



NEW ZEALAND'S EXCHANGE

# Product Disclosure Statement for an offer of Subordinated Notes

**NZX Limited (as issuer)**

**Date: 15 May 2018**

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on <https://disclose-register.companiesoffice.govt.nz/>.

NZX Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial adviser to help you to make an investment decision.

Arranger and Joint Lead Manager



Joint Lead Managers



FNZC

Co-manager



# 1. Key information summary

## What is this?

This is an offer (“**Offer**”) of unsecured, subordinated notes (“**Subordinated Notes**”). The Subordinated Notes are unsecured, subordinated debt securities issued by NZX Limited (“**NZX**”). You give NZX money, and in return NZX promises to pay you interest and repay the money at the end of the term. See section 5 of this PDS (*Key features of the Subordinated Notes*) for more information.

If NZX runs into financial trouble, you might lose some or all of the money you invested as well as some or all of the interest accrued on your Subordinated Notes.

## About NZX

NZX’s core business is operating equity, debt, derivatives and energy markets. As New Zealand’s exchange, NZX works with its customers and stakeholders to grow the markets operated by NZX, including the private Fonterra Shareholders’ Market, which generate wealth integral to New Zealanders’ prosperity and New Zealand companies getting ahead. To support the development of NZX’s core markets, NZX provides trading, clearing, settlement, depository and data services. NZX owns Smartshares Limited, which manages the SuperLife KiwiSaver scheme and which is New Zealand’s only issuer of quoted exchange traded funds. NZX also provides wealth management services for New Zealand financial advisers via NZX Wealth Technologies Limited.

## Purpose of this Offer

The purpose of this Offer is to enable NZX to repay existing debt and provide funding for general corporate purposes. The Offer will also provide NZX with diversification of funding sources and extend the tenor of NZX’s debt.

## Key terms of the Offer

Issuer	NZX Limited.
Description of the Subordinated Notes	Unsecured, subordinated notes. See section 5 of this PDS ( <i>Key features of the Subordinated Notes</i> ) for more information.
Term	15 years maturing on the Maturity Date (20 June 2033) if not Redeemed before that date.
Election Dates	5 years (20 June 2023) and 10 years (20 June 2028) after the Issue Date.
Offer amount	Up to \$40 million.
Structure of the Offer	<p>The Offer consists of:</p> <ul style="list-style-type: none"> <li>a Priority Offer of up to \$5 million, which is open only to New Zealand NZX Shareholders; and</li> <li>a General Offer of up to \$35 million. The General Offer is open to members of the public who are resident in New Zealand and certain institutional investors. You can only apply for the General Offer through a Primary Market Participant or approved financial intermediary who has obtained an allocation.</li> </ul> <p>If any amount of the Priority Offer is not taken up by the Closing Date for the Priority Offer, NZX may reallocate up to a corresponding amount to the General Offer at its absolute discretion.</p>
Interest Payment Dates	Interest is scheduled to be paid quarterly in arrear in equal amounts, but NZX may defer the payment of interest (refer to Interest Deferral below).

<p><b>Interest Rate</b></p>	<p>The Subordinated Notes will pay a fixed rate of interest for the first 5 years until the first Election Date.</p> <p>This initial Interest Rate will be determined by NZX in conjunction with the Joint Lead Managers following a bookbuild. A bookbuild is a process whereby an interest rate is determined by reference to bids from market participants for an allocation of Subordinated Notes.</p> <p>The initial Interest Rate will be set at the sum of the Swap Rate plus the Issue Margin, subject to a minimum interest rate.</p> <p>The minimum interest rate and indicative Issue Margin will be determined by NZX in conjunction with the Joint Lead Managers and announced to the market on or about 17 May 2018. The final Issue Margin may be above or below the indicative Issue Margin.</p> <p>The Interest Rate will be announced to the market on or about the Rate Set Date.</p> <p>If NZX runs an Election Process, a new Interest Rate may be set via that process as described in section 3 of this PDS (<i>Terms of the Offer</i>) and section 5 (<i>Key features of the Subordinated Notes</i>).</p>
<p><b>Interest deferral</b></p>	<p>NZX may defer the payment of interest at its absolute discretion.</p> <p>If NZX defers the payment of interest, the Penalty Rate shall apply until the next Interest Payment Date on which all unpaid and Deferred Interest is paid.</p> <p>The Penalty Rate is the sum of the Interest Rate plus an additional 4.00% per annum.</p>
<p><b>Election Process</b></p>	<p>No less than 30 Business Days prior to an Election Date, NZX will provide notice of its election to either:</p> <ul style="list-style-type: none"> <li>• Redeem your Subordinated Notes on the Election Date; or</li> <li>• run an Election Process and offer New Conditions.</li> </ul> <p>If NZX runs an Election Process, you will be able to choose to hold your Subordinated Notes subject to the New Conditions or Redeem your Subordinated Notes for the Redemption Amount.</p> <p>The New Conditions may modify the Conditions applying to the Subordinated Notes (including, for example, the Interest Rate, Penalty Rate and Financial Covenant) but may not change the Maturity Date or Election Dates.</p>
<p><b>Opening Date</b></p>	<p>Monday 28 May 2018.</p>
<p><b>Closing Dates</b></p>	<p>For the Priority Offer, Friday 8 June 2018</p> <p>For the General Offer, Friday 15 June 2018.</p>
<p><b>Liabilities, fees and charges</b></p>	<p>Taxes may be deducted from interest payments on the Subordinated Notes. See section 7 (<i>Tax</i>) and section 8 (<i>Tax consequences for overseas Noteholders</i>) of this PDS for further details.</p>
<p><b>Brokerage</b></p>	<p>You are not required to pay brokerage or any other fees or charges to NZX to purchase the Subordinated Notes. However, you may have to pay brokerage to the firm from whom you receive an allocation of Subordinated Notes or for the transfer of Subordinated Notes.</p>

## No guarantee

The Subordinated Notes are not guaranteed by NZX Limited or any other member of the NZX Group, the Supervisor or any other person and NZX Limited is solely responsible for the repayment of the Subordinated Notes.

## How you can get your money out early

### Early Redemption

The Subordinated Notes have a term of 15 years. However, before the end of the term NZX:

- may Redeem all of the Subordinated Notes on an Election Date;
- may Redeem all your Subordinated Notes at any time if a Tax Event occurs or if there are less than 10 million Subordinated Notes outstanding; and

- must Redeem all your Subordinated Notes if an Event of Default occurs and the Supervisor makes demand for repayment of the Subordinated Notes.

You may elect that NZX Redeem your Subordinated Notes early through an Election Process or if a Change of Control Event occurs.

See section 5 of this PDS (*Key features of the Subordinated Notes*) for further details.

### Sale of Subordinated Notes

NZX intends to quote the Subordinated Notes on the NZX Debt Market. This means you may be able to sell them on the NZX Debt Market before the end of their term if there are interested buyers. If you sell your Subordinated Notes, the price you get will vary depending on factors such as the financial condition of the NZX Group and movements in the market interest rates. You may receive less than the full amount that you paid for them.

## How Subordinated Notes rank for repayment

On a liquidation of NZX, your claims for repayment of the Principal Amount and accrued but unpaid interest (including Deferred Interest) will rank:

- ahead of Shareholders;
- ahead of holders of other securities, financial products or indebtedness that rank after the Subordinated Notes;
- equally with all other Subordinated Notes, and any other securities, financial products or indebtedness that rank equally with the Subordinated Notes; and
- behind all other claims on NZX.

You should also read section 5 of this PDS (*Key features of the Subordinated Notes*).

## No security

The Subordinated Notes are not secured against any assets of any member of the NZX Group or any other person.

## Key risks affecting this investment

Investments in debt securities have risks.

A key risk is that NZX does not meet its commitments to repay you or pay you interest (credit risk). Section 6 of this PDS (*Risks of investing*) discusses the main factors that give rise to the risk. You should consider if the credit risk of these debt securities is suitable for you.

The Interest Rate for these Subordinated Notes should also reflect the degree of credit risk. In general, higher returns are demanded by investors from businesses with higher risk of defaulting on their commitments. You need to decide whether the Offer is fair.

NZX considers that the most significant risk factors are:

- **Clearing House Default Risk:** If a NZX Clearing Participant defaults on its obligation to NZX Clearing, NZX Clearing may not have sufficient cash to settle its obligations as operator of the Clearing House in relation to trades. This could have a significant impact on NZX's ability to operate; and
- **Legislative and Regulatory Risks:** The NZX Group operates in a highly regulated environment and is regulated by the RBNZ, FMA and Electricity Authority. Failure to comply with laws could result in enforcement action which could have a materially adverse effect on the NZX Group's ability to operate the business and its financial performance.

This summary does not cover all of the risks of investing in these Subordinated Notes. You should also read section 6 of this PDS (*Risks of investing*) and section 5 (*Key features of the Subordinated Notes*).

