

**FULL OFFER UNDER THE TAKEOVERS CODE BY  
AUSTRALASIAN EQUITY PARTNERS  
FUND NO. 1 LP  
TO PURCHASE ALL OF THE ORDINARY SHARES  
IN  
PYNE GOULD CORPORATION LIMITED  
AT  
33 CENTS PER SHARE**

**IMPORTANT**

If you are in doubt as to any aspect of this offer, you should consult your financial or legal adviser.

If you have sold all your shares in Pyne Gould Corporation Limited to which this offer applies, you should immediately hand this offer document and the accompanying acceptance form to the purchaser or the agent (e.g., the broker) through whom the sale was made, to be passed to the purchaser.

PGC's target company statement, together with an independent adviser's report on the merits of this offer either accompanies this offer or will be sent to you within 14 days and should be read in conjunction with this offer.

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## **LETTER FROM GEORGE KERR**

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[Date] 2011

Dear PGC shareholder,

### **FULL CASH TAKEOVER OFFER FOR PGC AT 33 CENTS PER SHARE**

Since Pyne Gould Corporation Limited (**PGC**) reported a loss of \$54.4 million for the financial year ended 30 June 2009 (which necessitated the \$272.5 million capital raising to restore its balance sheet), PGC has been transforming its core finance business and developing an asset management business.

This transformation was largely completed on 30 May of this year, when PGC distributed directly to its shareholders the 216,630,283 shares it held in Building Society Holdings Limited (**Heartland**) and cancelled 73.2% of the PGC shares on issue at that time.

PGC had provided the vision, strategy and capital for MARAC to respond to the global financial crisis by shrinking its balance sheet, exiting non-performing loans and attracting new capital to grow. This restructuring provided a platform for the creation of Heartland to be a financial institution equipped to thrive in a post Crown guarantee environment. Heartland today comprises the assets of MARAC, CBS Canterbury, Southern Cross Building Society and PGW Finance and holds an investment grade rating.

As a result of loan losses, asset revaluations, the costs associated with the recapitalisation of MARAC and the formation and subsequent distribution of Heartland shares, PGC has announced large losses in two of the past three years, including a \$141.1 million loss for the financial year ended 30 June 2011.

Given these significant events, I believe it is now an appropriate time for PGC shareholders to re-evaluate the nature of PGC's residual businesses and their shareholding in PGC.

Following the distribution of Heartland shares, PGC's principal assets now comprise:

- Property Assets Limited, which holds a portfolio of impaired property assets from the balance sheet restructuring of MARAC as a consequence of the global financial crisis;
- Real Estate Credit Limited, which also holds impaired property assets from MARAC. These assets are used to insure Heartland against a specified portfolio of property exposures;
- a residual 9.5% holding in PGG Wrightson Limited after the Agria-led takeover of 50.1% of PGG Wrightson Limited earlier this year;
- a 6% shareholding in Heartland as a result of PGC jointly underwriting the recent Heartland capital raising to fund Heartland's acquisition of PGW Finance;
- the management contract for Equity Partners Infrastructure Company No. 1 Limited (**EPIC**), a cornerstone shareholding in EPIC and a \$14 million participation in National Australia Bank's first ranking loan facilities to EPIC (PGC's participation being subordinated behind National Australia Bank's share of that loan);
- Torchlight Investment Group, which manages and invests in a portfolio of long term assets; and

- Perpetual Group – encompassing Perpetual Asset Management (an establisher and manager of “best of breed” funds), a cornerstone shareholding in van Eyk (one of Australia’s leading providers of investment research) and Perpetual Trust (a provider of professional trustee services to personal and corporate customers), which is in the process of rebuilding its business in the wake of the tragedy of the Christchurch earthquakes.

After reviewing the asset portfolio and taking into consideration the likely future capital requirements of the component businesses, I have concluded that PGC now has little in common with the PGC many shareholders have long been associated with.

The recent investment by the US-based Baker Street Capital, L.P. (**Baker Street**) has brought another professional investor to PGC, which is also strongly focused on value growth rather than simple income returns and dividends.

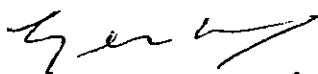
PGC was for many years regarded as a dividend stock for its long term shareholders. Following the distribution of shares in Heartland in May of this year (with Heartland recently indicating an intention to commence paying dividends), the remaining assets in PGC are fundamentally different in nature. PGC is now a company more likely to re-invest its earnings in its assets with a patient seven years and beyond investment horizon. In order to optimise growth in asset values over that period, PGC may also require shareholders to contribute more capital as new investment opportunities in existing or new businesses present themselves.

Baker Street and I have therefore decided that, with the remaining PGC businesses focusing on growth rather than dividends, it is appropriate to give all shareholders the opportunity to sell their shares now for cash.

Accordingly, on 10 October 2011, Australasian Equity Partners Fund No. 1 LP (**AEP**) (a fund that I have established with Baker Street’s participation (in the capacity as a limited partner) for making this offer), announced an intention to make a full offer for PGC under the Takeovers Code at a price of 33 cents per PGC share. PGC shareholders (including Baker Street and Pyne Holdings Limited, a company that I control) holding approximately 37.51% of the PGC shares have already irrevocably agreed to accept this offer by entering into lock-up agreements with AEP.

With world share markets again experiencing significant volatility, a number of PGC’s largest shareholders have substantially reduced their shareholdings in recent weeks. If you are an investor who requires a dividend yield or who might not wish to contribute further cash to invest more substantially in PGC if the company requires more capital for investment, you may decide this is an appropriate time for you to sell your PGC shares.

Yours faithfully,



George Kerr

## SUMMARY OF OFFER

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On 10 October 2011 (**Notice Date**), Australasian Equity Partners Fund No. 1 LP (**AEP**) announced that it would make a full offer under the Takeovers Code for all of the fully paid ordinary shares (**PGC Shares**) in Pyne Gould Corporation Limited (**PGC**). The key terms of the Offer are:

