



5 February 2021

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Dear Shareholder

## **SHARE BUYBACK IN RURAL EQUITIES LIMITED (REL) AT \$5.35 PER SHARE**

Following the cancellation of the share repurchase offer at \$5.15 per share in November 2020, REL's Directors have recently met to review the company's capital management strategy considering the recent unconditional sale of the Dalmuir South block, the assessment of alternative investment opportunities and further feedback from shareholders.

REL now intends to make an offer to all shareholders to repurchase up to 3,302,833 shares at a record price of \$5.35 per share (*the Offer*). The Directors are not aware of REL shares ever trading at \$5.35 or above.

Given that REL shares trade infrequently on Unlisted and volume is usually very limited, the Directors consider that the Offer will provide shareholders who are contemplating exiting their investment in REL a convenient and efficient mechanism to realise their holding. The Offer at \$5.35 per share is a premium to the latest market price. In addition, no brokerage or other transactional costs will be incurred.

Depending on the level of acceptances received, this may be the last share repurchase opportunity offered to shareholders. REL currently has available subscribed capital (ASC) of \$17,670,158. This gives REL the ability to repurchase 3,302,833 shares at the Offer price of \$5.35. Once REL's ASC is utilised there cannot be any further share repurchases, on a tax efficient basis. In the past, liquidity in REL shares has been provided through a series of share repurchases which will cease once REL's ASC has been utilised.

REL is a Code Company for the purposes of the Takeovers Code (*Code*). Accordingly, in order for REL to repurchase additional shares, without H&G Limited and the other Cushing Family interests being required to subsequently sell down shares, Shareholders' approval is required by the passing of an ordinary resolution under clause 4 of the Takeovers Code (Class Exemptions) Notice (No 2) 2001. A Special Meeting of REL Shareholders will be held in Christchurch on Thursday, 11 March 2021 (*the Shareholders' Meeting*) to consider that resolution. The Cushing Family interests are not permitted to vote at the Shareholders' meeting. **The Offer is conditional upon the passing of that resolution.** You can find full details of the regulatory requirements in relation to the Offer in the enclosed Share Repurchase Disclosure Document.

The Code requires that the notice of the Shareholders' meeting containing the resolution must be accompanied by an independent adviser's report on the merits of the transaction, including an assessment of the impact of the Cushing Family interests' increased control of REL resulting from the Offer. Northington Partners have been appointed to prepare the independent report. It is expected that the notice for the Shareholders' meeting and the Northington Partners' independent report will be sent to shareholders with the Offer documents during the week commencing 22 February 2021.

A shareholder may accept the Offer for all or some of their shares but must accept the Offer for a minimum of 15% of their shareholding and, if accepting in respect of less than all of their shares, must also continue to comply with REL's minimum shareholding requirement of 2,000 shares. The terms of the Offer are such that the proceeds of any repurchase should be a non-taxable return of capital unless the shares are held on revenue account. **Shareholders should, however, seek their own taxation and financial advice.**

If the Offer is oversubscribed, the Directors will, at their absolute discretion, elect the criteria for scaling acceptances. If you intend to accept the Offer, we strongly recommend accepting early.

The Offer will be made in accordance with Section 60(1)(b)(ii) of the Companies Act 1993 (*the Act*). The Act requires that the Company issues to all shareholders the enclosed Share Repurchase Disclosure Document which sets out the key terms of the Offer.

Formal Offer documents cannot be sent to shareholders until 10 working days after the Share Repurchase Disclosure Document has been sent to shareholders. It is REL's expectation that formal Offer documents will be sent to shareholders during the week commencing 22 February 2021, with the Offer closing on 17 March 2021. Payment to shareholders accepting the Offer will be made on or about 19 March 2021.

The Directors may, at their absolute discretion, suspend, cancel or close the Offer at any time whatsoever, or reduce the number of shares to be repurchased under the Offer by notice to shareholders in writing.

**Until you receive the formal Offer documents** (which will be accompanied by the special meeting documents) **no action is required.** In the interim, if you have any questions about the Offer, please contact the REL office.