## No credit rating

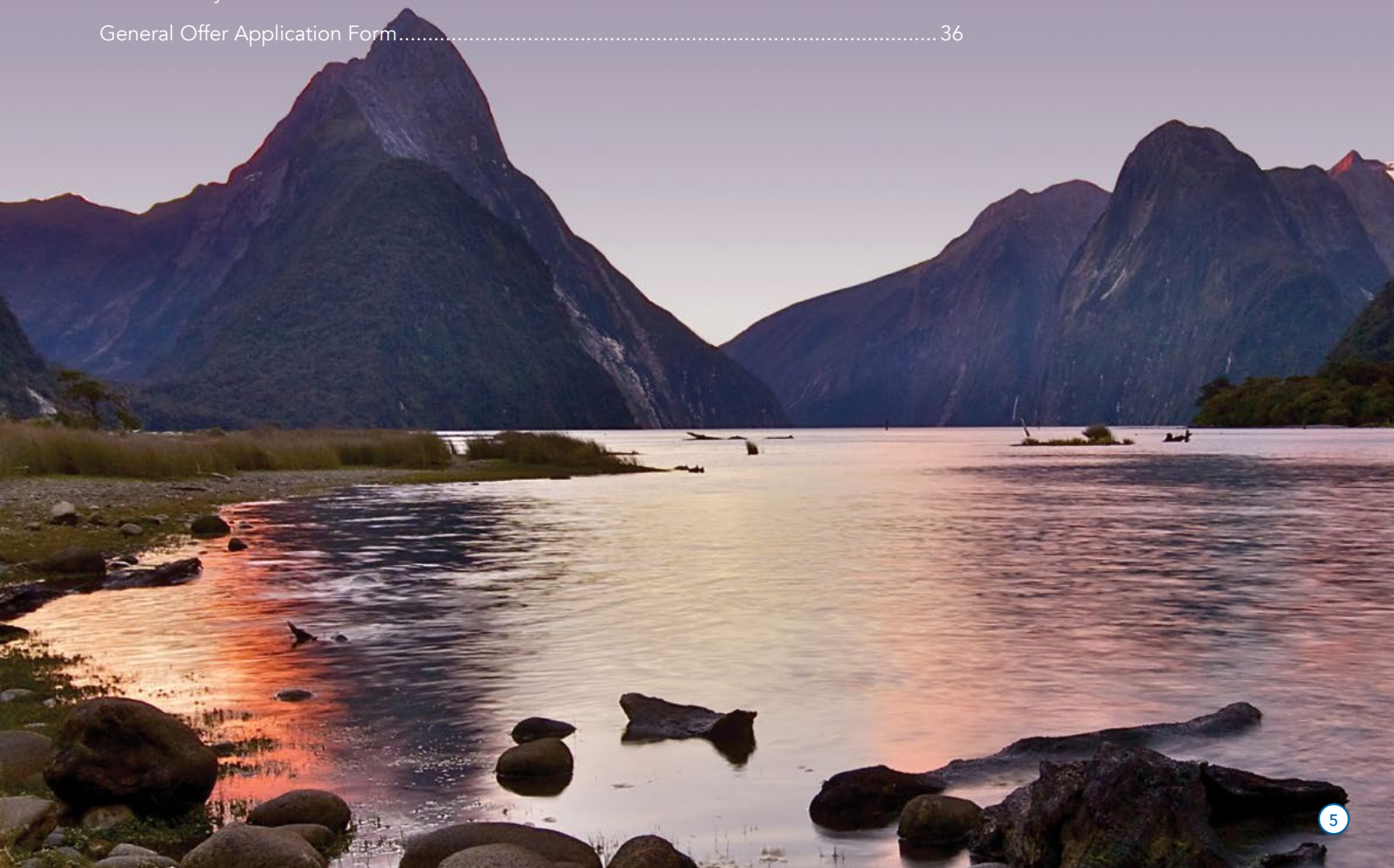
NZX's creditworthiness has not been assessed by an approved rating agency. This means that NZX has not received an independent opinion of its capability and willingness to repay its debts from an approved source.

## Where you can find other market information about NZX

This is a short-form offer document that NZX is permitted to use because the Subordinated Notes rank at least equally with NZX's existing Shares which are traded on the NZX Main Board (NZX ticker: NZX). NZX is subject to a disclosure obligation that requires it to notify certain material information to the market for the purpose of that information being made available to participants in the market. NZX's page on the NZX website, which includes information made available under the disclosure obligation referred to above can be found at <https://www.nzx.com/companies/NZX>.

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## Letter from the Chair

Dear Investor,

On behalf of NZX's board I am pleased to offer you an opportunity to invest in Subordinated Notes which will be issued by NZX Limited.

In 2017, NZX delivered a solid financial result with operating earnings of \$29 million, which was at the higher end of our guidance range.

The highlight of 2017, and the board's number one focus, was to reset the strategic direction of NZX. As part of this review the board considered NZX's capital structure. The outcomes of this review included:

- considering the implementation of a mutualised default fund to ensure the Clearing House risk management structure meets anticipated growth in our dairy derivatives business, subject to the completion of a consultation process, after which a final decision will be made; and
- this offer of Subordinated Notes to ensure NZX has a more appropriate balance sheet.

NZX is seeking to raise up to \$40 million under the Offer. The proceeds of the Offer will be used to repay existing debt and provide funding for general corporate purposes. The issue will diversify NZX's funding sources and extend the tenor of our borrowings.

There are risks associated with this Offer that may affect your returns and repayment of your investment in the Subordinated Notes. An overview of these risks is set out in this Product Disclosure Statement. You should read this before deciding whether to invest in the Subordinated Notes.

I encourage you to seek financial, investment or other advice from a qualified professional adviser as you take time to consider this offer.

On behalf of the NZX board, I welcome your involvement in this offer and your support of NZX. For more information on the Offer, please visit our website [www.nzxnote.co.nz](http://www.nzxnote.co.nz).

A handwritten signature in black ink that reads 'James Miller'.

**James Miller**  
Chairman

## 2. Key dates and Offer process

### The intended key dates for the Offer are:

Minimum interest rate and indicative Issue Margin announced	On or about 17 May 2018
Rate Set Date	25 May 2018
Opening Date	28 May 2018
Closing Date for the Priority Offer	8 June 2018
Closing Date for the General Offer	15 June 2018
Issue Date and allotment date	20 June 2018
Expected date of initial quotation and trading on the NZX Debt Market	21 June 2018
Interest Payment Dates	20 March, 20 June, 20 September and 20 December in each year, with the first Interest Payment Date being 20 September 2018.*
Election Dates	20 June 2023 and 20 June 2028
Maturity Date	20 June 2033

\* If any date on which an interest payment is due to be made is not a Business Day, payment shall instead be made on the next Business Day. Interest payments may be deferred at NZX's discretion, as described in this PDS.

The timetable is indicative only and subject to change. NZX may, in its absolute discretion and without notice, vary the timetable (including by opening or closing the Offer early, accepting late applications and extending any Closing Date).

If any Closing Date is extended, the Issue Date, the expected date of initial quotation and trading of the Subordinated Notes on the NZX Debt Market, the Interest Payment Dates, the Election Dates and the Maturity Date may also be extended. Any such changes will not affect the validity of any applications received.

NZX reserves the right to cancel the Offer and the issue of the Subordinated Notes, in which case all application monies received will be refunded (without interest) as soon as practicable (within 10 Business Days of cancellation).

## 3. Terms of the Offer

### Description of the Subordinated Notes

Issuer	NZX Limited.
Description of the Subordinated Notes	Unsecured, subordinated notes.
Interest Payment Dates	Interest is scheduled to be paid quarterly in arrear in equal amounts, subject to NZX's right to defer the payment of interest. The first Interest Payment Date is 20 September 2018.
Business Day convention	If an Interest Payment Date is not a Business Day, NZX will make payment on the next Business Day, but no adjustment will be made to the amount of interest payable as a result of the delay.
Interest Rate	<p>The Subordinated Notes will pay a fixed rate of interest for the first 5 years until the first Election Date.</p> <p>The initial Interest Rate will be determined by NZX in conjunction with the Joint Lead Managers following a bookbuild. A bookbuild is a process whereby an interest rate is determined by reference to bids from market participants for an allocation of Subordinated Notes.</p> <p>The initial Interest Rate will be set as the sum of the Swap Rate plus the Issue Margin, subject to a minimum interest rate.</p> <p>The minimum interest rate and indicative Issue Margin will be determined by NZX in conjunction with the Joint Lead Managers and announced to the market on or about 17 May 2018. The final Issue Margin may be above or below the indicative Issue Margin.</p> <p>The initial Interest Rate will be announced to the market on or about the Rate Set Date.</p> <p>If NZX runs an Election Process, a new Interest Rate may be set via that process as described in section 5 (<i>Key features of the Subordinated Notes</i>).</p>
Deferral of interest	<p>NZX may defer payments of interest at its absolute discretion.</p> <p>In the event that interest is deferred, the Penalty Rate shall apply until the next Interest Payment Date on which all accrued but unpaid interest (including Deferred Interest) is paid.</p> <p>Any Deferred Interest will also accrue interest at the Penalty Rate, compounding on each Interest Payment Date until paid.</p>
Penalty Rate	The Penalty Rate is the sum of the Interest Rate plus an additional 4.00% per annum.
Election Dates	20 June 2023 and 20 June 2028.



## Election Process

No less than 30 Business Days prior to an Election Date, NZX will provide notice of its election to either:

- Redeem your Subordinated Notes on the Election Date; or
- run an Election Process offering New Conditions.

If NZX runs an Election Process, you will be sent an Election Process Notice. This notice will give you two options. You can either:

- elect to continue to hold some or all your Subordinated Notes subject to New Conditions; or
- elect for NZX to Redeem some or all of your Subordinated Notes for cash at the Redemption Amount.

The New Conditions may modify the Conditions applying to the Subordinated Notes (including, for example, the Interest Rate, Penalty Rate and Financial Covenant) but may not change the Maturity Date or Election Dates.

If you do not accept the New Conditions, you may elect for NZX to Redeem your Subordinated Notes on the Election Date.

If you do not respond to an Election Process Notice you will be deemed to have accepted the New Conditions.

The Election Process is not available to Ineligible Holders.

You should read section 5 of this PDS (*Key features of the Subordinated Notes*) for more information about the Election Process.

## Maturity Date

20 June 2033.

## Dividend Stopper

The Dividend Stopper will apply:

- if and for so long as there is any Deferred Interest that remains unpaid; or
- if the Financial Covenant is failed on two consecutive Test Dates, until NZX complies with the Financial Covenant.

While the Dividend Stopper applies NZX will not be able to pay any dividend or make any other payments on or with respect to Shares or other securities or indebtedness ranking equally with, or subordinate to, the Subordinated Notes, without obtaining a Noteholder Special Resolution.

For more information on the Financial Covenant you should read section 5 of this PDS (*Key features of the Subordinated Notes*) under the heading "Further borrowing".

## Change of Control Event

In summary and as explained further in clause 7 of the Conditions, a Change of Control Event is the occurrence of one or more of the following:

- an offer is made which would result in the offeror (including its associates) holding or controlling more than 50% of the voting rights of NZX, and the offer has been accepted, become unconditional and all regulatory approvals have been obtained; or
- any other circumstance or event arises which results in a person (and its associates) holding or controlling more than 50% of the voting rights of NZX.

If a Change of Control Event occurs then you may require NZX to Redeem all of your Subordinated Notes at the Redemption Amount.