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<b>Share Offer Price</b>	33 cents in cash for each PGC Share.
<b>Full Offer</b>	The Offer is for 100% of the PGC Shares.
<b>How to ACCEPT</b>	If you wish to <b>ACCEPT</b> the Offer, please refer to the section " <b>How to accept the Offer</b> " on pages 7 and 8 of this Offer Document and the Acceptance Form enclosed with this Offer Document.
<b>Conditions</b>	<p>The Offer is conditional on the Conditions detailed in clauses 4.1 and 4.2 of the Offer on pages 11 to 14 of this Offer Document.</p> <p>These conditions include the receipt by AEP of acceptances which will result in AEP becoming the holder or controller of 90% or more of the voting rights in PGC (or, if AEP in its absolute discretion elects to waive that 90% minimum acceptance condition, greater than 50% of the voting rights in PGC).</p>
<b>Major shareholders have agreed to accept the Offer</b>	<p>PGC's major shareholders being:</p> <ul style="list-style-type: none"><li>• Pyne Holdings Limited (holding 13.20% of the PGC Shares);</li><li>• Baker Street Capital, L.P. (holding 19.78% of the PGC Shares); and</li><li>• other major shareholders holding in total 4.53% of the PGC Shares,</li></ul> <p>who together hold 37.51% of the voting rights in PGC, have each agreed to accept the Offer within one business day of the despatch of the Offer Document, in accordance with their obligations under the Lock-Up Agreements (described further in paragraph 8 of Appendix 1).</p>
<b>Offer Period</b>	The Offer is dated [ <i>insert date</i> ] ( <b>Offer Date</b> ) and closes on [ <i>date 30 days after the date of the Offer</i> ] 2011 (unless extended in accordance with the Takeovers Code).
<b>Payment Date</b>	If you accept the Offer you will be paid the consideration for your PGC Shares in New Zealand dollars no later than seven days after the later of the date on which your acceptance is received by AEP, the date on which the Offer is declared unconditional or [ <i>date 30 days after the date of the Offer</i> ] 2011.
<b>Brokerage Costs</b>	You will not pay any brokerage costs if you accept the Offer.

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**Important Contacts**

If you have any questions about the Offer or you require further copies of this Offer Document and its enclosures (including the Acceptance Form and the reply paid envelope), you should contact the share registrar for the Offer, Link Market Services Limited:

Telephone: +64 9 375 5998

Facsimile: +64 9 375 5990

Alternatively, you should contact your financial or legal adviser.

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**THIS IS ONLY A SUMMARY OF THE OFFER.**

**THE DETAILED TERMS AND CONDITIONS OF THE OFFER ARE SET OUT ON PAGES 9 TO 19 OF THIS OFFER DOCUMENT. YOU SHOULD READ THOSE TERMS AND CONDITIONS CAREFULLY.**

## WHY YOU SHOULD ACCEPT THIS OFFER

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This section sets out AEP's views on the merits of the Offer. It is not the independent adviser's report on the merits of the Offer.

### 1. **If you accept the Offer, you will receive a substantial premium to recent trading prices for your PGC Shares**

You should consider the following:

- The price offered is a 22% premium to the closing share price of PGC Shares on NZSX on 7 October 2011.
- Two of PGC's largest shareholders have substantially reduced their holdings of PGC Shares in recent weeks.
- This same price has been accepted by PGC Shareholders holding 37.51% of the PGC Shares pursuant to the Lock-Up Agreements referred to in this Offer Document.
- PGC Shares have recently traded as low as 27 cents on substantial volume.
- World share markets have re-entered a phase of considerable turbulence and the economic outlook is quite uncertain in many countries, including New Zealand. New Zealand has just experienced a ratings downgrade by two major ratings agencies.
- If the Offer becomes unconditional and once it completes, AEP has indicated it does not favour PGC paying dividends (discussed further at paragraph 13 of Appendix 1 of this Offer Document).

### 2. **The Offer consideration is all cash**

The consideration offered to PGC Shareholders is 100% cash and is for all of the PGC Shares. If you accept this Offer and the Offer becomes unconditional, you will be paid the consideration for your PGC Shares in New Zealand dollars no later than seven days after the later of the date on which your acceptance is received by AEP, the date on which the Offer is declared unconditional or *[date 30 days after the date of the Offer]* 2011.

### 3. **AEP believes PGC is no longer a dividend stock**

Historically, many of PGC's Shareholders have enjoyed a steady flow of dividends.

Since the recapitalisation in 2009 and the hard work that resulted in the creation of Heartland (from combining the businesses of MARAC, CBS Canterbury, Southern Cross Building Society and PGW Finance), PGC has focussed on creating value rather than paying cash dividends. In AEP's opinion, PGC is unlikely to pay dividends for the foreseeable future given its current asset portfolio which has changed significantly over recent years. If the Offer becomes unconditional, AEP intends to review the dividend policy of PGC with the objective of formalising a no-dividend policy and the assumption would be that all PGC earnings are re-invested in PGC's businesses consistent with a seven years and beyond investment horizon. This is discussed further at paragraph 13 of Appendix 1 of this Offer Document.

AEP believes that PGC's business strategy now has little in common with many of PGC's long term shareholders.

**4. PGC has made large losses in two of the last three years**

As a consequence of poor lending decisions at MARAC prior to 2009, necessitating a major recapitalisation of PGC during 2009, and the subsequent distribution of shares in the recently formed Heartland earlier this year, PGC has reported large losses in two of the last three years:

- for the year ended 30 June 2011, PGC announced a loss of NZ\$141.1 million.
- for the year ended 30 June 2010, PGC announced a profit of NZ\$22.0 million; and
- for the year ended 30 June 2009, PGC announced a loss of NZ\$54.4 million.

**5. The value of PGC's holdings in PGG Wrightson Limited and Heartland have declined by 20% and 24% respectively since 30 June 2011<sup>1</sup>**

**6. Global financial markets have re-entered a period of considerable uncertainty and risk, and New Zealand has had its credit rating downgraded by two of the major rating agencies, Standard & Poor's and Fitch**

**7. Shareholders who hold 37.51% of the PGC Shares have agreed to accept AEP's Offer pursuant to Lock-Up Agreements**

Five of PGC's major shareholder, who in aggregate hold 37.51% of the PGC Shares, have irrevocably agreed to accept the Offer through their entry into Lock-Up Agreements with AEP (discussed further in paragraph 8 of Appendix 1 of this Offer Document).

The parties who have entered into Lock-Up Agreements include Baker Street Capital, L.P. (holding 19.78% of the PGC Shares) and Pyne Holdings Limited (holding 13.20% of the PGC Shares) (a company controlled by George Kerr, a director of PGC). Both Baker Street Capital, L.P. and George Kerr have interests in AEP and George Kerr controls the general partner of AEP.

In addition, two of PGC's major shareholders have substantially reduced their shareholdings in PGC in recent weeks.

**8. In the absence of the Offer, AEP's view is that the PGC Share price is likely to trade significantly below the Offer price**

Should AEP's Offer for PGC not proceed, or an equivalent or superior proposal does not emerge, in AEP's view it is likely that the PGC Share price will trade below the Offer price. The closing price of PGC Shares on the NZSX over the month ending on 7 October 2011 has ranged from 26 cents to 32 cents, as world share markets have re-entered a phase of considerable volatility.

Trading in PGC Shares is relatively illiquid and a recent sale of a substantial parcel of PGC Shares was made at 27 cents per share.

**9. No brokerage is payable by accepting shareholders**

*[Note: Certain statements in this section may only be applicable at and/or will be updated as at the date of the Offer.]*

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<sup>1</sup> Based in the closing price of PGG Wrightson Limited shares and Heartland shares on the NZSX as at 7 October 2011 (being the latest practicable date prior to the date of this Offer Document).



