

# Information about your **Meridian investment**



meridian

*This statement sets out information about the rights, privileges, conditions and limitations, including restrictions on transfer, that attach to your investment in Instalment Receipts.*

The Instalment Receipts are issued on, and subject to, the terms of the Trust Deed. Holders of Instalment Receipts are bound by, and are deemed to have notice of, the Trust Deed.

This statement also sets out certain information in relation to the Company's Shares, to assist you in understanding your Instalment Receipt investment.

## **1 Rights and privileges**

Each Instalment Receipt evidences a beneficial interest in one Share and evidences that the First Instalment has been paid. Until payment of the Final Instalment is received:

- the Shares will be held on trust by the Trustee;
- holders of Instalment Receipts will not be registered Shareholders. However, they will be:
  - entitled to receive any dividends paid by the Company on the Shares corresponding to their Instalment Receipts, together with any attached imputation credits;
  - invited to attend meetings of the Company's shareholders;
  - entitled to instruct the Trustee how to exercise the votes attached to the Shares corresponding to their Instalment Receipts on resolutions to be voted on by way of a poll at shareholder meetings;
  - entitled to receive the Company's interim and annual reports, and other shareholder communications;
  - entitled, in any liquidation of the Company, to receive an equal share in the surplus assets which are distributed to the Trustee on the Shares represented by the Instalment Receipts, unless the Crown's security interest applied following a failure by the holder to pay the Final Instalment; and
  - exercise the other rights conferred upon a holder of Instalment Receipts by the Trust Deed.
- the Crown will have a security interest over the Shares, any rights accruing in relation to them and any proceeds of the Shares, exercisable only if the Final Instalment is not paid when due.

Following receipt of payment of the Final Instalment (as described at 2 below), holders of Instalment Receipts will receive the Shares represented by their Instalment Receipts and the Instalment Receipts will be cancelled. Under the Company's Constitution and the Companies Act, each Share gives the holder a right to:

- attend and vote at a meeting of Shareholders, including the right to cast one vote per Share on a poll on any resolution, such as a resolution to:
  - appoint or remove a director;
  - adopt, revoke or alter the Constitution;
  - approve a major transaction (as that term is defined in the Companies Act);
  - approve the amalgamation of the Company under section 221 of the Companies Act; or
  - place the Company in liquidation;
- receive an equal share in any distribution, including dividends, if any, authorised by the Board and declared and paid by the Company in respect of that Share;
- receive an equal share with other Shareholders in the distribution of surplus assets in any liquidation of the Company;
- be sent certain information, including notices of meeting and company reports sent to Shareholders generally; and
- exercise the other rights conferred upon a Shareholder by the Companies Act and the Constitution.

## **2 Instalment Receipt Final Payment**

Each person registered as a holder of Instalment Receipts on 4 May 2015 must have paid the Final Instalment in respect of the Shares represented by their Instalment Receipts by 5.00pm on 15 May 2015 (the "Final Instalment Payment Date"). Reminder notices will be sent to holders prior to the Final Instalment Payment Date although the accidental omission to send or non-receipt of a reminder notice will not affect a holder's obligation to pay the Final Instalment on the Final Instalment Payment Date. Following payment of the Final Instalment each holder of Instalment Receipts will receive a corresponding number of Shares and the Instalment Receipts will be cancelled.

If a holder of Instalment Receipts does not pay the Final Instalment when it is due, the Trustee may sell the Shares that relate to those Instalment Receipts. The proceeds of sale will be applied towards default interest and fees (including any reasonable administration charge imposed by the Trustee), costs and expenses of sale, then towards payment of the Final Instalment. Any surplus sale proceeds would be paid to the holder.

Holders of Instalment Receipts remain liable for any shortfall if the proceeds of sale by the Trustee are insufficient to meet the default interest, fees, costs and expenses and the Final Instalment owing to the Crown.

## **3 Encumbrances**

Each Share corresponding to an Instalment Receipt (together with any rights relating to them, and any proceeds from or arising in respect of that Share) is subject to a security interest in favour of the Crown securing payment of the Final Instalment, default interest and certain fees, costs and expenses. Holders of Instalment Receipts must not create any encumbrance such as a charge over the Shares corresponding to their Instalment Receipts or any such rights or proceeds and no encumbrance may be created, arise or exist under which a person is able to acquire or is granted any right in respect of the underlying Shares, or any such rights or proceeds, before the Crown's security interest has been released.