<p><b>Tax Event</b></p>	<p>In summary and as explained further in the conditions, a Tax Event will occur if there has been, or there will be, a change in New Zealand law applying after the Issue Date, as a result of which:</p> <ul style="list-style-type: none"> <li>any interest payable on the Subordinated Notes, including interest which has been deferred, is not fully deductible for the purposes of the Income Tax Act 2007; or</li> <li>NZX would be, or is likely to be, exposed to any other adverse tax consequences in relation to the Subordinated Notes.</li> </ul> <p>If a Tax Event occurs, NZX may elect to Redeem all of your Subordinated Notes at the Redemption Amount.</p>
<p><b>Less than 10 million Subordinated Notes</b></p>	<p>At any time, NZX may elect to Redeem all (but not some only) of the Subordinated Notes at the Redemption Amount if there are less than 10 million Subordinated Notes outstanding.</p>
<p><b>Events of Default</b></p>	<p>An Event of Default occurs if:</p> <ul style="list-style-type: none"> <li>NZX fails to pay the Principal Amount or interest when due, and that breach is not fully remedied within 10 days of the due date for payment;</li> <li>NZX fails to comply with the Dividend Stopper; or</li> <li>an Insolvency Event of NZX occurs.</li> </ul> <p>A failure to pay interest that has been deferred is not an Event of Default. NZX may defer payments of interest at any time at its sole discretion.</p> <p>If an Event of Default occurs the Supervisor may declare that the Subordinated Notes are immediately due and payable at the Redemption Amount.</p>
<p><b>Ranking</b></p>	<p>On a liquidation of NZX, your claims for repayment of the Principal Amount and accrued but unpaid interest (including Deferred Interest) will rank:</p> <ul style="list-style-type: none"> <li>ahead of Shareholders;</li> <li>ahead of holders of other securities, financial products or indebtedness that rank after the Subordinated Notes;</li> <li>equally with all other Subordinated Notes, and any other securities, financial products or indebtedness that rank equally with the Subordinated Notes; and</li> <li>behind all other claims on NZX.</li> </ul> <p>You should also read section 5 of this PDS (<i>Key features of the Subordinated Notes</i>).</p>
<p><b>Trust Documents</b></p>	<p>The terms of the Subordinated Notes and other key terms of the Offer are set out in the Trust Deed.</p> <p>You should read the Trust Deed. Copies are available on the Disclose Register at <a href="https://disclose-register.companiesoffice.govt.nz">https://disclose-register.companiesoffice.govt.nz</a>.</p>

## Description of the Offer

Offer amount	Up to \$40 million.
Offer period	See section 2 of this PDS ( <i>Key dates and Offer process</i> ).
Structure of the Offer	The Offer consists of a Priority Offer and a General Offer. For more information see section 13 of this PDS ( <i>How to apply</i> ).
Minimum subscription	\$5,000 and in multiples of \$1,000 thereafter.
Issue price	\$1.00 per Subordinated Note, being the Principal Amount of each Subordinated Note.
Retail Liquidity Support Facility	NZX has engaged the Facility Agent to provide the Retail Liquidity Support Facility on its behalf on a reasonable endeavours basis. This means that if you wish to sell your Subordinated Notes but you are unable to otherwise sell them, you may be able to sell them to NZX on-market via the Retail Liquidity Support Facility.  You should read section 5 of this PDS ( <i>Key features of the Subordinated Notes</i> ) under the heading "Retail Liquidity Support Facility" for more information.
No underwriting	The Offer is not underwritten.
Brokerage	You are not required to pay brokerage or any other fees or charges to NZX to purchase the Subordinated Notes. However, you may have to pay brokerage to the firm from whom you receive an allocation of Subordinated Notes, or for the transfer of Subordinated Notes.
Quotation	Application has been made to quote the Subordinated Notes on the NZX Debt Market and all requirements of the NZX Listing Rules relating to that quotation that can be complied with on or before the date of this PDS have been duly complied with. However, the Subordinated Notes have not yet been approved for trading and Special Division accepts no responsibility for any statement in this PDS.  NZX ticker code NZX010 has been reserved for the Subordinated Notes.
Special Division waivers and approvals	Special Division has granted NZX a waiver from NZX Listing Rule 7.12.1, such that NZX is not required to provide a notice every time the Facility Agent acquires Subordinated Notes under the Retail Liquidity Support Facility. NZX will instead provide monthly disclosure notices which provide consolidated information for all acquisitions made by NZX under the Retail Liquidity Support Facility for the preceding calendar month, including in respect of a calendar month in which no acquisitions are made by the Facility Agent. See section 5 of this PDS ( <i>Key features of the Subordinated Notes</i> ) for more information on the Retail Liquidity Support Facility.  Special Division has granted NZX with approval under Listing Rule 11.1.5 to enable NZX to decline to register a transfer of Subordinated Notes if: <ul style="list-style-type: none"> <li>the transfer would result in the transferor or transferee holding or continuing to hold Subordinated Notes with a Principal Amount of less than \$5,000, or if the transfer is not in multiples of \$1,000; or</li> <li>the transfer does not comply with all applicable laws and regulations.</li> </ul>
Selling restrictions	This Offer is only made in New Zealand.  See section 9 of this PDS ( <i>Selling restrictions</i> ) for more information.
How to apply	Application instructions are set out in section 13 of this PDS ( <i>How to apply</i> ).  NZX reserves the right to refuse all or any part of any application for Subordinated Notes under the Offer without giving a reason.

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**Early Bird Interest**

Interest will be calculated on a daily basis at the Interest Rate on application money in respect of accepted applications from, and including the date that application money is received into the bank account for the Offer until, but not including, the Issue Date ("**Early Bird Interest**"). Early Bird Interest will be paid to you (less any withholding tax required to be deducted) as soon as practicable and, in any event, within 5 Business Days of the Issue Date.

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**Refunds**

If NZX does not accept your application (whether because of late receipt or otherwise) or accepts it in part, all, or the relevant balance, of your application money received will be repaid to you as soon as possible and, in any event, no later than 10 Business Days after the Issue Date.

No interest will be paid on refunds.

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**Governing law**

New Zealand.

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## 4. Purpose of the Offer

The proceeds of the Offer (net of issue costs) are to be used to enable NZX to repay existing debt of approximately \$29 million with any remainder to be used to provide funding for general corporate purposes. The Offer will also provide NZX with diversification of funding sources and extend the tenor of NZX's debt.

This will not change, irrespective of the total amount that is raised.

A minimum amount of \$25 million must be raised before the Subordinated Notes are issued.

The Offer is not underwritten.

# 5. Key features of the Subordinated Notes

A number of key features of the Subordinated Notes are described in section 3 of this PDS (*Terms of the Offer*). The other key features of the Subordinated Notes are described below.

## Supervisor

The Supervisor is appointed to act as supervisor and trustee for the Noteholders on the terms contained in the Trust Deed.

You are not entitled to enforce any of your rights or remedies under the Trust Deed directly against NZX unless the Supervisor fails to enforce such rights or remedies within a reasonable period after having become bound to do so in accordance with the Trust Deed.

## Guarantees

The Subordinated Notes are not guaranteed by NZX Limited or any other member of the NZX Group, the Supervisor

or any other person and NZX is solely responsible for the repayment of the Subordinated Notes.



## Ranking

On a liquidation of NZX, your claims for repayment of the Principal Amount and accrued but unpaid interest (including Deferred Interest) will rank:

- ahead of Shareholders;
- ahead of holders of other securities or other financial products or indebtedness that rank after the Subordinated Notes;
- equally with all other Subordinated Notes, and any other securities or other financial products or indebtedness that rank equally with the Subordinated Notes; and
- behind all other claims on NZX.

The below diagram summarises the ranking of the Subordinated Notes on a liquidation of NZX. In the event of a liquidation of NZX, the actual priority amounts may differ.

## Ranking of the Subordinated Notes on liquidation of NZX

	Ranking on liquidation	Type of liability/equity <sup>1</sup>	Amount <sup>2</sup>
Higher ranking  	Liabilities that rank in priority to the Subordinated Notes	These liabilities comprise:	
		• liabilities preferred by law (for example, Inland Revenue and employee entitlements)	\$5.6 million
		• secured liabilities, including any bank borrowing	\$Nil <sup>3</sup>
		• funds held on behalf of third parties <sup>4</sup>	\$58.9 million
		• unsubordinated liabilities not referred to above (e.g. trade and general creditors) <sup>5</sup>	\$16.5 million
	Liabilities that rank equally with the Subordinated Notes (including the Subordinated Notes)	Subordinated Notes	\$40.0 million
		Other subordinated liabilities that rank equally with the Subordinated Notes	\$Nil
Lower ranking	Equity	Shares, reserves and retained earnings	\$68.7 million

<sup>1</sup> In summarising the ranking of the Subordinated Notes and other liabilities, the descriptions are simplified and illustrative only. The amounts in the table are indicative only, and for the sake of simplicity the table does not reflect the fact that NZX's liabilities, the amount of such liabilities and the ranking of those liabilities may change.

<sup>2</sup> Amounts shown above are indicative based on NZX's Statement of Financial Position as at 31 December 2017 and have been adjusted to reflect the changes in the value of liabilities that NZX reasonably expects to result from the issue of the Subordinated Notes and earnout payment (as described below). Amounts are subject to rounding adjustments.

<sup>3</sup> As at the date of this PDS, NZX's secured liabilities are approximately \$29 million. As described in section 4 of this PDS (*Purpose of the Offer*) the proceeds of the Offer will be used to repay bank debt, reducing the amount of secured liabilities to nil. For the purposes of these calculations an issue size of \$40 million of Subordinated Notes has been assumed. If the issue size is less than approximately \$29 million, NZX expects that bank debt would

not be fully repaid and the liabilities that rank in priority to the Subordinated Notes would be higher by a corresponding amount.

<sup>4</sup> Funds held on behalf of third parties represent amounts payable to issuers and participants in relation to balances deposited by them to meet their listing margin requirements. Note that in NZX's Statement of Financial Position there is an equal and opposite amount disclosed under current assets, meaning that there is no net asset or liability for NZX in relation to funds held on behalf of third parties. In a liquidation, these funds would be transferred back to the relevant party and cannot be used for payment to other creditors.

<sup>5</sup> In NZX's Statement of Financial Position as at 31 December 2017, NZX's unsubordinated liabilities were approximately \$26.5 million, which included the SuperLife earnout. The SuperLife earnout was paid by NZX on 1 February 2018. Accordingly, the unsubordinated liabilities in the above table have been reduced by approximately \$10 million (being the amount of the SuperLife earnout) to reflect this payment.

