YOUR FACT-SHEET

The Takeovers Code and Crowdfunding

The company is raising funds via a crowdfunding platform

The Takeovers Code applies to **Code Companies** – these are New Zealand registered companies that have:

- listed shares trading on the NZX, or
- 50 or more Shareholders and 50 or more Parcels of shares (but, shareholders with non-voting shares or whose shares have only limited rights to vote, do not count towards the '50 Shareholders' definition of a Code Company).

Investing via crowdfunding

One of the ways that companies can raise capital to fund things like development or expansion is through a crowdfunding platform. Typically, small amounts are raised from a large number of investors, who are issued shares in the company in return for their cash. A crowdfunding round can bring many new investors into the company.

The company's directors will often be the founding shareholders, who together have majority control or full control of the company. When capital raising via crowdfunding, the directors may decide to either:

- forego some of their control of the company by issuing shares with Voting Rights to the new investors. This may result in the company becoming a Code Company, which provides the protections of the Takeovers Code for all of the company's shareholders; or
- retain their control of the company by issuing non-voting shares, or shares that have only limited rights to vote, to the new investors. This means that the new investors are not Shareholders under the Takeovers Code and that the Takeovers Code will not apply to the company or its investors.

This Fact-Sheet explains the Takeovers Code in a simplified way. It should not be relied upon as providing a legal explanation. It does not give financial advice. Investors should not rely on it for understanding all of their rights and obligations under the Takeovers Code. Investors should take their own legal and financial advice from a qualified professional.

More information on the Takeovers Code and the Takeovers Panel can be found at www.takeovers.govt.nz

How does this affect you?

If the company becomes a Code Company you will have the protections of the Takeovers Code, and the company will bear the costs of this. The rules of the Takeovers Code ensure that Shareholders receive comprehensive information, and have adequate time to make a decision, about any proposed Change of Control of the company.

This means that any proposed Change of Control transaction will usually require:

- compliance with the class exemption for Small Code Companies; or
- a Takeover Offer being made to all shareholders; or
- approval of the Code Company's shareholders at a meeting of the company.

If the company is a Code Company and your shares have Voting Rights, you will be able to participate in all Change of Control transactions. If the company is a Code Company and your shares are non-voting or have only limited rights to vote, you will still have some minimal protections under the Takeovers Code.

However, if the company you are investing in does not become a Code Company, none of the protections of the Takeovers Code will be available to you.

Understanding your risks

Investing through a crowdfunding platform has risks. Information about these risks and about investing via crowdfunding can be found on the Financial Markets Authority's website.

TAKEOVERS PANEL