Rodger Finlay  
**DEPUTY CHAIRMAN**



**RURAL EQUITIES LIMITED (REL)**  
**SHARE REPURCHASE DISCLOSURE DOCUMENT**  
(Sections 61(5) and 62 of the Companies Act 1993 (*the Act*))

**1. Introduction**

- 1.1 The Directors of REL (*the Directors*) have further considered the options available to REL to provide shareholders who are contemplating exiting or reducing their investment in REL a convenient and efficient mechanism to realise their shareholding.
- 1.2 To achieve this, and being in accordance with REL's capital management strategy, the Directors have resolved to make an off market share repurchase offer to REL shareholders pursuant to section 60(1)(b)(ii) of the Act for a maximum of 3,302,833 REL shares.
- 1.3 Section 61(5) of the Act requires that REL sends to all REL shareholders this Share Repurchase Disclosure Document explaining the implications of the proposed repurchase offer for REL and its shareholders.

**2. Terms of the Offer**

- 2.1 All REL shareholders will receive an off market share repurchase offer pursuant to section 60(1)(b)(ii) of the Act for a maximum of 3,302,833 REL shares at \$5.35 per share (*the Offer*).
- 2.2 Once repurchased, the shares will be cancelled.
- 2.3 The Offer will open during the week commencing 22 February 2021 (being a date not less than 10 working days after this Share Repurchase Disclosure Document has been sent to each shareholder) and subject to clause 2.9 will close at 2.00 pm on 17 March 2021.
- 2.4 Participation in the Offer is entirely voluntary – there is no compulsion for any shareholder to accept the Offer.
- 2.5 A shareholder may accept the Offer for all or some of their shares but must accept the Offer for a minimum of 15% of their shareholding and also, if accepting in respect of less than all its shares, must continue to comply with REL's minimum shareholding requirement of 2,000 shares.
- 2.6 The terms of the Offer are such that the proceeds of any repurchase should be a non-taxable return of capital unless the shares are held on revenue account. Shareholders should however, seek their own taxation and financial advice.
- 2.7 If the Offer is oversubscribed, the Directors will, at their absolute discretion, elect the criteria for scaling acceptances.

- 2.8 Payment for the shares repurchased will be made on or about 19 March 2021.
- 2.9 The Directors may, at their absolute discretion, suspend, cancel or close the Offer at any time whatsoever, or reduce the number of shares to be repurchased under the Offer by notice to shareholders in writing.

**3. Regulatory requirements**

- 3.1 REL is a Code Company for the purposes of the Takeovers Code (*Code*). The Code is relevant because, subject to certain exceptions, the "fundamental rule" is that:
  - (a) person who holds or controls no voting rights, or less than 20% of the voting rights, in REL may not become the holder or controller of an increased percentage of the voting rights in REL unless, after that event, that person and that person's associates hold or control in total not more than 20% of the voting rights in REL; and
  - (b) a person who holds or controls 20% or more of the voting rights in REL may not become the holder or controller of an increased percentage of the voting rights in REL.
- 3.2 Rule 7(e) is one exception to the fundamental rule, permitting a person who holds or controls more than 50%, but less than 90%, of the total voting rights, to increase by up to 5% of the total voting rights in a Code Company in any 12-month period (the Creep Exception). There are other exceptions to the fundamental rule – seeking shareholder approval and the Creep Exception are only two of the exceptions.
- 3.3 The voting control of a shareholder who does not accept the Offer will increase by a small margin.
- 3.4 The Takeovers Code (Class Exemptions) Notice (No. 2) 2001 sets out a general exemption in clause 4 (subject to conditions), permitting an exception to rule 6(1) of the Code for shareholders wishing to retain the increases in voting control resulting from the Offer (*the Exemption Notice*).