## Further borrowing

After the issue of the Subordinated Notes, NZX may (without your consent) borrow money or otherwise incur liabilities from time to time that rank equally with or in priority to the Subordinated Notes on a liquidation of NZX.

However, NZX has undertaken that it will ensure that the ratio of Net Senior Debt to Operating Earnings will be no greater than 1.5:1 (the “**Financial Covenant**”).

In summary:

- “**Net Senior Debt**” means the aggregate indebtedness of NZX for money borrowed (excluding the Subordinated Notes and indebtedness ranking equal with or subordinate to the Subordinated Notes), less the total amount of unrestricted cash, as disclosed in NZX’s financial statements.
- “**Operating Earnings**” means NZX’s earnings before net finance expense, tax, depreciation, amortisation, impairment, non-cash items and any capital gains and/or losses as disclosed in NZX’s financial statements.

The Financial Covenant places a limit on the amount that NZX can borrow that ranks in priority to the Subordinated Notes without impacting NZX’s right to make a distribution to Shareholders.

The Financial Covenant will first be tested as at 31 December 2018 and every 6 months thereafter (each a “**Test Date**”).

If the Financial Covenant is not complied with on two consecutive Test Dates, the only consequence is that the Dividend Stopper will apply until NZX complies with the Financial Covenant. Failure to comply with the Financial Covenant will not constitute an Event of Default.

You should read clause 5.3 of the Trust Deed for further information about the Financial Covenant.

## Retail Liquidity Support Facility

NZX has engaged a Facility Agent to provide the Retail Liquidity Support Facility on behalf of NZX. The purpose of the Retail Liquidity Support Facility is to facilitate and support liquidity for small investors where liquidity is not otherwise being provided by the market. This means that if you wish to sell your Subordinated Notes but you are unable to otherwise sell them, you may be able to sell them to NZX on-market via the Retail Liquidity Support Facility.

The Retail Liquidity Support Facility has a fixed term from the Issue Date until the first anniversary of the Issue Date (“**Initial Term**”). Forsyth Barr Limited has been appointed as the Facility Agent for the Initial Term. At the end of the Initial Term NZX may extend the existing Facility Agent’s appointment for a subsequent term, or cease to provide the Retail Liquidity Support Facility (in which case NZX will announce to the market that the Retail Liquidity Support Facility is no longer being provided).

NZX also reserves the right, prior to or at the end of the Initial Term, to run a tender process in respect of the Retail Liquidity Support Facility which may result in NZX appointing a successor Facility Agent.

The Facility Agent will buy and sell Subordinated Notes on-market on NZX’s behalf, but NZX will not be involved in or be consulted on any decisions by the Facility Agent as to whether to buy or sell Subordinated Notes following the entry into the Retail Liquidity Support Facility.

The provision of the Retail Liquidity Support Facility for the Initial Term will be subject to the following parameters:

- the aggregate volume of buy orders placed by the Facility Agent may not exceed 20,000 Subordinated Notes at any time;
- the Facility Agent will not buy more than a net purchase amount of 200,000 Subordinated Notes per month;
- the Facility Agent will use reasonable endeavours to maintain a view of the fair market yield of the Subordinated Notes by having regard to a range of factors. Where the Facility Agent has a view of the fair market yield of the Subordinated Notes, the Facility Agent will use reasonable endeavours to maintain buy and sell orders at a reasonable margin to this yield on NZX’s behalf under the Retail Liquidity Support Facility;
- all Subordinated Notes acquired pursuant to the Retail Liquidity Support Facility will be held by NZX, and may be subsequently sold by the Facility Agent on-market through the Retail Liquidity Support Facility. The Facility Agent may not sell more Subordinated Notes than NZX is holding under the Retail Liquidity Support Facility;
- the number of Subordinated Notes that NZX can hold, pursuant to the Retail Liquidity Support Facility, will be limited to 5 million Subordinated Notes; and
- all transactions will be made through the on-market trading system.

Where NZX holds Subordinated Notes under the Retail Liquidity Support Facility, NZX will not vote on any matter relating to the Subordinated Notes and will not exercise any of the rights attached to such Subordinated Notes, for example electing to Redeem the Subordinated Notes under an Election Process.

Special Division has granted NZX a waiver in respect of acquisitions by the Facility Agent for the purposes of the Retail Liquidity Support Facility. This waiver permits NZX to provide monthly notices under Listing Rule 7.12.1 (instead of an announcement every time an acquisition is made) which provides consolidated information for all acquisitions made by NZX under the Retail Liquidity Support Facility for the preceding calendar month, including in respect of a calendar month in which no acquisitions are made by the Facility Agent.

## Interest

The initial Interest Rate will be set at the sum of the Swap Rate plus the Issue Margin, subject to a minimum interest rate.

The minimum interest rate and indicative Issue Margin will be determined by NZX in conjunction with the Joint Lead Managers and announced to the market on or about 17 May 2018. The final Issue Margin may be above or below the indicative Issue Margin.

The initial Interest Rate will be announced on or about the Rate Set Date. The initial Interest Rate will be fixed until the first Election Date. If NZX runs an Election Process, a new Interest Rate may be set via that process, as described below. NZX will use its discretion to determine how a new Interest Rate will be set.

Interest is scheduled to be paid quarterly in arrear in equal amounts on each Interest Payment Date. On Interest Payment Dates, interest will be paid to the person registered as the Noteholder as at the Record Date. The Record Date for the interest payments is 5pm on the date that is 10 calendar days before the relevant Interest Payment Date. If the Record Date falls on a day which is not a Business Day, the Record Date will be the immediately preceding Business Day.

If NZX, in its sole discretion, elects to defer a payment of interest, that interest will constitute "**Deferred Interest**" for so long as it remains unpaid.

In the event interest is deferred, the Penalty Rate shall apply until the next Interest Payment Date on which all unpaid Deferred Interest is paid.

Deferred Interest will also accrue interest at the Penalty Rate, compounding on each Interest Payment Date until paid. The Penalty Rate is the sum of the Interest Rate plus an additional 4.00% per annum.

NZX will not be able to pay any dividend or make any other payments on or with respect to Shares, other securities or indebtedness ranking equally with or subordinate to the Subordinated Notes until all unpaid Deferred Interest is paid, without obtaining a Noteholder Special Resolution.

## Election Process

No less than 30 Business Days before each Election Date, NZX will provide notice of its election to either:

- Redeem your Subordinated Notes on the Election Date; or
- run an Election Process offering New Conditions.

If NZX runs an Election Process, NZX will send you an Election Process Notice giving you two options:

- **Option 1:** keep some or all of your Subordinated Notes subject to the New Conditions. The New Conditions may modify the Conditions applying to the Subordinated Notes (including, for example, the Interest Rate, Penalty Rate and Financial Covenant) but NZX may not change the Maturity Date or Election Dates; or
- **Option 2:** Redeem some or all of your Subordinated Notes at the Redemption Amount. If you select this option, NZX may either redeem, or purchase, your Subordinated Notes for the Redemption Amount.

To initiate an Election Process, NZX will, on a date no later than 30 Business Days before an Election Date, issue an Election Process Notice to all Eligible Holders that will include the New Conditions of the Subordinated Notes that will apply from the Election Date.

You will then need to make your decision and respond to the Election Process Notice within the period, ending not less than 15 Business Days before the relevant Election Date, specified by NZX in the Election Process Notice.

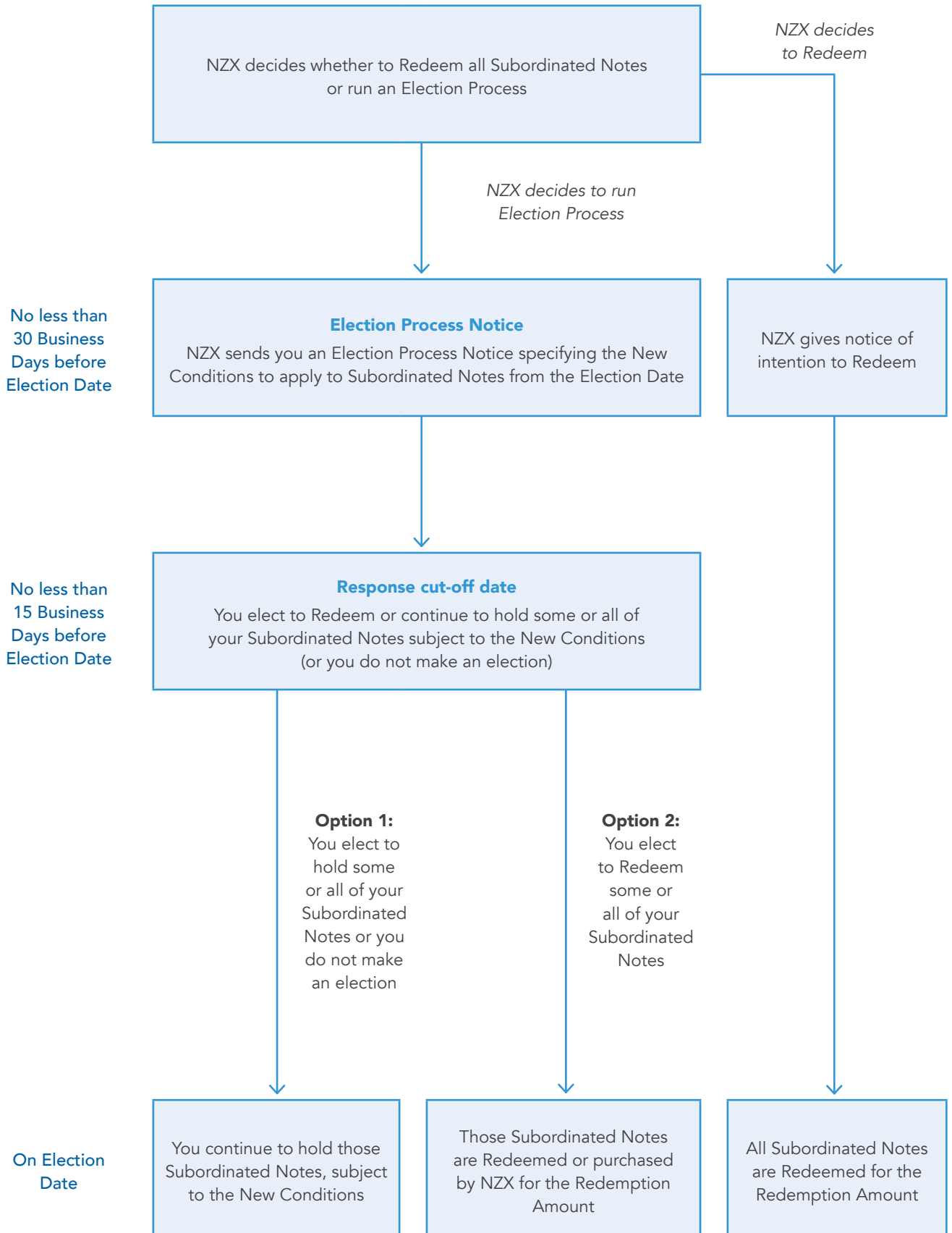
If you do not respond to the Election Process Notice, you will be deemed to have accepted the New Conditions and you will continue to hold your Subordinated Notes subject to the New Conditions.