## **4 Restrictions on ownership and transfer**

The Public Finance Act 1989 includes restrictions on the ownership of certain types of securities issued by the Company and consequences for breaching those restrictions. The Constitution and the Trust Deed incorporate these restrictions and mechanisms for monitoring and enforcing them.

A summary of the restrictions on the ownership of Shares under the Public Finance Act 1989, the Trust Deed and the Constitution is set out below. If the Company issues any other class of shares, or other securities which confer voting rights, in the future, the restrictions summarised below would also apply to those other classes of shares or voting securities.

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### 51% Holding

The Crown must hold at least 51% of the Shares on issue.

The Company must not issue, acquire or redeem any Shares if such issue, acquisition or redemption would result in the Crown falling below this 51% holding.

### 10% Limit

No person (other than the Crown) may have a 'relevant interest'<sup>1</sup> in more than 10% of the Shares on issue (*10% Limit*).

As the Instalment Receipts confer a relevant interest in the underlying Shares represented by those Instalment Receipts, the 10% Limit also applies to the Instalment Receipts to the extent that a holding of Instalment Receipts gives rise to an interest in more than 10% of the Shares. Because Instalment Receipts will represent a maximum of 49% of the Shares (with the Crown holding its Shares directly and not holding Instalment Receipts as a consequence of the Offer), a person may hold more than 10% of all Instalment Receipts on issue so long as those Instalment Receipts do not represent more than 10% of the Shares on issue (including those held by the Crown).

The Company must not issue, acquire or redeem any Shares, and will request the Registrar to not register any transfer of Instalment Receipts, if it has actual knowledge that such issue, acquisition, redemption or transfer will result in any person other than the Crown exceeding the 10% Limit.

### Ascertaining whether a breach has occurred

If a holder of Instalment Receipts or Shares breaches the 10% Limit or knows or believes that a person who has a relevant interest in Shares held by that holder may have a relevant interest in Shares in breach of the 10% Limit, the holder must notify the Company of the breach or potential breach.

The Company may require a holder of Instalment Receipts or Shares to provide the Company with a statutory declaration if the Board knows

or believes that a person is, or is likely to be, in breach of the 10% Limit. That statutory declaration is required to include, where applicable, details of all persons who have a relevant interest in Shares as a result of the Instalment Receipts or Shares held by or on behalf of that holder.

### Determining whether a breach has occurred

The Company has the power to determine whether a breach of the 10% Limit has occurred. In broad terms, if:

- the Company considers that a person may be in breach of the 10% Limit; or
- a holder of Instalment Receipts or Shares fails to lodge a statutory declaration when required to do so or lodges a declaration that has not been completed to the reasonable satisfaction of the Company,

then the Company is required to determine whether or not the 10% Limit has been breached and, if so, whether or not that breach was inadvertent. The Company must give the affected holder of Instalment Receipts or Shareholder the opportunity to make representations to the Company before it makes a determination on these matters.

### Effect of exceeding the 10% Limit

A person who is in breach of the 10% Limit must:

- comply with any notice that they receive from the Company requiring them to dispose of Instalment Receipts or Shares or their relevant interest in Shares, or take any other steps that are specified in the notice, for the purpose of remedying the breach and reducing their holding below the 10% Limit; and
- ensure that they are no longer in breach within 60 days after the date on which they became aware, or ought to have been aware, of the breach. If the breach is not remedied within that timeframe, the Company (in the case of Shares) or the Trustee (in the case of Instalment Receipts) may arrange for the sale of the relevant number of Instalment Receipts or Shares on behalf of the relevant holder.

In those circumstances, the Trustee or the Company will pay the net proceeds of sale, after the deduction of any other costs incurred in connection with the sale (including brokerage and the costs of investigating the breach of the 10% Limit), to the relevant holder as soon as practicable after the sale has been completed. Any sale of Instalment Receipts held by Australian residents would take place on either the ASX or the NZX Main Board at the discretion of the Crown. Any sale of Instalment Receipts held by other persons, or any sale of Shares, would take place on the NZX Main Board.

If a relevant interest is held in any Shares in breach of the 10% Limit (including by holding Instalment Receipts) then, for so long as that breach continues:

- no votes may be cast (either directly by a Shareholder or by a direction given to the Trustee by an Instalment Receipt holder) in respect of any of the Shares in which a relevant interest is held in excess of the 10% Limit; and
- a registered holder of Instalment Receipts or Shares in which a relevant interest in Shares is held in breach of the 10% Limit will not be entitled to receive, in respect of the Shares in which a relevant interest is held in excess of the 10% Limit, any dividend or other distribution authorised by the Board in respect of the Shares.