## HOW TO ACCEPT THE OFFER

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### Closing Date

The Offer is scheduled to close on [*date 30 days after the date of the Offer*] 2011 (unless extended in accordance with the Takeovers Code).

If you wish to **ACCEPT** the Offer, you must ensure that your Acceptance Form is received by AEP before the Closing Date.

### How to ACCEPT

To **ACCEPT** the Offer by AEP, you should complete the Acceptance Form enclosed with this Offer Document in accordance with the instructions set out on that form and then return that form in one of the ways described below.

### Address for Acceptance

You should **deliver or mail** your completed Acceptance Form in the enclosed reply paid envelope to AEP at the following address (if mailing from overseas please affix required postage stamp):

### Mail

Australasian Equity Partners Fund No. 1 LP  
c/- Link Market Services Limited  
PO Box 91976  
Auckland, 1142

### Delivery

Australasian Equity Partners Fund No. 1 LP  
c/- Link Market Services Limited  
Level 16 Brookfields House  
19 Victoria Street  
Auckland

### Facsimile

You may also fax your completed Acceptance Form to AEP at:

Australasian Equity Partners Fund No. 1 LP  
c/- Link Market Services Limited  
on +64 9 375 5990

### Email

You may also email your completed Acceptance Form to AEP at:

Australasian Equity Partners Fund No. 1 LP  
c/- Link Market Services Limited  
Lmsenquiries@linkmarketservices.com  
(Please write "AEP Acceptance" in the subject line for easy identification)

### Important

**ACCEPTANCES MUST BE RECEIVED BY OR POST-MARKED NOT LATER THAN [*date 30 days after the date of the Offer*] 2011** (unless the Offer Period is extended in accordance with the Takeovers Code)

### If You Have Sold All Your PGC Shares

If you have sold all of your PGC Shares, please send this Offer Document and all enclosures (including the Acceptance Form) immediately to the purchaser or agent (e.g., the broker) through whom the sale was made, to be passed to the purchaser.

**If You Have Sold Some of Your PGC Shares**

If you have sold some of your PGC Shares, please alter the total holding printed on the Acceptance Form to the number of PGC Shares which you have retained, initial the change and forward the amended Acceptance Form in any way as instructed above to AEP c/- Link Market Services Limited.

Upon receipt of your amended Acceptance Form, AEP will re-calculate the payment amount to which you are entitled to reflect the number of PGC Shares for which you have accepted the Offer.

Please also advise the purchaser(s) of your PGC Shares, or request the broker through whom you made the sale to advise the purchaser(s) of your PGC Shares, of the Offer and that copies of this Offer Document are available from Link Market Services Limited.

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**If You Have Lost Your Acceptance Form or If You Have Any Other Questions In Relation To The Offer**

If you have lost your Acceptance Form or if you have any other questions in relation to the Offer, please telephone the Link Market Services Investor Contact Centre on +64 9 375 5998 or email [Lmsenquiries@linkmarketservices.com](mailto:Lmsenquiries@linkmarketservices.com).

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## **TERMS AND CONDITIONS OF THE OFFER**

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Full offer by Australasian Equity Partners Fund No. 1 LP to purchase all of the ordinary shares in Pyne Gould Corporation Limited.

Date of Offer: [Date] 2011

To: The Shareholders of Pyne Gould Corporation Limited

### **1. The Offer**

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#### **1.1 PGC Shares**

AEP offers to acquire, on the terms and conditions set out in this Offer Document, all of the fully paid ordinary shares in Pyne Gould Corporation Limited (**PGC**) (all such shares are referred to in this Offer Document as the **PGC Shares**).

#### **1.2 Offer Period**

The Offer will remain open for acceptance for the period from the date of the Offer until and including the Closing Date of [date 30 days after date of Offer] 2011 (the **Offer Period**), unless the Offer is withdrawn in accordance with the Takeovers Code (and every person is released from every obligation incurred under the terms of it), or it lapses in accordance with its terms. AEP may extend the Offer Period, subject to the provisions of the Takeovers Code. The date the Offer expires is referred to in this Offer Document as the **Closing Date**.

#### **1.3 Persons who may accept**

The Offer is open for acceptance by any person who holds PGC Shares, whether acquired before, on or after the date of the Offer, upon production of satisfactory evidence of such person's entitlement to those PGC Shares.

#### **1.4 Acceptance Forms**

The provisions of the enclosed Acceptance Form comprise part of the terms of the Offer.

#### **1.5 Terms and Conditions of Offer**

The Offer is also made subject to the further terms and conditions set out in clauses 2 to 8 below and to the Takeovers Code.

### **2. Consideration**

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2.1 The consideration offered for each PGC Share is 33 cents in cash (subject to adjustment in accordance with clauses 5.1 to 5.4).

2.2 The consideration for the Offer will be paid by AEP by cheque sent by ordinary mail or paid in cleared funds by electronic transfer to PGC Shareholders whose PGC Shares are taken up under the Offer not later than seven days after the later of:

(a) the date the Offer becomes unconditional; or

(b) the date on which an acceptance is received by AEP; or

(c) [date 30 days after the date of the Offer] 2011.

Accepting PGC Shareholders may elect their preferred method of payment on the Acceptance Form.

- 2.3 If the consideration for the Offer is not sent within the period specified in clause 2.2 to any PGC Shareholder whose PGC Shares are taken up under the Offer, that PGC Shareholder may withdraw his or her acceptance of the Offer by giving notice in writing to AEP, provided that such PGC Shareholder has first given AEP seven days' written notice of that person's intention to do so. This right to withdraw acceptance of the Offer will not apply if the PGC Shareholder receives the consideration during the seven day notice period referred to in the previous sentence.

### 3. **How to accept the Offer**

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3.1 You may accept the Offer in respect of all or some of your PGC Shares.

3.2 If you wish to accept the Offer, you need only:

- (a) complete the enclosed Acceptance Form in accordance with the instructions set out on that Acceptance Form; and
- (b) return your completed Acceptance Form (in the enclosed reply paid envelope unless mailing from overseas) as soon as possible, but in any event so as to be received by AEP by, or post-marked not later than, the Closing Date. If the reply paid envelope has been mislaid, please contact Link Market Services Limited.

You may also fax your completed Acceptance Form to AEP, c/- Link Market Services Limited on +64 9 375 5990 or email it to [Lmsenquiries@linkmarketservices.com](mailto:Lmsenquiries@linkmarketservices.com).