Ineligible Holders will not receive an Election Process Notice. Instead, Ineligible Holders will have their Subordinated Notes Redeemed on the Election Date.

The diagram on the following page summarises the Election Process.



## Election Process



## Change of Control Event

A Change of Control Event is when:

- an offer is made which would result in the offeror (including its associates) holding or controlling more than 50% of the voting rights of NZX, and the offer has been accepted, become unconditional and all regulatory approvals have been obtained; or
- any other circumstance or event arises which results in a person (and its associates) holding or controlling more than 50% of the voting rights of NZX.

If a Change of Control Event occurs then NZX will give you a Change of Control Notice promptly after becoming aware of the event. This notice will give you the option to elect that NZX must Redeem your Subordinated Notes for the Redemption Amount.

See clause 7 of the Conditions for a more detailed description of a "Change of Control Event".

## Tax Event

NZX may elect to Redeem all (but not some only) of the Subordinated Notes at the Redemption Amount before the Maturity Date if a Tax Event occurs.

In summary, a Tax Event will occur if there has been, or there will be, a change in New Zealand law applying after the Issue Date, as a result of which:

- any interest payable on the Subordinated Notes, including interest which has been deferred, is not fully deductible for the purposes of the Income Tax Act 2007; or
- NZX would be, or is likely to be, exposed to any other adverse tax consequences in relation to the Subordinated Notes.

See the Conditions of the Trust Deed for a more detailed description of "Tax Event".

If NZX chooses to Redeem the Subordinated Notes as a result of a Tax Event, it will announce this to the market together with the date of Redemption.

## Less than 10 million Subordinated Notes

At any time during the term, NZX may elect to Redeem at the Redemption Amount all (but not some only) of the Subordinated Notes if there are less than 10 million Subordinated Notes outstanding.

If NZX chooses to Redeem the Subordinated Notes because there are less than 10 million Subordinated Notes outstanding, it will announce this to the market together with the date of Redemption.

## Event of Default

An Event of Default occurs if:

- NZX fails to pay the Principal Amount or interest when due, and that breach is not fully remedied within 10 days of the due date for payment;
- NZX fails to comply with the Dividend Stopper; or
- an Insolvency Event occurs.

NZX may defer payments of interest at any time at its sole discretion. A failure to pay interest that has been deferred is not an Event of Default. If an Event of Default occurs the Supervisor may declare that the Subordinated Notes are immediately due and payable at the Redemption Amount.

For further detail on the Events of Default, see Condition 9 of the Trust Deed.

## Redemption of Subordinated Notes

If the Subordinated Notes are not Redeemed:

- on an Election Date;
- at NZX's option because there are less than 10 million Subordinated Notes outstanding;
- after an Election Process; or
- after a Change of Control Event, Event of Default or Tax Event,

then, on the Maturity Date, NZX will Redeem the Subordinated Notes by paying the Redemption Amount of the Subordinated Notes.

## Other relevant information about the Trust Deed

The Trust Deed also contains a number of other terms, including terms relating to:

- the role of the Supervisor, and the power and duties of the Supervisor (noting that the powers of the Supervisor are limited and need to be considered in the context of the conditions of the Subordinated Notes, including the subordinated nature of the Subordinated Notes, the right of NZX to defer interest in its discretion, the limited rights of Noteholders and the limited Events of Default under the Trust Deed);
- the right of the Supervisor to be indemnified;
- the payment of fees, expenses and other amounts owing to the Supervisor (including that amounts owing to the Supervisor are, on a default, paid from the proceeds of enforcement before payments to Noteholders);
- holding meetings of Noteholders; and
- the process for amending the Trust Deed, including amendments that may be made without the consent of Noteholders. Any amendment to the Trust Deed will be binding on all Noteholders. You should read clause 14 of the Trust Deed for any further information.

## 6. Risks of investing

### General risks

An investment in the Subordinated Notes is subject to the following general risks.

#### Credit risk on NZX

There is a risk that you may not be able to recover your full principal investment if NZX encounters severe financial difficulty or becomes insolvent. In that case NZX may be unable to meet its obligations under the Subordinated Notes. If NZX defers interest payments in accordance with the terms of the Subordinated Notes this will not be an event of default, unless an Event of Default subsequently occurs. See section 5 of this PDS (*Key features of the Subordinated Notes*).

#### Liquidity risk

NZX will, subject to Special Division approval, quote the Subordinated Notes on the NZX Debt Market, which means you may be able to sell them on the NZX Debt Market before the Maturity Date. NZX has established a Retail Liquidity Support Facility pursuant to which you may be able to sell small parcels of Subordinated Notes (for more information see section 5 of this PDS (*Key features of the Subordinated Notes*)).

However, it is possible there may be no active trading market and an investment in Subordinated Notes may not be very liquid. You may be unable to find a buyer, or the price at which you are able to sell the Subordinated Notes may be less than the amount you paid for them.

The price (if any) at which you may be able to sell Subordinated Notes may also be affected by factors related to the creditworthiness of NZX, and market-related factors such as movements in market interest rates. For example, if market interest rates go up, the market value of the Subordinated Notes would typically be expected to go down and vice versa.

The subordination of the Subordinated Notes and possibility of interest payment deferral may also increase the volatility of the market price of the Subordinated Notes, and they may be more sensitive generally to adverse changes in NZX's financial condition than other debt securities.

### Specific risks relating to NZX's creditworthiness

NZX considers that the main circumstances which significantly increase, either individually or in combination, the risk that NZX may default on its payment obligations under the Subordinated Notes are set out below.

#### Clearing House default risk

##### Clearing House counterparty risks

All trades executed on NZX's Markets are cleared and settled by NZX Clearing Participants through the Clearing House operated by NZX Clearing. These trades are immediately novated such that NZC becomes the buyer to every sell trade and the seller to every buy trade.

NZX Clearing is exposed to a default risk for the period between the trade date and the settlement date. In relation to a buy trade, there is risk that the NZX Clearing Participant could default on its obligation to deliver cash in exchange for the financial products acquired by NZC, and vice-versa in relation to a sell trade. The high concentration of NZX Clearing Participants in the cash and derivatives markets means that if an NZX Clearing Participant defaults, the implications could have severe adverse financial consequences for NZX Clearing and NZX.

NZX Clearing manages the credit risk that could arise if an NZX Clearing Participant defaults by:

- requiring NZX Clearing Participants to meet and report against capital adequacy requirements to ensure that NZX Clearing Participants maintain sufficient capital and liquidity to meet their obligations in relation to any trades; and
- imposing margin requirements on NZX Clearing Participants. NZC calculates the required margin on NZX Clearing Participant's daily open positions, and requires Clearing Participants to post this margin as collateral security for trades.

NZX Clearing is also required to annually obtain independent audits in relation to its operation of the Clearing House and its risk modelling, to assess the consistency with market practices.

##### Default liquidity risk

In the event that an NZX Clearing Participant defaults, the collateral that NZC holds in relation to a trade may be insufficient to settle the defaulting participant's obligation

to NZC. This gives rise to a “liquidity risk” that NZC will not receive sufficient cash to settle a trade (or, in relation to a sell transaction, to realise sufficient cash to acquire financial products to settle the trade).

Further, in the event that an NZX Clearing Participant defaults on its obligation to pay NZC cash in relation to a trade, NZC will use some of its own cash to acquire the underlying financial products to which the trade relates. NZC will then be exposed to the “market price risk” that the price of the financial products it holds falls between the date of the NZX Clearing Participant’s default and the time NZC is able to sell the financial products to an alternative purchaser, to recover its cash.

NZX mitigates these risks by:

- holding capital in order to cover the risk of settlement default in excess of collateral deposits of a defaulting NZX Clearing Participant;
- maintaining a liquidity facility with a major New Zealand fund manager, which allows NZCDC to borrow up to \$50 million in cash or financial products that can be utilised if a NZX Clearing Participant defaults and NZC is unable to meet its obligations as central counterparty; and
- holding collateral maintained by NZX Clearing to manage clearing house counterparty risk.

NZX is also considering the implementation of a mutualised default fund for the NZX Derivatives Market into which NZX Clearing Participants will deposit collateral to be used for default capital. This is subject to the completion of a consultation process after which a final decision will be made.

***Financial product lending risk***

NZC allows NZX Clearing Participants, including Lending Clearing Participants to borrow and lend financial products through the Clearing House. NZC acts as a central counterparty to these transactions, which exposes NZC to credit risk if the borrower or lender defaults to the full value of each loan.

In order to manage this risk, NZC imposes collateral requirements on NZX Clearing Participants who wish to engage in financial product lending to the value of 105% of the loan. NZC re-values each loan on a daily basis and seeks additional collateral where appropriate.

**Legislative and regulatory risks**

NZX’s businesses operate in a highly regulated environment and are required to comply with various legislative, licence, and regulatory requirements which include (but are not limited to):

- NZX complying with market operator obligations set out in the FMCA;
- the Clearing House complying with the NZCDC Order, overseen by the FMA and RBNZ;

- ECHL meeting its obligations under the Code, overseen by the Electricity Authority;
- Smartshares complying with the managed investment scheme manager obligations in the FMCA;
- several of the companies in the NZX Group complying with the Anti-Money Laundering and Countering Financing of Terrorism Act 2009 as reporting entities; and
- the NZX Group complying with regulation in foreign jurisdictions (including Europe and the US).

