financial statements (that comply with the Financial Reporting Act 1993) of LIC.

8 Condition of exemptions about what dividend reinvestment plan must contain

- (1) The exemptions in clause 6 are subject to the condition that the dividend reinvestment plan contains provisions requiring that -

Securities Act (Livestock Improvement Corporation Limited)
Exemption Notice 2012

- (a) for the purposes of allocating shares to participants in respect of a relevant acquisition, the purchase price of the relevant specified securities acquired under the relevant acquisition is set by the approved holding entity as the volume weighted average price paid by the approved holding entity for those securities; and
- (b) where the effect of paragraph (a) would result in a participant being entitled to less than a whole security, part securities are rounded up or down in an equitable manner so as to enable all of the securities to be allocated; and
- (c) the approved holding entity and the broker have no material adverse information at the time the entity or broker acquires any relevant specified securities for the purposes of the dividend reinvestment plan; and
- (d) LIC has no material adverse information at the close of the last date on which any amount payable by LIC by way of dividend under a declaration of a dividend is paid by LIC to the approved holding entity for the purposes of the dividend reinvestment plan; and
- (e) every eligible person is given a reasonable opportunity to elect to participate in the dividend reinvestment plan; and
- (f) with respect to each relevant acquisition, the relevant specified securities transferred to a participant under the dividend reinvestment plan have attached to them the same rights, and are transferred for the same purchase price, as securities of the same class transferred to other participants who receive securities under that relevant acquisition; and
- (g) if, for any reason, any participant does not receive all or any of the relevant specified securities to which that participant is entitled under the dividend reinvestment plan, LIC pays or credits to the participant the difference between the portion of the dividend received by the participant in relevant specified securities (if any) and the dividend the participant would have received had the holder not elected to participate in the dividend reinvestment plan (except that if the amount of the difference is less than \$2 for any participant, then that amount may be forfeited to LIC); and
- (h) LIC, within 28 days of receiving a written notice from a participant that requests the termination of the participant's participation in the dividend reinvestment plan, terminates the participant's participation in the dividend reinvestment plan with respect to dividends to be paid (whether to security holders or to the approved holding entity) more than 28 days after receipt by LIC of that written notice; and

- (i) no brokerage or commission costs are payable by participants in relation to any relevant specified securities to which those participants are entitled under the dividend reinvestment plan (subject to the exception in paragraph (g)).
- (2) With respect to the broker, the requirement in subclause (1)(c) is satisfied if:
 - (a) the broker ensures that, in accordance with chinese wall arrangements put in place by the broker, no individual who takes part in a decision to buy any specified securities for the purposes of the dividend reinvestment plan receives or has access to material adverse information, or is influenced in relation to that decision by an individual who has material adverse information; and
 - (b) every individual who has material adverse information, and every individual who takes part in the decision to buy or sell any specified securities for the purposes of the dividend reinvestment plan, acts in accordance with those chinese wall arrangements.

9 Condition of exemptions about what information must be made available

The exemptions in clause 6 are subject to the condition that it is a term of the offer of the relevant specified securities that LIC will ensure that -

- (a) LIC's Internet site, and LIC's annual report, contains a description of the dividend reinvestment plan and its terms and conditions; and
- (b) LIC's Internet site contains a statement that eligible persons may request from LIC (or LIC's share registrar) a copy of the most recent annual report and financial statements (that comply with, and have been registered under, the Financial Reporting Act 1993) of LIC; and
- (c) LIC (or LIC's share registrar) must, within 5 working days of receiving such a request from an eligible person, send the document requested, free of charge, to the person.



Securities Act (Livestock Improvement Corporation Limited)
Exemption Notice 2012

Dated at Wellington this 4th day of May 2012



Sue Brown
Head of Primary Regulatory Operations
Financial Markets Authority

Statement of reasons

This notice comes into force on 11 May 2012 and expires on the close of 30 April 2017.

The notice exempts Livestock Improvement Corporation Limited (**LIC**), the entity that it appoints to administer the dividend reinvestment plan, and any NZX Firm that it appoints to act as its broker, from the prospectus and investment statement requirements of the Securities Act 1978 (**Act**) and Securities Regulations 2009 (**Regulations**) in relation to the offer of shares under a dividend reinvestment plan whereby shareholders can elect to have their dividends applied to purchase shares by way of on-market transactions.

The Financial Markets Authority (**FMA**), after satisfying itself as to the matters set out in section 70B(2) of the Act, considers it appropriate to grant these exemptions because—

- LIC's dividend reinvestment plan gives eligible shareholders the option of reinvesting their dividend entitlement in previously allotted securities of LIC without incurring brokerage or other charges:
- the Securities Act (Dividend Reinvestment) Exemption Notice 1998 (the class notice) enables issuers to offer newly issued securities to existing holders of the issuer's securities (in lieu of dividend payments) without the need to prepare a registered prospectus and investment statement. The class notice recognises that existing holders of the issuer's securities have access to key information about the issuer. It reduces the costs of maintaining a dividend reinvestment plan, whilst addressing investors' interests, by requiring the provision of alternative disclosure and by preventing the allotment of securities if an issuer has any undisclosed

information that would be likely to have an adverse effect on the share price:

- the class notice only applies to dividend reinvestment plans under which new securities are offered and not to offers of previously allotted securities under a dividend reinvestment plan. For shareholders participating in a dividend reinvestment plan, there is no difference between a plan that offers new securities (to which the class notice would apply) and a plan that offers previously allotted securities. The exemptions in this notice allow previously allotted securities to be offered under LIC's dividend reinvestment plan in a manner similar to that allowed in terms of the class notice:
 - the conditions of the exemptions require disclosure to shareholders similar to that required under the class notice. In particular the conditions require investors to be provided with an offer document that contains a description of the dividend reinvestment plan and its terms and conditions. Further the conditions about the pricing method of the previously allotted securities, and preventing allotment of securities if undisclosed information is known that would be likely to have an adverse effect on the share price, are tailored to address the circumstances that the shares being offered have been previously allotted and are being acquired by a broker for the purposes of the dividend reinvestment plan over a period of time on the NZX Alternative Market:
 - the application of the exemptions is limited to shares offered to existing shareholders of LIC under its dividend reinvestment plan. The conditions of the exemptions require relevant and timely disclosure about the plan and prevent allotment if those involved in administering the plan had information at any relevant time that would be likely to have an adverse effect on the share price. In these circumstances FMA considers that the exemptions are not broader than is reasonably necessary to address the matters that gave rise to the exemptions, and will not cause significant detriment to subscribers.
-