



NZX Regulation Decision

Livestock Improvement Corporation Limited (NS)
("LIC") Application for waiver from NZAX Listing Rule
7.11.1

23 July 2018



Waiver from Rule 7.11.1

1. The information on which this decision is based is set out in Appendix One to this decision. This decision will not apply if this information is not, or ceases to be, full and accurate in all material respects.
2. The Rule to which this decision relates are set out in Appendix Two to this decision.
3. Capitalised terms that are not defined in this decision have the meanings given to them in the Rules.

Decision

4. On the conditions in paragraph 5 below, NZXR grants LIC a waiver from Rule 7.11.1 to the extent that this Rule requires LIC to release to the market details of Nil Paid Shares which are converted into Fully Paid Shares issued under the Reclassification.
5. The waiver in paragraph 4, above, is provided on the conditions that:
 - a. LIC must give to NZX for release to the market details of the Nil Paid Shares that are converted into Fully Paid Shares for a calendar month in the form as required under Rule 7.11.1, aggregating the number of Nil Paid Shares that have been paid up (if any) to provide monthly totals;
 - b. Notices required under paragraph 5a. above must be provided to NZX no later than on the first business day of the calendar month following the calendar month to which the notice relates;
 - c. Every notice made under paragraph 5a. must clearly be identified as payment notice for Nil Paid Shares and include a reference that the notice is being made in reliance on this waiver and where a copy of the waiver is available; and
 - d. A summary of the terms of this waiver and its effect are set out in each LIC Annual Report, provided LIC relied on this waiver at any stage during the financial period to which the relevant Annual Report relates.
6. For the avoidance of doubt, LIC does not need to release a notice under Rule 7.11.1 if no Nil Paid Shares have been fully paid up within the calendar month.
7. The information on which this decision is based is set out in Appendix One to this decision. This waiver will not apply if that information is not, or ceases to be, full and accurate in all material respects.
8. The Rule to which this decision relates is set out in Appendix Two to this decision.

Reasons

9. In coming to the decision to provide the waiver set out in paragraph 4 above, NZXR has considered that:
 - a. The information provided under Rule 7.11.1 is generally required to inform investors of the dilutionary effect on their quoted securities when securities are issued, acquired or redeemed. The structure of the LIC Reclassification is such that each Nil Paid Share issued to LIC shareholders carry the same dividend and voting rights attached



to the Fully Paid Shares. The Nil Paid Shares were issued to ensure that the relative values and rights attaching to the two classes of shares were equalised;

- b. The number of shares displayed on the NZX register will not include Nil Paid Shares and that LIC shareholders are not being diluted by any conversion from Nil Paid to Fully Paid Shares. Therefore, the granting of the waiver in paragraph 4 will not offend the policy behind Rule 7.11.1;
- c. LIC submits, and NZX has no reasons not to accept, that managing approximately 10,500 shareholders and their ability to pay up their respective Nil Paid Shares at any time (pursuant to LIC's constitution) would otherwise create unnecessary complexity and administrative burden to LIC if it had to release daily notices until Rule 7.11.1;
- d. This waiver is limited to the Nil Paid Shares which are converted to Fully Paid Shares issued under the Reclassification only, and will not apply to other issues, acquisitions or redemptions of units (for example, a bonus issue of units as a result of a bonus issue in respect of LIC shares), which could affect the value of units;
- e. Currently, notifications under Rule 7.11.1 would have to be made on a daily basis. Notifications under Rule 7.11.1 of events which could have a dilutionary effect on the value of the units may not be highlighted due to the similarities in the announcements and, therefore, the policy intention of this Rule is not currently being met; and
- f. NZXR considers that notices which would be provided under Rule 7.11.1 to document the payment of Nil Paid Shares is generally not of any significant value to LIC shareholders. Further, NZXR considers that there will be no detrimental impact on shareholders if they receive these notifications on a monthly basis.