Failure to comply with these obligations could result in enforcement action including fines, censures or the revocation of licences. This could have a materially adverse effect on the NZX Group’s financial performance and as a result NZX’s ability to operate its businesses.

To mitigate this risk, NZX employs appropriately qualified staff, and maintains appropriate systems and processes that are designed to monitor and ensure compliance with its legislative, licence and regulatory obligations.

**Clearing collateral risk**

As a central counterparty clearing house, NZC receives and promises the delivery of cash for trades that are centrally cleared on NZX’s markets. As a result, in some circumstances NZC is required intra-day to pay NZX Clearing Participants cash deposited with the Clearing House. This may include the cash which is held to mitigate the counterparty, liquidity and market risks noted above.

In addition, ECHL clears and settles trades in the wholesale electricity market under an agreement with the New Zealand Electricity Authority pursuant to the Code. In order to manage the risk of an electricity market participant’s default, ECHL holds prudential capital, which ECHL may be required to either use to settle a trade or to repay to electricity market participants.

NZX Clearing and ECHL deposit cash received from participants, in the circumstances described above, with external third parties. NZX Group has a significant exposure should there be a loss of access to this cash because, NZX Clearing and ECHL may be unable to meet intra-day obligations to pay a NZX Clearing Participant, or in ECHL’s case, to settle a trade if there is a default, or to repay electricity market participants. The NZX Group could suffer severe financial loss if the NZX Group was unable to access the participants’ cash, and was required to use its own cash to meet these obligations.

An inability to immediately, intra-day, access the participants’ cash, or the NZX Group’s own cash, could also prevent NZX from being able to continue to operate its clearing house businesses each of which would have a significant negative impact on the NZX Group’s financial position.

NZX mitigates this risk to NZX Clearing by depositing participants' cash in accordance with NZCDC's investment policy which specifies the means of managing credit exposure to financial institutions and sets a framework for ensuring that the investment types and duration of investments is appropriate. In relation to NZX Clearing, the exposure limits specify, by Standard & Poor's credit ratings, the maximum value and percentage of total funds NZCDC may invest with a particular New Zealand registered bank.

### Market risk

As a licensed market operator, a significant portion of the NZX Group's revenue and operating result is dependent on:

- the market prices and/or volumes traded of financial products on NZX's markets;
- the fee revenue derived from new and secondary issuances; and
- the fee revenue derived from NZX participants and NZX Clearing Participants.

Because of NZX's reliance on these revenue streams as a market operator, NZX is exposed to systematic and industry specific risk such as general economic factors (e.g. inflation), the stability of the broader economic system (including the banking system), capital market trends (e.g. mergers and acquisitions activity, takeover activity), and market, political and regulatory conditions in both New Zealand and globally.

There is a risk that NZX's markets may experience an adverse economic event, leading to a decrease in the number of listings, number of participants and use of the Clearing House. This would impact NZX's core business and revenue streams which would in turn negatively affect NZX's reputation, resulting in an adverse operating result.

### Operational risks (including information technology)

The NZX Group businesses' operational processes are supported by complex information technology platforms and systems, some of which are provided by third parties. NZX's reliance on these operational processes, computer platforms and systems creates a risk that if the systems fail to perform, whether as a result of key infrastructure outage, a cyber-attack or the failure of a third party supplier, this could result in disruption or a complete inability to deliver services.

To mitigate this risk NZX regularly tests and updates systems. In addition, NZX has disaster recovery plans, business continuity plans and performs full market disaster recovery tests where the entire market is switched to run out of the secondary environment for extended periods of time. In addition a range of cybersecurity measures are used, amongst which staff education is a key element, with online training and regular staff phishing testing.

### Key Customer Risk

NZX acts as the clearing and settlement manager of the wholesale electricity market under contract to the New Zealand Electricity Authority. NZX also operates the Fonterra Shareholders' Market under contract to Fonterra Co-operative Group Limited. These key contractual relationships have a very high degree of concentration in the NZX Group's business.

The loss of a key customer could materially affect the NZX Group's source of revenue. NZX manages this risk by maintaining close working relationships with its key customers including through the use of various operating committees.

## 7. Tax

Taxes may affect your returns. The information set out below does not constitute taxation advice to any Noteholder, is general in nature and limited to consideration of New Zealand taxation impacts only.

### Resident Withholding Tax

If you are resident in New Zealand for tax purposes or you otherwise receive payments of interest on the Subordinated Notes that are subject to the resident withholding tax (“RWT”) rules, NZX will deduct RWT at the relevant rate from interest paid or credited to you unless you provide to NZX or the Registrar a valid certificate of exemption from RWT, or other evidence that payments to it should not be subject to RWT, on or before the Record Date for the relevant payment.

### General

Tax can have significant consequences. There may be other tax consequences from acquiring or disposing of the Subordinated Notes, and otherwise from the maturity or cash settlement of the Subordinated Notes, including under New Zealand’s “financial arrangements” rules.

If you have any queries relating to the tax consequences of the investment, you should obtain professional taxation advice on those consequences.

## 8. Tax consequences for overseas Noteholders

If you are not a resident of New Zealand for tax purposes and the interest you receive is subject to the non-resident withholding tax (“**NRWT**”) rules, NZX will deduct approved issuer levy (“**AIL**”) in lieu of deducting NRWT, unless you elect for NRWT to be deducted or AIL is not applicable under the law.

NZX will apply a zero rate of AIL, if possible. Otherwise, AIL will be deducted at the standard rate of 2% from the interest payment. If the AIL regime or rate changes in the future, NZX reserves the right not to deduct AIL.



## 9. Selling restrictions

You may only offer for sale or sell any Subordinated Note in conformity with all applicable laws and regulations in any jurisdiction in which it is offered, sold or delivered.

NZX has not taken and will not take any action which would permit a public offering of Subordinated Notes, or possession or distribution of any offering material in respect of the Subordinated Notes, in any country or jurisdiction where action for that purpose is required (other than New Zealand).

Any information memorandum, disclosure statement, circular, advertisement or other offering material in respect of the Subordinated Notes may only be published, delivered or distributed in compliance with all applicable laws and regulations (including those of the country or jurisdiction in which the material is published, delivered or distributed).

By subscribing for or otherwise acquiring any Subordinated Notes, you agree to indemnify, among others, NZX, the Supervisor, the Arranger, the Joint Lead Managers and Co-manager for any loss suffered as a result of any breach by you of the selling restrictions referred to in this section.

## 10. Who is involved?

	<b>Name</b>	<b>Role</b>
<b>Issuer</b>	NZX Limited	Issuer of the Subordinated Notes.
<b>Supervisor</b>	Public Trust	Holds certain covenants on trust for the benefit of the Noteholders and supervises NZX's performance of its issuer obligations, under the FMCA.
<b>Arranger and Organising Participant</b>	Forsyth Barr Limited	Provides assistance to NZX in arranging the Offer, and assists with quotation of the Subordinated Notes.  The role of the Arranger in relation to the Offer is solely to provide assistance with arranging the Offer and assisting with the quotation of the Subordinated Notes.
<b>Registrar</b>	Link Market Services Limited	Maintains the register of Noteholders.
<b>Solicitors to the Issuer</b>	Russell McVeagh	Provides legal advice to NZX in respect of the Offer.
<b>Solicitors to the Supervisor</b>	MinterEllisonRuddWatts	Provides legal advice to the Supervisor in respect of the Offer.
<b>Joint Lead Managers</b>	Commonwealth Bank of Australia (acting through its New Zealand branch), First NZ Capital Securities Limited and Forsyth Barr Limited.	Assist with the marketing and distribution of the Offer.  This PDS does not constitute a recommendation by the Arranger, any Joint Lead Manager, Co-manager or any of their respective directors, employees, agents or advisers to purchase any Subordinated Notes.  The Joint Lead Managers will assist with the bookbuild for the Offer and with the marketing and distribution of the Offer. Except as described above, the Arranger, Joint Lead Managers and Co-manager are not otherwise involved in the Offer.  None of the Arranger, the Joint Lead Managers or the Co-manager and their respective directors, employees, agents or advisers have independently verified the content of this PDS.
<b>Co-manager</b>	Bank of New Zealand	Assists with the distribution of the Offer.
<b>Facility Agent</b>	For the Initial Term, Forsyth Barr Limited	Assists with providing the Retail Liquidity Support Facility.

# 11. How to complain

Complaints about the Subordinated Notes can be directed to:

- NZX, in the first instance, at Level 1, NZX Centre, 11 Cable Street, Wellington 6011, New Zealand. Telephone: +64 4 472 7599. Email [subordinatednotes@nzx.com](mailto:subordinatednotes@nzx.com); or
- the Supervisor at Public Trust, at Level G, 100 Molesworth Street, Thorndon, Wellington 6011, New Zealand. Telephone: 0800 371 471.

The Supervisor is also a member of an external, independent dispute resolution scheme operated by Financial Services Complaints Limited (“**FSCL**”) and approved by the Ministry of Consumer Affairs. If the Supervisor has not been able to resolve your issue, you can refer the matter to FSCL by emailing [info@fsc.org.nz](mailto:info@fsc.org.nz), calling FSCL on 0800 347 257, or by contacting the Complaint Investigation Office, Financial Services Complaints Limited, Level 12, 45 Johnston Street, Wellington 6145. The Supervisor will abide by the ruling of FSCL on all customer cases.

There is no cost to any complainant to use the services of FSCL.

Complaints may also be made to the FMA through their website [www.fma.govt.nz](http://www.fma.govt.nz).

## 12. Where you can find more information

Further information relating to NZX and the Subordinated Notes (for example, the financial statements) is available on the online Offer register maintained by the Companies Office known as 'Disclose'. The Disclose Register can be accessed at <https://disclose-register.companiesoffice.govt.nz>.

A copy of the information on the Disclose Register is also available on request to the Registrar of Financial Service Providers at [registrar@fspr.govt.nz](mailto:registrar@fspr.govt.nz). The information contained on the Disclose Register includes copies of the Trust Deed.

NZX is subject to a disclosure obligation in relation to its Shares that requires it to notify certain material information to the NZX Main Board for the purpose of that information being made available to participants in the market. NZX's page on the NZX website, which includes information made available under the disclosure obligations referred to above, can be found at [www.nzx.com/companies/NZX](http://www.nzx.com/companies/NZX).