- 3.3 AEP may, in its sole discretion, treat any Acceptance Form as valid notwithstanding that it does not comply with this clause 3, and may, in its sole discretion, rectify any errors in, or omissions from, any Acceptance Form. AEP will determine, in its sole discretion, all questions relating to documents, including the validity, eligibility, time of receipt and effectiveness of an acceptance of the Offer. The determination of AEP will be final and binding on all parties.
- 3.4 Acceptance of the Offer by a PGC Shareholder (each such person an **Acceptor**) constitutes a contract between that Acceptor and AEP on the terms and subject to the conditions of the Offer. Other than in the circumstances set out in clause 2.3 and clause 3.5, acceptances of the Offer are irrevocable and you may not withdraw your acceptance during the time the Offer is open for acceptance, whether or not there has been any permissible variation of the Offer in accordance with the Takeovers Code.
- 3.5 AEP shall be released from its obligations under the Offer, and arising from acceptance of the Offer, if:
- (a) the Offer is withdrawn with the consent of the Takeovers Panel; or
  - (b) the Offer lapses as a result of any condition contained in the Offer not being satisfied or waived by the date specified as the latest date for satisfaction of that condition.
- 3.6 Legal and beneficial ownership of, and title to, the PGC Shares which are the subject of an acceptance of the Offer shall pass to AEP, and the registration of the transfer of those PGC Shares shall take place, contemporaneously with the consideration for such PGC Shares being sent in accordance with clause 2.2.
- 3.7 AEP may choose to engage the services of one or more Primary Market Participants (in terms of the NZX Participant Rules) or other financial advisory firms (together, **Brokers**) to contact PGC

Shareholders and receive Acceptance Forms. If AEP chooses to do this, the key terms of the engagement will be as follows:

- (a) for each completed and valid Acceptance Form procured by a Broker, AEP may pay to that Broker a handling or procurement fee in respect of the PGC Shares the subject of that Acceptance Form (**Procurement Fee**). The amount of the Procurement Fee will be 0.75% of the consideration payable by AEP under the Offer to the relevant Acceptor in respect of the Acceptance Form received;
- (b) the Broker will be paid, and receive, the Procurement Fee solely in connection with its services to AEP and must not, directly or indirectly, pass any or all of the Procurement Fee on to any Acceptor, or share the Procurement Fee with any Acceptor;
- (c) the payment of a Procurement Fee to a Broker in respect of an Acceptance Form procured by that Broker is in all respects conditional on the PGC Shares, which are the subject of that Acceptance Form, being validly transferred to AEP. No Procurement Fees will be payable if the Offer is not declared unconditional by AEP. In addition, the Acceptance Form must be delivered to AEP in accordance with clause 3.2 above and must be stamped by the Broker (and only that Broker). A Procurement Fee will not be paid in respect of PGC Shares acquired by AEP through the compulsory acquisition provisions set out in Part 7 of the Takeovers Code;
- (d) AEP may, in determining the Procurement Fee payable to a Broker, aggregate and/or disregard any acceptance of the Offer procured by that Broker if AEP believes that a party has structured holdings of PGC Shares for the purpose or with the effect of enabling parties to take advantage of the arrangements summarised in this clause 3.7;
- (e) AEP will determine, in its sole discretion, any disputes relating to the payment of a Procurement Fee. The determination of AEP will be final and binding on all parties; and
- (f) no Procurement Fees are payable in respect of PGC Shares that are subject to the Lock-Up Agreements referred to in this Offer Document.

#### 4. **Conditions of the Offer**

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- 4.1 The Offer, and any contract arising from it, are subject to the conditions that, during the period from and including the Notice Date until the time that the Offer is declared unconditional by AEP:
- (a) no dividends, bonus issues or other payments or distributions (including, without limitation, any share buybacks) of any nature have been or are declared, paid, or made upon or in respect of any of the PGC Shares or any other shares in PGC or in respect of any shares in any of PGC's subsidiaries or any joint venture in which PGC or any PGC subsidiary has an interest (such subsidiaries and joint ventures, together with PGC, being the **PGC Group**) other than any dividend or distribution from wholly owned subsidiaries of PGC to other companies within the PGC Group;
  - (b)
    - (i) no further shares, convertible securities or options or any other securities of any description of any member of the PGC Group have been or will be issued or agreed to be issued; and
    - (i) no PGC Shares nor any securities of any member of the PGC Group have been or are reclassified, subdivided, consolidated or bought back; and
    - (ii) no rights, privileges, entitlements or restrictions attaching to the PGC Shares or any securities of any member of the PGC Group have been or are altered;

- (c) the business of each member of the PGC Group is carried on in the normal and ordinary course, consistent with past practices, including, without limitation:
- (i) neither PGC nor any other member of the PGC Group:
    - (A) disposes of, acquires, transfers, leases, grants a security interest or other security over, grants an option or legal or equitable interest in respect of, or otherwise deals with a legal or equitable interest in, any shares, asset (including contractual rights), business operation, property or interest in a joint venture, entity or undertaking; or
    - (B) agrees, including varying any agreement, to do any of the actions referred to in clause 4.1(c)(i)(A) for, or in respect of, an asset, business operation, property or subsidiary,
 

in each case, having a value of an amount in excess of \$200,000 (either by a single act or series of related acts), otherwise than in the ordinary course of business; and
  - (ii) neither PGC nor any other member of the PGC Group makes or agrees to make any unusual or abnormal payment or enters into, or agrees to enter into, any new contract, commitment, liability, arrangement or agreement, or alters, or agrees to alter, the terms of any existing contract, commitment, liability, arrangement or agreement providing for any payments by the PGC Group over its term, in excess of \$200,000, or having a term of more than one year, otherwise than in the ordinary course of business;
- (d) neither PGC nor any other member of the PGC Group, changes, or agrees to change, the remuneration or any other material terms of employment of any director, officer, employee or consultant (except for ordinary wage or salary increases in accordance with its established review policy and conducted under the supervision of PGC's board) or employs or agrees to employ any new employee, at a rate of remuneration in excess of \$200,000 per annum;
- (e) there being no alteration to the constitutional documents of any PGC Group member, other than amendments of a formal or technical (but not substantive) nature;
- (f) no liquidator, receiver, receiver and manager, administrator (voluntary or otherwise), statutory manager or similar official is appointed to PGC, or any other member of the PGC Group, or is appointed in relation to any of their respective assets, and no proceedings or other action to appoint any such party is commenced or taken;
- (g) no resolution is passed for any amalgamation or liquidation of PGC or any other member of the PGC Group, and neither PGC nor any other member of the PGC Group is involved in any merger, share buyback or scheme of arrangement, or any agreement or proposal relating to any merger, share buyback or scheme of arrangement is announced in respect of any of them;
- (h) neither PGC nor any other member of the PGC Group enters into, contracts to enter into, or completes any transaction or arrangement to which NZSX Listing Rule 9.1 and/or NZSX Listing Rule 9.2 applies (or would apply but for the granting of a waiver or ruling);
- (i) no event or circumstance occurring on or after the Notice Date that has, or could reasonably be expected to have, a material adverse effect on the financial position, trading operations or prospects or assets of the PGC Group as compared with the position immediately prior to the Notice Date;
- (j) no action, claim, litigation or other form of proceedings being notified, threatened or commenced against the PGC Group, involving a bona fide claim or bona fide claims together totalling in excess of \$200,000;