However, if the Board determines that a breach of the 10% Limit was not inadvertent, or that it does not have sufficient information to determine that the breach was not inadvertent, then the restrictions on voting and entitlement to receive dividends and other distributions described in the preceding paragraphs will apply in respect of all of the Instalment Receipts or Shares (as applicable) held by the relevant Shareholder or holder (and not just the Instalment Receipts or Shares in which a relevant interest is held in excess of the 10% Limit).

An exercise of a voting right attached to a Share by the Trustee (acting on the direction of a holder of Instalment Receipts) or by a holder of Shares (as applicable) where a relevant interest in that

<sup>1</sup> In broad terms, a person has a 'relevant interest' in a Share if the person (a) is the registered holder or beneficial owner of the Share; or (b) has the power to exercise, or control the exercise of, a right to vote attached to the Share or has the power to acquire or dispose of, or to control the acquisition or disposition of, that Share. A person may also have a 'relevant interest' in a Share in which another person has a 'relevant interest' depending on the nature of the relationship between them.

Share is held in breach of the 10% Limit must be disregarded in counting the votes concerned. However, a resolution passed at a meeting is not invalid where votes exercised in breach of the voting restriction were counted by the Company in good faith and without knowledge of the breach.

The Board may refuse to register a transfer of Shares and the Company will request the Registrar to refuse to register a transfer of Instalment Receipts if it knows or believes that the transfer will result in a breach of the 10% Limit or where the transferee has failed to lodge a statutory declaration requested from it by the Board within 14 days of the date on which the Company gave notice to the transferee to provide such statutory declaration.

### Crown directions

The Crown has the power to direct the Board to exercise certain of the powers conferred on it under the constitution. For example, where the Crown suspects that the 10% Limit has been breached but the Board has not taken steps to investigate the suspected breach, the Crown may require the Company to investigate whether a breach of the 10% Limit has occurred or to exercise a power of sale of the relevant Share that has arisen as described under the heading "Effect of Exceeding the 10% Limit" above. The Crown has similar powers in relation to the Instalment Receipts.

### Trustee corporations and nominee companies

Trustee corporations (including the Trustee and Public Trust) and nominee companies (that hold securities on behalf of a large number of separate underlying beneficial holders) are exempt from the 10% Limit provided that certain conditions are satisfied. The New Zealand Trustee satisfies these conditions and will be exempt from the 10% Limit in respect of its holding of Shares as Trustee. The Australian Trustee may be subject to the 10% Limit which may, in the future, require an additional Australian Trustee to be appointed by the Crown depending on the holdings of Instalment Receipts by Australian residents.

## 5 Sale of less than a Minimum Holding

The Company may give notice to a Shareholder holding less than a Minimum Holding of Shares (including Shares received on payment of the Final Instalment for Instalment Receipts) that if, at the expiration of 3 months after the date the notice is given, Shares then registered in the name of the holder are less than a Minimum Holding the Company may sell those Shares through the NZX Main Board or in some other manner approved by NZX Limited. Further details of that sale process are set out in the Constitution.

## 6 Cancellation of issue of Instalment Receipts or sale of Shares

The Crown may cancel the issue of Instalment Receipts or, following payment of the Final Instalment, the sale of Shares to an applicant under the Offer if the applicant misrepresented its entitlement to be allocated Instalment Receipts or Shares under the Offer as a New Zealand Applicant. If the Crown cancels an issue of Instalment Receipts or sale of Shares on those grounds:

- the Trustee must sell Instalment Receipts or, following payment of the Final Instalment, the Company must sell Shares held by that applicant, up to the number of Instalment Receipts or Shares acquired by the applicant under the Offer, irrespective of whether or not those Instalment Receipts or Shares (as applicable) were acquired by the applicant under the Offer (unless the applicant had previously sold, transferred or disposed of all of its Instalment Receipts or Shares (as applicable) to a person who was not an associated person of the applicant); and
- the applicant will receive from the sale the lesser of:
  - the sale price for the Instalment Receipts or Shares (as applicable) less the costs incurred by the Trustee or the Company (as applicable); and
  - the First Instalment for the Instalment Receipts or the Final Price for the Shares paid under the relevant Offer (as applicable) less those costs,

with any excess amount being payable to the Crown.