## 13. How to apply

### Priority Offer

If you are a New Zealand NZX Shareholder you may apply for Subordinated Notes in the Priority Offer. NZX may, in its absolute discretion, determine whether any application is eligible under the Priority Offer. NZX may scale applications under the Priority Offer at its discretion.

If you are a New Zealand NZX Shareholder and wish to apply for Subordinated Notes in the Priority Offer, you must:

- apply online at [www.nzxnote.co.nz](http://www.nzxnote.co.nz) before 5pm (New Zealand time) on the Closing Date for the Priority Offer; or
- return a completed Priority Offer Application Form (with payment) to either:
- the office of the Registrar before 5pm (New Zealand time) on the Closing Date for the Priority Offer; or
- the office of any Primary Market Participant or financial intermediary in time to enable it to be forwarded to the Registrar before 5pm on the Closing Date for the Priority Offer.

### General Offer

The General Offer will be open to members of the public who are resident in New Zealand and certain institutional investors. NZX may scale applications under the General Offer at its discretion.

There is no public pool for the Subordinated Notes in the General Offer, and all of the Subordinated Notes offered under the General Offer have been reserved for subscription by institutional investors, clients of the Joint Lead Managers, Co-manager, Primary Market Participants and other approved financial intermediaries invited to participate in a bookbuild conducted by the Joint Lead Managers. This means that, if you are not a New Zealand NZX Shareholder, you can only apply for Subordinated Notes through a Primary Market Participant or approved financial intermediary who has obtained an allocation.

If you wish to invest in Subordinated Notes under the General Offer you should contact your usual authorised financial adviser or a Primary Market Participant. You can find a Primary Market Participant by visiting [www.nzx.com/investing/find\\_a\\_participant](http://www.nzx.com/investing/find_a_participant).

To apply for Subordinated Notes in the General Offer, you must return a completed General Offer Application Form (with payment) to the office of the authorised financial adviser or Primary Market Participant in time to enable it to be forwarded to the Registrar before 5pm on the Closing Date for the General Offer.

### General Information

There are separate application forms for the Priority Offer and the General Offer. An application cannot be withdrawn or revoked by the applicant once it has been submitted.

Additional instructions on how to apply for Subordinated Notes are set out with the relevant application form contained at the back of this PDS.

# 14. Contact information

## Issuer

### NZX Limited

Address:

Level 1, NZX Centre,  
11 Cable Street, Wellington 6011,  
New Zealand

Telephone: +64 4 472 7599

[subordinatednotes@nzx.com](mailto:subordinatednotes@nzx.com)

## Registrar

### Link Market Services Limited

Address:

Level 11, Deloitte Centre,  
80 Queen Street, Auckland 1010

Telephone: +64 9 375 5998

[enquiries@linkmarketservices.co.nz](mailto:enquiries@linkmarketservices.co.nz)

# 15. Glossary

Term	Description
ALL	means approved issuer levy.
Arranger	means Forsyth Barr Limited.
Business Day	means: <ul style="list-style-type: none"> <li>for the purposes of giving notices, a day on which the NZX Debt Market is open for trading; or</li> <li>for all other purposes a day (other than a Saturday, Sunday or public holiday) on which commercial banks are open for general banking business in Wellington and Auckland.</li> </ul>
C&S Rules	means New Zealand Clearing Limited – Clearing and Settlement Rules.
Change of Control Event	means: <ul style="list-style-type: none"> <li>an offer is made which would result in the offeror (including its associates) holding or controlling more than 50% of the voting rights of NZX, and the offer has been accepted, become unconditional and all regulatory approvals have been obtained; or</li> <li>any other circumstance or event arises which results in a person (and its associates) holding or controlling more than 50% of the voting rights of NZX.</li> </ul>
Change of Control Notice	means a notice given by NZX to Noteholders when a Change of Control Event occurs.
Clearing House	means NZX’s designated settlement system operated by NZX through NZX Clearing.
Closing Date	for the Priority Offer, means Friday 8 June 2018 for the General Offer, means Friday 15 June 2018.
Co-manager	means Bank of New Zealand.
Code	means the Electricity Industry Participation Code 2010.
Conditions	means the terms and conditions of the Subordinated Notes as set out in schedule 1 to the Trust Deed.
Deferred Interest	means interest that NZX defers at its sole discretion which will accrue interest at the Penalty Rate, compounding on each Interest Payment Date until paid.
Disclose Register	means the online offer register maintained by the Companies Office known as “Disclose” which can be accessed at <a href="https://disclose-register.companiesoffice.govt.nz">https://disclose-register.companiesoffice.govt.nz</a> .
Dividend Stopper	means while it applies, that NZX must not pay any dividend or make any other payments on or with respect to Shares or other securities, financial products or indebtedness ranking equally with or subordinate to the Subordinated Notes, without obtaining a Noteholder Special Resolution.
Early Bird Interest	means the interest that will be calculated on a daily basis at the Interest Rate on application money in respect of accepted applications from the date that application money is received into the bank account for the Offer until, but not including, the Issue Date.

<b>ECHL</b>	means Energy Clearing House Limited, a subsidiary of NZX.
<b>Election Dates</b>	means 20 June 2023 and 20 June 2028.
<b>Election Process</b>	means the election process summarised in section 3 of this PDS ( <i>Terms of the Offer</i> ) under the heading Election Process.
<b>Election Process Notice</b>	means the notice given by NZX to Noteholders to initiate an Election Process.
<b>Eligible Holder</b>	means, in respect of an Election Process, all Noteholders other than Ineligible Holders.
<b>Event of Default</b>	means each event set out in clause 9 of the Conditions.
<b>Facility Agent</b>	for the Initial Term means Forsyth Barr Limited and for any subsequent term means the facility agent appointed by NZX to provide the Retail Liquidity Support Facility.
<b>Financial Covenant</b>	means the undertaking by NZX that it will ensure that the ratio of Net Senior Debt to Operating Earnings will be no greater than 1.5:1.
<b>FMA</b>	means the Financial Markets Authority.
<b>FMCA</b>	means the Financial Markets Conduct Act 2013.
<b>General Offer</b>	means the offer of Subordinated Notes made by NZX under this PDS to investors resident in New Zealand and certain institutional investors.
<b>General Offer Application Form</b>	means the application form contained in this PDS relating to the General Offer.
<b>Ineligible Holder</b>	<p>means, in summary, a Noteholder:</p> <ul style="list-style-type: none"> <li>• whose address in the register for the Subordinated Notes is a place outside New Zealand; or</li> <li>• who NZX believes may not be resident in New Zealand,</li> </ul> <p>and where NZX is not satisfied that the laws of the country in which NZX believes the Noteholder is resident permit the participation by the Noteholder in the Election Process.</p> <p>Ineligible Holder is described in more detail in the Conditions.</p>
<b>Initial Term</b>	means the initial term of the Retail Liquidity Support Facility, being the period from the Issue Date until the first anniversary of the Issue Date.
<b>Insolvency Event</b>	<p>means:</p> <ul style="list-style-type: none"> <li>• a liquidation is commenced; or</li> <li>• a statutory manager is appointed in respect of NZX under the Corporations (Investigation and Management) Act 1989; or</li> <li>• NZX is placed into voluntary administration under the Companies Act 1993; or</li> <li>• an encumbrancer takes possession, or a trustee, receiver, receiver and manager, administrator, inspector under any companies or securities legislation, or similar official, is appointed in respect of NZX or the whole or any part of its assets or undertakings.</li> </ul>
<b>Interest Payment Dates</b>	means 20 March, 20 June, 20 September and 20 December in each year (or if that day is not a Business Day, the next Business Day) until and including the Maturity Date, with the first Interest Payment Date being 20 September 2018.



<b>Interest Rate</b>	<p>means:</p> <ul style="list-style-type: none"> <li>in relation to the first 5 years until the first Election Date, the initial interest rate determined by NZX in conjunction with the Joint Lead Managers following a bookbuild, and announced to the market on or about the Rate Set Date; or</li> <li>if NZX runs an Election Process, the interest rate may be set in accordance with an Election Process.</li> </ul>
<b>Issue Date</b>	means 20 June 2018.
<b>Issue Margin</b>	means the margin determined by NZX in conjunction with the Joint Lead Managers following a bookbuild for the Offer.
<b>Issuer</b>	means NZX.
<b>Joint Lead Managers</b>	means Commonwealth Bank of Australia (acting through its New Zealand branch), First NZ Capital Limited and Forsyth Barr Limited.
<b>Lending Clearing Participant</b>	means a NZX Depository Participant allowed by NZC in accordance with Rule 2.1.2 of the C&S Rules to clear and settle only Lending Transactions on the Clearing House, as those terms are defined in the C&S Rules.
<b>Maturity Date</b>	means 20 June 2033.
<b>Net Senior Debt</b>	means the aggregate indebtedness of NZX for borrowed money (excluding the Subordinated Notes and indebtedness ranking equal with or subordinate to the Subordinated Notes), less the total amount of unrestricted cash, as disclosed in NZX's financial statements.
<b>New Conditions</b>	means new terms and conditions set out in an Election Process Notice to apply to the Subordinated Notes from an Election Date.
<b>New Zealand NZX Shareholders</b>	means Shareholders who are resident in New Zealand (at the time of applying for Subordinated Notes and on the Closing Date for the Priority Offer).
<b>Noteholders</b>	means a person whose name is for the time being entered in the register of Subordinated Notes as the holder of a Subordinated Note or, where a Subordinated Note is held jointly by two or more persons, the persons whose names appear in the register of Subordinated Notes as the joint holders of that Subordinated Note.
<b>NWRT</b>	means non-resident withholding tax.
<b>NZC</b>	means New Zealand Clearing Limited, a subsidiary of NZCDC which operates the central counterparty Clearing House and NZD.
<b>NZD</b>	means New Zealand Depository Limited, a subsidiary of NZCDC which operates a central product depository.
<b>NZDN</b>	means New Zealand Depository Nominee Limited, a wholly owned subsidiary of NZD.
<b>NZCDC</b>	means the New Zealand Clearing and Depository Corporation Limited, a subsidiary of NZX, which governs NZC and NZD.
<b>NZCDC Order</b>	means the Reserve Bank of New Zealand (Designated Settlement System – NZCDC) Order 2010.
<b>NZX</b>	means NZX Limited.
<b>NZX Clearing</b>	means NZCDC, NZC, NZD and NZDN.
<b>NZX Clearing Participant</b>	means a person permitted to be a participant in the Clearing House in accordance with Rule 2.1.1 of the C&S Rules.