- (k)
  - (i) no assets of any member of the PGC Group, no shares, securities or interests held, controlled or owned by any member of the PGC Group, in any company or other entity or any other unincorporated body; and
  - (ii) no contract to which any member of the PGC Group is a party,
 

(which assets, shares, or other securities or interests or contracts are or could reasonably be expected to be material to the PGC Group taken as a whole) are, or will be, subject to any option, forfeiture or termination, transfer, any right of pre-emption, or any other right that could be adverse to the PGC Group or AEP in the event of any member of the PGC Group becoming a subsidiary or under the control of AEP;
- (l) no event of default, potential event of default, repayment event, prepayment event or event of review (however described) under any financing agreement to which PGC or any PGC Group member is subject occurring as a consequence of PGC or any of its subsidiaries becoming a subsidiary or under the control of AEP;
- (m) neither PGC nor any other member of the PGC Group establishing, nor entering into any agreement or arrangement to establish, any new business operations or facilities, whether in New Zealand or elsewhere other than in the ordinary course of business consistent with the nature, type and value of previous establishments;
- (n) no member of the PGC Group is, or will be, under any obligation to make any payment or provide any consideration exceeding in aggregate \$200,000 to any of its employees or directors solely as a result of any member of the PGC Group becoming a subsidiary or under the control of any other company or entity;
- (o) no board resolution or shareholders' resolution of PGC or any other member of the PGC Group being passed:
  - (i) to do, or to authorise the doing of, any act, matter or circumstance referred to in clauses 4.1(a) to (n); or
  - (ii) which could reasonably be expected to give rise to any act, matter or circumstance referred to in clauses 4.1(a) to (n);
- (p) there not having occurred any events, circumstances or conditions of the nature referred to in clauses 4.1(a) to (o) above (ignoring, for this purpose, any materiality or similar qualifications therein) which (while not causing a failure of any of the conditions set out in any such clauses), when aggregated with all other events, changes, circumstances or conditions of any of the natures referred to in such clauses (ignoring, for this purpose, any materiality or similar qualifications therein) that have occurred, mean that the overall impact of all such aggregated events, changes, circumstances or conditions taken as a whole had, or could reasonably be expected to have, a material adverse effect on the financial position, trading operations or assets or liabilities or prospects of the PGC Group taken as a whole;
- (q) there being no decline in the NZSX 50, the S&P/ASX 50 or the S&P 500 indices of 10% or more, measured by reference to the level of the relevant index at 5.00pm on the trading day immediately prior to the Notice Date, which decline is maintained for the trading close of NZSX, ASX and the NYSE (as relevant) on two consecutive trading days or, if it occurs less than 48 hours before 5.00 pm on the Closing Date, is maintained continuously during subsequent trading periods of the NZSX, ASX and the NYSE (as relevant) until 5.00pm on the Closing Date;
- (r) no central government or sovereign body or entity of any country that is a member of either the European Union or the Organisation for Economic Co-operation and Development:

- (i) defaults on any debt it owes to any lenders; or
  - (ii) undertakes, or agrees to undertake, a reconstruction of its debt; or
- (s) there being no downgrading of any rating assigned by any of the Standard & Poor's, Moody's or Fitch rating agencies to:
- (i) either:
    - (A) the debt owed by the central governments or government sovereign owned bodies or entities of either New Zealand or Australia; or
    - (B) any of those central governments or government sovereign owned bodies or entities themselves; or
  - (ii) either:
    - (A) any of Westpac Banking Corporation, Australia and New Zealand Banking Group Limited, National Australia Bank Limited, Commonwealth Bank of Australia or Heartland New Zealand Limited; or
    - (B) the debt issued by any of the entities referred to in clause 4.1(s)(ii)(A).

4.2 The Offer, and any contract arising from it, is further conditional on:

- (a) AEP receiving acceptances by no later than *[insert date being 30 days after the date of the Offer]* 2011 (or such date to which the Offer Period is extended in accordance with the Takeovers Code) in respect of PGC Shares which would upon the Offer being declared unconditional and the relevant PGC Shares being transferred, result in AEP holding 90% or more of the voting rights in PGC; or
- (b) if the condition in clause 4.2(a) is waived by AEP, then (in accordance with Rule 23 of the Takeovers Code) acceptances being received in respect of that number of PGC Shares which, when taken together with the PGC Shares already held or controlled by AEP, confer on AEP more than 50% of the voting rights in PGC.

4.3 Each of the conditions set out in clauses 4.1(a) to (s) and clause 4.2 is a separate condition subsequent, and acceptance of the Offer by each Acceptor shall constitute a contract between that Acceptor and AEP, subject to the conditions of the Offer. The Offer will only proceed if all conditions in clauses 4.1(a) to (s) and clause 4.2 are satisfied or, if capable of waiver, waived.

4.4 For the duration of the Offer, except where AEP will waive any Condition, George Kerr intends to abstain from voting on any matter (a **Relevant Matter**), in his capacity as a director of PGC or any of its subsidiaries, that may cause a Condition as set out in clause 4.1. above not to be satisfied or fulfilled, as the case may be, so as to ensure that there is no prospect of the fulfilment of any Condition being in the power, or under the control, of AEP or an "associate" of AEP (as that term is defined in the Takeovers Code). However, where AEP will or has waived the satisfaction or fulfilment of a Condition in respect of a particular Relevant Matter, George Kerr does not intend to abstain from voting on that Relevant Matter.

4.5 The conditions set out in clauses 4.1(a) to (s) and clause 4.2 have been inserted for the benefit of AEP and may, to the extent they are capable of being waived and to the extent permitted under the Takeovers Code, be waived in whole or in part by AEP at its absolute discretion. Any waiver or consent given by AEP in respect of any matter or thing shall apply only in accordance with its terms and shall not constitute a consent or waiver in respect of any similar matter or thing. The condition contained in clause 4.2(b) cannot be waived.



- 4.6 To the extent required by the Takeovers Code, where any condition set out in clauses 4.1 and 4.2 requires a determination as to whether a matter is or could reasonably be expected to be material or not, is unusual or not, is adverse or not, is normal or not, is in the ordinary course of business or not, is consistent or not, is of a formal or technical nature or not, is on substantially the same terms or not, is significant or not, or any similar determination required in relation to any condition, before the condition may be invoked, such determination must be made by a suitably qualified expert appointed by AEP (after consultation with PGC) who is independent of, and not an associate of, AEP.
- 4.7 Immediately following all Conditions being satisfied or waived (to the extent capable of being waived) in accordance with the terms of the Offer, AEP will:
- (a) declare the Offer unconditional; and
  - (b) provide written notice that the Offer is unconditional to PGC, the Takeovers Panel and NZX.
- 4.8 In accordance with the Takeovers Code, the date by which the Offer is to become unconditional must not be later than 14 days after the Closing Date. The latest date by which the Offer is to become unconditional is *[insert date which is 14 days after Closing Date]* 2011, but this date may change if the Closing Date is extended as permitted by the Takeovers Code. If the Offer does not become unconditional, it will lapse and all Acceptance Forms received by AEP will be destroyed.