- 3.5 H&G Limited is the only shareholder that may rely on the Creep Exception. The other entities of the Cushing Family Interests cannot rely on the Creep Exception as they do not hold or control more than 50%, but less than 90%, of the voting rights in REL. However, H&G Limited would exceed the 5% limit if more than 541,926 shares are repurchased during the Offer. The Cushing Family Interests, including H&G Limited, are seeking to rely on the Exemption Notice which permits shareholders to retain any increase in voting control resulting from the Offer, provided the Offer has been approved by an ordinary resolution of shareholders (and subject to other conditions as set out in the Exemption Notice).
- 3.6 In order for REL to repurchase additional shares, without H&G Limited and the other Cushing Family Entities being required to subsequently sell down shares, Shareholders' approval is required by the passing of an ordinary resolution. A Special Meeting of REL Shareholders will be held in Christchurch on Thursday, 11 March 2021 (the Shareholders' Meeting) to consider that resolution. The Cushing Family Interests are not permitted to vote at the Shareholders' meeting. **The Offer is conditional upon the passing of that resolution.**
- 3.7 The Cushing Family Interests do not intend to accept the Offer, and are seeking to rely on the Exemption Notice to retain any increases in voting control resulting from the Offer.

#### 4. Directors' participation in the Offer

- 4.1 The Offer is being made to all REL shareholders including the Directors and Associated Persons of each Director although as noted in clause 3.7 the Cushing Family Interests do not intend to accept the Offer.
- 4.2 As at 4 February 2021 the nature and extent of any relevant interest in REL shares of each Director and their Associated Persons are as follows:

Director	REL shares held beneficially	REL shares held by Associated Persons
Nigel Atherfold	-	-
David Cushing	197,328	23,389,234
Sir Selwyn Cushing	-	23,510,211
Rodger Finlay	-	924,811

#### 5. Directors' authorisation

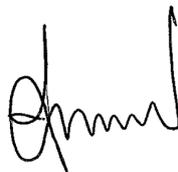
In accordance with the requirements of the Act, the Offer has been approved by the Directors of REL (the Directors). The following is the text of the resolution that was passed by the Directors on 5 February 2021:

"It was resolved that:

1. Rural Equities Limited (*REL*) sends to every REL shareholder the Disclosure Document as required by Section 61(5) of the Companies Act 1993 (*the Act*).

2. Not less than 10 working days after the Disclosure Document has been sent to every REL shareholder, REL makes an off market share repurchase offer to all REL shareholders up to a maximum of 3,302,833 shares at \$5.35 per share (the Offer).
3. The repurchase of the REL shares under the Offer is in the best interests of REL and is of benefit to REL's remaining shareholders.
4. The terms of the Offer and the consideration offered for the shares are fair and reasonable to both the Company and to REL's remaining shareholders.
5. The Directors are not aware of any information that will not be disclosed to shareholders:
  - 5.1 Which is material to an assessment of the value of the shares.
  - and
  - 5.2 As a result of which, the terms of the Offer and consideration offered for the shares are unfair to the REL shareholders accepting the Offer.
6. The Directors have reached the conclusions in resolutions 3 and 4 on the basis that:
  - 6.1 For a shareholder wishing to accept the Offer, as at the date of this resolution, the Offer price is a premium to the last market price on Unlisted<sup>1</sup>. As REL shares trade infrequently and usually in small volumes the Offer will provide shareholders who are contemplating exiting their investment in REL with a convenient and efficient mechanism to realise their holding.
  - and
  - 6.2 For shareholders disinclined to accept the Offer, the share price is below REL's net tangible asset value of \$5.60 per share as recorded in REL's audited financial statements as at 30 June 2020.
7. The Directors, having considered the matters set out in their certificate, are satisfied that the Company will, immediately after acquiring the shares, satisfy the solvency test applied under section 52 of the Act.
8. Rodger Finlay and James Wright are authorised to sign such documents and do such other things as may be necessary or appropriate to complete the Offer."

Issued by Rural Equities Limited



James R Wright  
**CHIEF OPERATING OFFICER**  
5 February 2021

<sup>1</sup> The Unlisted Securities Exchange is not a Licensed Financial Product Market.