NZX Debt Market	means the debt security market operated by NZX in its capacity as licensed market operator.
NZX Group	means NZX and the companies it owns.
NZX Listing Rules	means the listing rules applying to the NZX Debt Market, as amended from time to time.
NZX Main Board	means the main registered market for trading equity securities operated by NZX in its capacity as licensed market operator.
Offer	means the offer of Subordinated Notes made by NZX under this PDS to investors, consisting of the Priority Offer and the General Offer.
Opening Date	means 28 May 2018.
Operating Earnings	means NZX's earnings before net finance expense, tax, depreciation, amortisation, impairment, non-cash items and any capital gains and/or losses as disclosed in NZX's financial statements.
PDS	means this product disclosure statement for the Offer dated 15 May 2018.
Penalty Rate	means the sum of the Interest Rate plus 4.00% per annum.
Primary Market Participant	has the meaning given in the NZX Participant Rules.
Priority Offer	means the offer of Subordinated Notes made by NZX under this PDS which is open only to New Zealand NZX Shareholders.
Priority Offer Application Form	means the application form contained in this PDS relating to the Priority Offer.
Principal Amount	means NZ\$1.00 per Subordinated Note.
Rate Set Date	means 25 May 2018.
RBNZ	means the Reserve Bank of New Zealand.
Record Date	means, in the case of: <ul style="list-style-type: none"> <li>(a) payments of interest, the date which is 10 calendar days before the Interest Payment Date (or as otherwise prescribed by the NZX Listing Rules or if not prescribed by the NZX Listing Rules, a date determined by the Issuer and notified to NZX); and</li> <li>(b) payments of any other amount, a date determined by the Issuer and notified to NZX (or such other date as may be prescribed by NZX).</li> </ul>
Redeem	means: <ul style="list-style-type: none"> <li>• the redemption of your Subordinated Notes by NZX; or</li> <li>• the purchase of your Subordinated Notes by NZX (or its nominated purchaser) if NZX elects to purchase the Subordinated Notes that you have elected to Redeem on an Election Date.</li> </ul> <p><b>Redeemed, Redemption</b> and <b>Redeemable</b> have the same meaning.</p>
Redemption Amount	means the Principal Amount plus all accrued but unpaid interest (including Deferred Interest).
Registrar	means Link Market Services Limited.
Retail Liquidity Support Facility	means the arrangement between NZX and the Facility Agent whereby the Facility Agent agrees to purchase and/or sell Subordinated Notes on the NZX Debt Market on NZX's behalf (subject to certain parameters).
RWT	means resident withholding tax.

Shares	means fully paid ordinary shares issued by NZX.
Shareholder	means a holder of a Share.
Smartshares	means Smartshares Limited, a subsidiary of NZX.
Special Division	means the Special Division of the NZ Markets Disciplinary Tribunal which exercises the powers and functions of NZX Regulation as they apply to NZX and any related entity.
Special Resolution	has the meaning given in the Trust Deed.
Subordinated Note	means the subordinated notes constituted and issued pursuant to the Trust Deed and offered by this PDS.
SuperLife	means SuperLife Limited, a company that was acquired by NZX on 1 January 2015.
Supervisor	means Public Trust or such other person as may hold office as trustee and supervisor under the Trust Deed from time to time.
Swap Rate	means the mid-market 5 year swap rate (adjusted to a quarterly basis as necessary), as calculated by NZX in conjunction with the Joint Lead Managers on the Rate Set Date.
Tax Event	<p>broadly means a change in New Zealand law applying after the Issue Date as a result of which:</p> <ul style="list-style-type: none"> <li>• any interest payable on the Subordinated Notes, including interest which has been deferred, is not fully deductible for the purposes of the Income Tax Act 2007; or</li> <li>• NZX would be, or is likely to be, exposed to any other adverse tax consequences in relation to any Subordinated Notes.</li> </ul> <p>Tax Event is described in more detail in the Conditions.</p>
Test Date	means 31 December 2018 and every 6 months thereafter, being the date as at which the Financial Covenant will be tested.
Trust Deed	means the trust deed dated 15 May 2018 made by NZX and the Supervisor (as amended from time to time).



NEW ZEALAND'S EXCHANGE

Broker Stamp	Broker code
	Advisor code



# General Offer Application Form

This application form (**Application Form**) is issued with the product disclosure statement dated 15 May 2018 (**PDS**) for an offer of Subordinated Notes by NZX Limited (**NZX**) to members of the public who are resident in New Zealand and certain institutional investors (**Offer**). This Application Form should only be used if you are applying under the **General Offer**.

You should read the PDS in full before completing this Application Form. A copy of the PDS and other useful information about the Offer may also be obtained from [www.business.govt.nz/disclose](http://www.business.govt.nz/disclose). Capitalised terms used in this Application Form have the meanings given to them in the PDS.

The Closing Date for the General Offer is expected to be 15 June 2018. NZX may, in its absolute discretion, and without notice, vary the timetable (including by opening or closing the General Offer early). NZX may also cancel the General Offer at any time before the Subordinated Notes are issued.

Please complete this Application Form and arrange with your financial adviser for your Application Form and payment to be received by the Registrar, Link Market Services Limited, by 5.00pm on 15 June 2018.

## A. APPLICANT DETAILS (PLEASE PRINT IN BLOCK LETTERS)

First Name(s): \_\_\_\_\_ Last Name: \_\_\_\_\_

First Name(s): \_\_\_\_\_ Last Name: \_\_\_\_\_

First Name(s): \_\_\_\_\_ Last Name: \_\_\_\_\_

Corporate Name, Trust or <On Account> (if applicable): \_\_\_\_\_

Postal Address: \_\_\_\_\_

Phone Number: Mobile: \_\_\_\_\_ Daytime: \_\_\_\_\_

## B. COMMON SHAREHOLDER NUMBER (CSN)

If you currently have a CSN or Holder Number, please enter it here:

Your details on this Application Form must match the details on your CSN. Otherwise, If you do not have a CSN, leave the boxes blank and you will be allocated a new CSN and Authorisation code (FIN) if your application is accepted.

## C. ELECTRONIC CORRESPONDENCE

To enable NZX to provide you with your investor correspondence in relation to your holding of Subordinated Notes electronically, please complete your email address below. If you do not provide an email address, investor correspondence will be mailed to you at the postal address provided on this Application Form.

Email Address: \_\_\_\_\_

## D. APPLICATION PAYMENT – IMPORTANT

Applications must be accompanied by payment in full, in New Zealand currency based on \$1.00 per Subordinated Note. Applications must be for a minimum of **\$5,000** and, thereafter, in multiples of **\$1,000**. NZX may accept or reject all or part of this application without giving reason.

Principal amount of Subordinated Notes applied for (at an issue price of \$1.00 per Subordinated Note):	NZ\$
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Please make payment by only **ONE of the options** below:

### OPTION 1: Direct Debit

Direct debits allow NZX or its agent to deduct money from your nominated bank account as payment for the amount of Subordinated Notes applied for (or any lesser amount determined by NZX) on the date the Application Form is received by the Registrar or any day after that day. If you wish to make payment by this method, please complete your account details below. By signing this Form, the signatory agrees that NZX, or its agent, is authorised to direct debit the bank account in accordance with the terms specified in the PDS

Name of Bank: \_\_\_\_\_ Name of Account: \_\_\_\_\_

Bank/Branch	Account No	Suffix
<input type="text"/> <input type="text"/> - <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/> <b>0</b> <input type="text"/> <input type="text"/>

### OPTION 2: Cheque

Please find attached my/our cheque made payable to "NZX Subordinated Note Offer" and crossed "Not Transferable".

### OPTION 3: NZClear System

Payment by NZClear members as arranged with the Registrar (**authorised institutional investors only**). I/we have supplied my/our account details under Section E below for the purpose of direct crediting any future interest paid by NZX.

NZClear Mnemonic: \_\_\_\_\_





## I. CERTIFICATE OF NON-REVOCATION OF POWER OF ATTORNEY:

(Complete this section if you are acting on behalf of the Applicant on this Application Form for whom you have power of attorney)

I, \_\_\_\_\_  
(full name)

Of \_\_\_\_\_  
(place and country of residence),

\_\_\_\_\_  
(occupation),

### CERTIFY:

THAT by deed dated \_\_\_\_\_  
(date of instrument creating the power of attorney),

\_\_\_\_\_  
(full name of person/body corporate which granted the power of attorney\*\*)

appointed me \_\_\_\_\_  
(his/her/its) attorney;

THAT I have executed the application for Subordinated Notes printed on this Application Form under that appointment and pursuant to the powers thereby conferred on me; and

THAT I have not received notice of any event revoking the power of attorney.

Signed at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ (month/year) \_\_\_\_\_

Signature of agent \_\_\_\_\_

\*\* If donor is a body corporate, state place of registered office or principal place of business of donor and, if that is not in New Zealand, state the country in which the principal place of business is situated.

## J. CERTIFICATE OF NON-REVOCATION OF AGENCY:

(Complete this section if you are acting as Agent on behalf of the Applicant on this Application Form)

I, \_\_\_\_\_  
(full name)

Of \_\_\_\_\_  
(place and country of residence),

\_\_\_\_\_  
(occupation),

### CERTIFY:

THAT by deed dated \_\_\_\_\_  
(date of instrument creating the agency),

\_\_\_\_\_  
(full name of person/body corporate which appointed you as agent\*\*)

appointed me \_\_\_\_\_  
(his/her/its) agent;

THAT I have executed the application for Subordinated Notes printed on this Application Form under that appointment and pursuant to the powers thereby conferred on me; and

THAT I have not received notice of any event revoking my appointment as agent.

Signed at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ (month/year) \_\_\_\_\_

Signature of agent \_\_\_\_\_

\*\*If donor is a body corporate, state place of registered office or principal place of business of donor and, if that is not in New Zealand, state the country in which the principal place of business is situated.





NEW ZEALAND'S EXCHANGE

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