## 5. **Change of circumstances**

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- 5.1 If, on or after the Notice Date, PGC declares or pays any dividend or makes any other distribution of whatever nature whatsoever to the PGC Shareholders (and the Condition contained in clause 4.1(a) is waived by AEP), Acceptors will be bound to pay to AEP an amount equivalent to such dividend or the value of such other distribution (in each case inclusive of withholding taxes deducted, if applicable) or, at the option of AEP, the price which would otherwise have been paid to each Acceptor will be reduced by an amount equivalent to such dividend or the value of such other distribution.
- 5.2 If, on or after the Notice Date, PGC makes any issue of shares, convertible securities or other securities, or grants any other rights or interests to the PGC Shareholders by way of bonus issue (and the condition contained in clause 4.1(b)(i) is waived by AEP), Acceptors will be bound to transfer such shares, convertible securities, other securities or other rights and interests to AEP and the consideration per PGC Share provided for under clause 2 will be reduced to take account of such issue.
- 5.3 If all or any of the PGC Shares are consolidated or subdivided on or after the Notice Date (and the condition contained in clause 4.1(b)(ii) is waived by AEP), then the Offer will be interpreted to take into account such consolidation or subdivision and will be deemed to be for the shares resulting from such consolidation or subdivision and the consideration per PGC Share provided for under clause 2 will be increased or reduced, as the case may require, in proportion to such consolidation or subdivision, and PGC Shareholders will be bound to transfer such consolidated or subdivided PGC Shares to AEP on the basis of the consideration per share so increased or reduced.
- 5.4 If PGC makes any issue of shares to any person on or after the Notice Date other than by way of bonus issue (and the condition contained in clause 4.1(b)(i) is waived by AEP), then the Offer will be deemed to extend to and include such shares and the consideration payable for them will be as provided in clause 2.

## 6. Notices

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### 6.1 Notice to PGC, the Takeovers Panel and NZX:

- (a) declaring the Offer unconditional; or
- (b) advising that the Offer is withdrawn in accordance with the Takeovers Code or has lapsed in accordance with its terms,

in each case, will be deemed to be notice to all PGC Shareholders and will be deemed to be given on the day of notification to NZX.

### 6.2 Notice of any variation of the Offer will be sent to each PGC Shareholder, PGC, the Takeovers Panel and NZX in accordance with the Takeovers Code unless (and to the extent that) such notice is not required to be given under the Takeovers Code.

## 7. Method of settlement

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### 7.1 No acknowledgement of the receipt of acceptances of the Offer will be issued.

### 7.2 If you accept the Offer and:

- (a) the Offer is declared unconditional by AEP; and
- (b) your Acceptance Form is in order (or in AEP's discretion, is treated as valid or is rectified in accordance with clause 3.3),

depending on your election as to the method of payment, either a cheque for the cash amount payable to you will be posted to you by ordinary mail to the address contained in the Acceptance Form or the cash amount will be direct credited to your bank account identified in the relevant Acceptance Form in cleared funds, by the date specified in clause 2.2.

### 7.3 If the Offer does not become unconditional, the Offer will lapse.

### 7.4 By completing the Acceptance Form and accepting the Offer, you will be deemed to:

- (a) represent and warrant to AEP that title to each of your PGC Shares (and to all other shares referred to in clauses 5.2 to 5.4) will be transferred to AEP free of all security interests, charges, liens, mortgages, encumbrances and adverse interests and claims of any kind, but together with all rights attaching to them, including the right to all dividends and other distributions arising after or by reference to a date occurring on or after the Notice Date;
- (b) represent and warrant to AEP that you have full power and capacity to sell and transfer your PGC Shares (and all other shares referred to in clauses 5.2 to 5.4) on the date of settlement of the Offer;
- (c) authorise AEP to effect any rectification of any Acceptance Form in the manner contemplated in clause 3.3; and
- (d) authorise AEP to advise PGC and/or its share registrar of the details of your acceptance of the Offer and to note that acceptance in the PGC share register.

- 7.5 Each Acceptor:
- (a) will not, and will not attempt to, sell, transfer or dispose of (or agree to do any of those things), any or all of the PGC Shares in respect of which the Acceptor has accepted the Offer (other than for acceptance of the Offer itself); and
  - (b) irrevocably authorises AEP to instruct PGC and its share registrar to refuse, during the Offer Period, to register any transfer of any or all of the PGC Shares in respect of which the Acceptor has accepted this Offer, except for transfers pursuant to this Offer.
- 7.6 All Acceptance Forms and other documents to be delivered or sent by a holder of PGC Shares will be delivered or sent by that holder at that holder's own risk.

## 8. Miscellaneous

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- 8.1 The following terms have the following meanings when used in this Offer Document (including Appendix 1) unless the context otherwise requires:

**Acceptance Form** means the acceptance and transfer form relating to PGC Shares that is enclosed with and forms part of this Offer Document;

**Acceptor** has the meaning given to that term in clause 3.4 of this Offer Document;

**Baker Street** means Baker Street Capital, L.P.;

**Brokers** has the meaning given to that term in clause 3.7;

**Closing Date** means [*date 30 days after date of Offer*] 2011 or such later date (if any) as AEP may determine to extend the Offer in accordance with the Takeovers Code;

**Companies Act** means the Companies Act 1993;

**Conditions** means the conditions to the Offer set out in clauses 4.1 and 4.2 of this Offer Document;

**Independent Adviser's Report** means an independent adviser's report prepared in relation to the merits of the Offer pursuant to Rule 18(1) of the Takeovers Code;

**Lock-Up Agreements** means the Lock-Up Agreements dated on or about 10 October 2011, described at paragraph 8 of Appendix 1 of this Offer Document;

**Lock-Up Parties** means the parties identified in paragraph 8 of Appendix 1 of this Offer Document;

**Notice Date** means 10 October 2011, being the date on which AEP served or caused to be served on PGC a notice in writing pursuant to Rule 41 of the Takeovers Code;