Appendix One

1. Livestock Improvement Corporation Limited (NS) (**LIC**) is a Listed Issuer with a non-standard designation on the NZX Alternative Board (**NZAX**).
2. LIC is a registered co-operative company under the Co-operative Companies Act 1996, and 100% of its shares carrying voting rights are held by customers of LIC who spend more than the prescribed minimum expenditure on qualifying products and services in a season and employees of LIC (up to a maximum of 5%)
3. LIC until 19 July 2018 had two classes of shares on issue:
 - a. Co-operative Control shares which are not Quoted but have voting rights attached, as well as the right to a specified nominal priority dividend (**Co-operative Control Shares**); and
 - b. Investment shares which are Quoted on the NZAX and do not carry voting rights, but do carry a right to a dividend which is subordinate to the priority dividend paid on Co-operative Control Shares (**Investment Shares**).
4. Co-operative Control Shares had a nominal value of \$1.00. Investment Shares did not have a nominal value, and traded at the market price on the NZAX. As at 13 July 2018, LIC Investment Shares were traded at \$3.00.
5. LIC has altered its capital structure to reclassify the two classes of shares into a single class of ordinary shares to be Quoted on the NZAX (**Reclassification**).
6. The objective of the Reclassification was to create a sustainable capital structure that aligns LIC's economic and voting rights. Due to the difference in value and rights attaching to the two classes of shares, they needed to be equalised before the reclassification can occur.
7. In order to equalise the two classes of shares, LIC issued three nil paid Co-operative Control shares for every one Co-operative Control Share held. Once reclassified into Ordinary Shares, nil paid shares will carry full dividend and voting rights but will retain an outstanding liability (**Nil Paid Shares**).
8. LIC also subdivided every Investment Share held into four fully paid Investment Shares.
9. LIC was placed into trading halt on market close Friday 13 July 2018 for the Reclassification to take place between 18 and 20 July 2018.
10. The Investment Shares and Co-operative Control Shares were reclassified into ordinary shares, following the issuance of Nil Paid Shares, maintaining the pre-restructure shareholding proportions.
11. On Monday 23 July 2018, LIC will resume trading with a single class of ordinary shares listed on the NZAX Board. However, the Nil Paid Shares will not be counted as part of the number of LIC ordinary shares on nzx.com because they are not tradeable until they are paid up by their respective shareholders.
12. Shareholders with Nil Paid Shares will be required to pay these up over time, with all dividends paid on the Nil Paid Shares and any Ordinary Shares required to be held to satisfy LIC's shareholding requirement being used for this purpose. LIC shareholders may also choose to make additional payments on their Nil Paid Shares at other times.
13. Link Market Services will maintain the register of Nil Paid Shares as these securities are



not counted on the NZX register until they become Fully Paid Shares.

14. LIC is undertaking shareholder engagement to provide information and encourage its shareholders to only make voluntary payments for their Nil Paid Shares on a quarterly basis to reduce the cost and complexity of LIC's administration. However, LIC shareholders are able to pay up their Nil Paid Shares at any time as permitted by its constitution.



Appendix Two

Rule 7.11.1 Announcements

If an Issuer issues, acquires or redeems Quoted Securities, or an Issuer with Equity Securities Quoted issues, acquires or redeems Equity Securities or Securities Convertible into Equity Securities, then the Issuer shall give to NZX for release to the market details of the issue, acquisition or redemption, including:

- (a) Class of Security and ISIN; and
- (b) the number issued, acquired or redeemed; and
- (c) the nominal value (if any) and issue price, acquisition price or redemption price; and
- (d) whether payment was in cash; and
- (e) any amount paid up (if not in full); and
- (f) the percentage of the total Class of Securities issued, acquired or redeemed; and
- (g) the reason for the issue, acquisition or redemption; and
- (h) the specific authority for the issue, acquisition or redemption (if any); and
- (i) any terms or details of the issue, acquisition or redemption (such as an escrow provision); and
- (j) the total number of Securities of the Class in existence after the issue, acquisition or redemption; and
- (k) in the case of an acquisition of shares by an Issuer which is a company registered under the Companies Act 1993, whether those shares are to be held as Treasury Stock; and
- (l) the dates of issue, acquisition or redemption.

Notices required by this Rule must be given to NZX for public release forthwith after the issue, acquisition or redemption, and in respect of an acquisition effected by an Issuer through NZX's order matching market or through the order matching market of a Recognised Stock Exchange, no later than the end of the Business Day on which the acquisition took place. For the purposes of Rule 7.11.1 the sale or transfer of Treasury Stock by an Issuer shall be deemed to be an issue of Securities.