If an applicant who misrepresented their entitlement to Instalment Receipts or Shares has sold, transferred or otherwise disposed of its Instalment Receipts or Shares (as applicable) to an associated person, then the power of sale will extend to Instalment Receipts or Shares (as applicable) held by that associated person, up to the number of Instalment Receipts or Shares (as applicable) transferred, sold or otherwise disposed of to the associated person by the relevant applicant. Any sale of Instalment Receipts held by Australian residents would take place on either the ASX or the NZX Main Board at the discretion of the Crown. Any sale of Instalment Receipts held by other persons, or any sale of Shares, would take place on the NZX Main Board.

## 7 Co-ordination Agreement

The Co-ordination Agreement also provides limitations on the ability of the Company to issue, acquire and transfer Instalment Receipts and Shares.

Pursuant to the Co-ordination Agreement, the Company agrees that it will not at any time until the Final Instalment Payment Date (being 15 May 2015):

- make a bonus issue, an entitlements offer, a buy back offer (other than an offers made in connection with the Company's executive share plans);
- establish a dividend reinvestment plan or similar scheme;
- issue new securities other than debt securities without the Crown's consent;
- redeem a Share;
- consolidate or sub-divide Shares or any class of shares;
- seek listing or quotation of Shares or Instalment Receipts on any securities exchange other than NZX or ASX;
- amalgamate the Company into a different company without the Crown's consent;
- exercise any rights and obligations attaching to an Instalment Receipt that the Company holds itself; or
- give any financial assistance other than financial assistance that is given solely for the purpose of the Company's employee and executive share plans.

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### 8 Glossary

<b>10% Limit</b>	The limit under the Public Finance Act 1989 on persons other than the Crown having a relevant interest in more than 10% of the Shares on issue.	<b>New Zealand Applicant</b>	Has the meaning given to that term in the Offer Document.
<b>ASX</b>	ASX Limited, or the financial market operated by ASX Limited, as the context requires, also known as the Australian Securities Exchange.	<b>New Zealand Trust Deed</b>	A deed of trust between the Crown and the New Zealand Trustee in relation to Instalment Receipts held by all persons other than Australian residents.
<b>Australian Trust Deed</b>	A deed of trust between the Crown and the Australian Trustee in relation to Instalment Receipts held by Australian residents.	<b>New Zealand Trustee</b>	The New Zealand Guardian Trust Company Limited.
<b>Australian Trustee</b>	The Trust Company (Australia) Limited.	<b>NZX</b>	NZX Limited, also known as the New Zealand Stock Exchange.
<b>Companies Act</b>	Companies Act 1993.	<b>NZX Main Board</b>	The main board equity security market, operated by NZX.
<b>Company</b>	Meridian Energy Limited.	<b>NZX Main Board Listing Rules</b>	The listing rules applying to the NZX Main Board as amended from time to time.
<b>Constitution</b>	The constitution of the Company, as amended from time to time.	<b>Offer</b>	The offer of Shares pursuant to the Offer Document or the International Offering Memorandum, as applicable.
<b>Co-ordination Agreement</b>	The co-ordination agreement dated 19 September 2013 between the Company, the Crown, the New Zealand Trustee and the Australian Trustee.	<b>Offer Document</b>	The Combined Investment Statement and Prospectus dated 20 September 2013 (as amended on 27 September 2013).
<b>Crown</b>	Her Majesty the Queen in Right of New Zealand.	<b>Registrar</b>	Computershare Investor Services Limited.
<b>Final Instalment</b>	The final instalment of \$0.50 per Share.	<b>Retail Offer</b>	Has the meaning given to that term in the Offer Document.
<b>Final Price</b>	\$1.50 per Share, being the price at which the Shares were allotted.	<b>Share</b>	A fully paid ordinary share in the Company.
<b>First Instalment</b>	The first instalment of \$1.00 per Share.	<b>Shareholder</b>	A holder of one or more Shares.
<b>Instalment Receipts</b>	The instalment receipts issued to successful applicants under the Offer.	<b>Trust Deed</b>	The relevant trust deed for Instalment Receipts being the New Zealand Trust Deed or, in respect of Instalment Receipts held by Australian residents only, the Australian Trust Deed.
<b>International Offering Memorandum</b>	The international offering memorandum under which the institutional offer will be made in certain jurisdictions other than New Zealand and Australia, which consists of this Offer Document, a prospectus wrap and certain other information.	<b>Trustee</b>	The relevant trustee for Instalment Receipts being the New Zealand Trustee or, in respect of Australian resident holders of Instalment Receipts only, the Australian Trustee.
<b>Minimum Holding</b>	Has the meaning given to it in the NZX Main Board Listing Rules.		