**NZSX** means the main board equity security market operated by NZX;

**NZSX Listing Rules** means the listing rules made by NZSX from time to time;

**NZX** means NZX Limited;

**Offer** means the offer for the PGC Shares, set out in this Offer Document;

**Offer Document** means this offer document dated [*Date*] 2011;

**Offer Period** has the meaning set out in clause 1.2 of this Offer Document;

**Pyne Holdings** means Pyne Holdings Limited;

**PGC Board** means the board of directors of PGC;

**PGC Directors** means the directors of PGC;

**PGC Group** has the meaning given to that term in clause 4.1(a);

**PGC Shareholder** means a holder of PGC Shares;

**PGC Shares** means all of the fully paid ordinary shares of PGC;

**Procurement Fee** has the meaning given to that term in clause 3.7(a).

**Registrar** means the Registrar of Companies under the Companies Act;

**Related Company** has the meaning given to that term in section 2(3) of the Companies Act (read as if the expressions "company", "holding company" and "subsidiary" in that section include any body corporate or equivalent entity wherever established);

**Relevant Matter** has the meaning given to that term in clause 4.4 of this Offer Document;

**Takeover Notice** means a takeover notice in respect of the Offer under Rule 41 of the Takeovers Code;

**Takeovers Code** means the takeovers code recorded in the Takeovers Code Approval Order 2000 (SR 2000/210), as amended;

**Takeovers Panel** means the takeovers panel established by the Takeovers Act 1993; and

**Target Company Statement** means the target company statement under Rule 46 of the Takeovers Code in relation to the Offer and which includes the Independent Adviser's Report.

8.2 In this Offer Document:

- (a) Except if expressly defined in this document, or except where the context requires otherwise, terms defined in the Takeovers Code shall have the same meaning in this Offer Document.
- (b) A reference to the Takeovers Code includes any applicable exemption notices issued pursuant to the Takeovers Act 1993.
- (c) All sums of money referred to in this Offer Document are in New Zealand currency.
- (d) The Offer and any contract arising from it shall be governed by and construed in accordance with the laws of New Zealand.
- (e) All references to statutes are references to New Zealand legislation unless otherwise stated.
- (f) All times referred to in this Offer Document are New Zealand times unless otherwise stated.

- (g) All references to timing shall be construed in accordance with the Takeover Panel's Code Word 25B (as updated or supplemented from time to time).
- (h) The singular includes the plural and vice versa unless the context otherwise requires.
- (i) Where the consideration payable to an Acceptor results in a fractional number of cents, the consideration shall be rounded down to the nearest whole number.
- (j) All references to "subsidiaries" have the meaning given to that term under section 5 of the Companies Act.
- (k) Headings are for convenience only and do not affect the interpretation of this Offer Document or the Acceptance Form.

8.3 If there is an inconsistency between the terms and conditions of the Offer and the provisions of, or the application of the provisions of, the Takeovers Act 1993 or the Takeovers Code, the provisions of the Takeovers Act 1993 or the Takeovers Code (as the case may be) will prevail.

## APPENDIX 1: INFORMATION REQUIRED BY SCHEDULE 1 TO THE TAKEOVERS CODE

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The information required by Schedule 1 to the Takeovers Code, to the extent not stated elsewhere in this Offer Document, is set out below:

**1. Date**

The Offer is dated [*date*] 2011.

**2. Offeror and its directors**

**Offeror:**

Australasian Equity Partners Fund No. 1 LP (**AEP**)  
C/- Deloitte  
80 Queen Street  
Auckland, 1010

**Directors of the Offeror:**

As AEP is a New Zealand limited partnership, it has no directors. The general partner of AEP is Australasian Equity Partners (GP) No. 1 Limited, a New Zealand company. The sole director of Australasian Equity Partners (GP) No. 1 Limited is George Kerr.

**3. Name of target company**

The target company is Pyne Gould Corporation Limited (**PGC**).

**4. Advice statement**

The advice statement required under clause 4 of Schedule 1 to the Takeovers Code is set out on the cover page of this Offer Document.

**5. Offer terms**

The terms and conditions of the Offer are set out on pages 9 to 19 of this Offer Document.

**6. Ownership of equity securities of PGC**

The table below sets out a statement of the numbers, designation and percentages of equity securities of any class of PGC held or controlled by:

- (a) AEP;
- (b) any related company of AEP;
- (c) any person acting jointly or in concert with AEP;
- (d) any director of any of the persons described in paragraphs (a) to (c) above; and
- (e) any other person holding or controlling 5% or more of the class, to the knowledge of AEP.

Name	Description	Number of equity shares held or controlled	Type of equity security	Percentage of class
Pyne Holdings Limited	Person holding or controlling more than 5%/Person controlled by a PGC Director (George Kerr)/Person acting jointly or in concert with AEP	28,594,252	Ordinary Shares	13.20%
Baker Street Capital, L.P.	Person holding or controlling more than 5%/Person acting jointly or in concert with AEP	42,848,301	Ordinary Shares	19.78%

Notes:

- (1) The details shown above have been obtained from substantial security holder notices lodged with NZX and from enquiries made by AEP, being the only such information within the knowledge of AEP. The percentage numbers shown above are based on 216,629,610 PGC Shares on issue as at the date of this Takeover Notice.
- (2) The percentage numbers are rounded to two decimal places.

Except for those persons who are specified in the statement made above as holding or controlling equity securities of PGC, no person referred to in paragraphs (a) to (d) above holds or controls equity securities of PGC.

## 7. Trading in PGC equity securities

The following persons, referred to in paragraph 6 above, have acquired or disposed of equity shares in PGC during the six-month period before the date of this [Takeover Notice]:

Name	Number of equity securities	Type of equity security	Acquisition or disposal	Date of Transaction	Consideration per security
Pyne Holdings Limited	81,308,315	Ordinary Shares	Cancellation of shares by PGC	30 May 2011	Not applicable
Baker Street Capital, L.P.	16,000,000	Ordinary Shares	Acquisition	4 August 2011	\$0.38
Baker Street Capital, L.P.	187,769	Ordinary Shares	Acquisition	29 July 2011	\$0.35
Baker Street Capital, L.P.	102,453	Ordinary Shares	Acquisition	21 July 2011	\$0.35
Baker Street Capital, L.P.	208,918	Ordinary Shares	Acquisition	13 July 2011	\$0.36
Baker Street Capital, L.P.	3,379,026	Ordinary Shares	Acquisition	1 July 2011	\$0.39
Baker Street Capital, L.P.	221,910	Ordinary Shares	Acquisition	24 June 2011	\$0.39
Baker Street Capital, L.P.	1,181,526	Ordinary Shares	Acquisition	9 June 2011	\$0.40

Except as disclosed above, none of the persons referred to in paragraphs (a) to (d) of paragraph 6 above have acquired or disposed of any equity securities in PGC during the six-month period

before the date of this [Takeover Notice].

#### 8. Agreements to accept Offer

On 10 October 2011, each of the parties listed in the table below (the **Lock-Up Parties**) entered into a Lock-Up Agreement with AEP pursuant to which they have each agreed to accept the Offer in respect of all the fully paid PGC Shares they own or control (as set out alongside their names below).

Shareholder	Securities subject to Lock-Up Agreement	Percentage of Class
Pyne Holdings Limited	28,594,252 fully paid ordinary shares	13.20%
Baker Street Capital, L.P.	42,848,301 fully paid ordinary shares	19.78%
George Charles Desmond Kerr and Stephen Bruce Lowe	1,939,714 fully paid ordinary shares	0.90%
Accident Compensation Corporation	6,000,000 fully paid ordinary shares	2.77%
Wyuna Trustees Limited	1,876,000 fully paid ordinary shares	0.87%
<b>Total</b>		<b>37.51%</b>

The material terms of the Lock-Up Agreements entered into by AEP and the Lock-Up Parties are:

- (a) AEP agreed that it will send a notice of takeover offer relating to the Offer in accordance with Rule 41 of the Takeovers Code to PGC within 5 days after execution of the Lock-Up Agreement;
- (b) Subject to none of the circumstances outlined in clause 4.1 having occurred on or after the date of the Takeover Notice, PGC agreed to send the Offer to PGC Shareholders as soon as reasonably possible and in accordance with the Takeovers Code, and in any event no later than 30 days after sending the Takeover Notice;
- (c) AEP agreed that the Offer would:
  - (i) be made at a price of 33 cents in cash for each PGC Share;
  - (ii) be conditional on AEP receiving acceptances under the Offer in respect of PGC Shares that confer 90% or more of the voting rights in PGC or, if AEP waives that 90% minimum acceptance condition, acceptances under the Offer in respect of PGC Shares that confer more than 50% of the voting rights in PGC, and would also be subject to the other conditions set out in this Offer Document;
- (d) the Lock-Up Parties each agreed to accept or procure the acceptance of the Offer within one business day after the date of despatch of this Offer Document to PGC Shareholders;
- (e) each Lock-Up Party agreed that, unless its Lock-Up Agreement is terminated or the Offer lapses or is withdrawn, they would not dispose of, encumber or deal in any way with any of their PGC Shares, except to accept the Offer or as otherwise provided in the Lock-Up Agreement;



- (f) the Lock-Up Parties agreed not to solicit or initiate any discussions with, nor provide any information to, any third party in relation to PGC or the PGC Shares held by the Lock-Up Parties; and
- (g) each Lock-Up Party may terminate its Lock-Up Agreement by written notice to AEP if AEP does not make the Offer to PGC Shareholders (in compliance with the Takeovers Code) within the timeframes set out in the Lock-Up Agreement.

Other than as disclosed above, no person has agreed conditionally or unconditionally to accept the Offer as at the date of this Offer Document.

#### **9. Arrangements to pay consideration**

AEP confirms that resources will be available to it sufficient to meet the consideration to be provided on full acceptance of the Offer and to pay any debts incurred in connection with the Offer (including debts arising under Rule 49 of the Takeovers Code).

A statement setting out the rights of each offeree under Rule 34 of the Takeovers Code, to withdraw acceptances for non-payment by AEP of the consideration, is set out in clause 2.3 of the Offer.

#### **10. Arrangements between AEP and PGC**

There are no agreements or arrangements (whether legally enforceable or not) made or proposed to be made between AEP, or any associates of AEP, and PGC or any related company of PGC, in connection with, in anticipation of, or in response to, the Offer.

George Kerr's intended policy for voting as a director of PGC or any of its subsidiaries on any Relevant Matters during the duration of the Offer is outlined in clause 4.4.

#### **11. Arrangements between Offeror, and directors and officers of Target Company**

The following agreements or arrangements (whether legally enforceable or not) have been made, or are proposed to be made, between AEP and its associates and any of the directors or senior officers of PGC or of any related company of PGC (including particulars of any payment or other benefit proposed to be made or given by way of compensation for loss of office, or as to their remaining in or retiring from office) in connection with, in anticipation of, or in response to, the Offer:

##### ***Limited Partnership Agreement***

On 10 October 2011, AEP, Australasian Equity Partners (GP) No. 1 Limited (the **General Partner**), Baker Street Capital, L.P. (**Baker Street**) and Pyne Holdings Limited (**Pyne Holdings**) entered into a limited partnership agreement in relation to AEP (the **LP Agreement**).

##### ***Relationship of the parties to the LP Agreement***

The Offer is being made by AEP. George Kerr is a director of PGC.

The General Partner and Pyne Holdings are owned by related entities of George Kerr. Pyne Holdings holds 13.20% of the PGC Shares.

Baker Street holds 19.78% of the PGC Shares.

Both Pyne Holdings and Baker Street have entered into a Lock-Up Agreement (as described in paragraph 8 above) with AEP in relation to the Offer.

### *Key terms of the LP Agreement*

The key terms of the LP Agreement are:

- (a) AEP has been established for the purpose of making the proposed acquisition of PGC pursuant to and in accordance with the Offer.
- (b) Pyne Holdings and Baker Street will be the initial limited partners of the limited partnership. They have agreed to provide 80% and 20% of the initial committed capital of AEP respectively. Capital will be called from the limited partners in cash, at the same time and on a pro rata basis relative to their capital commitments.
- (c) Subject to certain limited exceptions, the limited partners will have no involvement in the management of the limited partnership or in the assets which it holds.
- (d) The initial general partner of AEP will be the General Partner. The general partner has exclusive responsibility for the management and control of the business and affairs of AEP. The General Partner will be responsible for making and conducting the Offer (including making any decisions regarding waiving or, subject to the Takeovers Code, determining the satisfaction of any of the Conditions). The General Partner must not make any amendment to the terms of the Offer from the terms attached to the Takeover Notice without the consent of limited partners who represent 90% of AEP's committed capital.
- (e) Additional limited partners may be introduced to the limited partnership in the future with the agreement of all existing limited partners and subject to a \$10 million minimum investment amount.
- (f) If so requested by a limited partner, the General Partner must use its reasonable endeavours to obtain a settlement facility for that limited partner to enable it to provide capital contributions required under the LP Agreement prior to receiving the consideration payable to it under the Offer in respect of its PGC Shares.
- (g) Transfers of limited partnership interests (other than to related parties) are not permitted without the written consent of all limited partners.
- (h) The general partner may retire upon giving 90 business days' notice and must retire if required to do so by law. The general partner cannot be replaced by the limited partners.
- (i) The establishment and administration costs of the general partner will be paid or reimbursed (as the case may be) by the limited partnership. The general partner will be paid an annual management fee of \$600,000 plus GST.
- (j) Any limited partner who is dissatisfied with the performance or strategy of the limited partnership or the material decisions of the general partner, may, no earlier than 180 days after completion of the Offer, sell its interest in the limited partnership or, if the parties cannot agree on sale terms, require the liquidation and distribution of limited partnership assets up to an amount equal to the capital contributions provided by the limited partners in relation to the Offer. The general partner will use all reasonable endeavours to make that distribution wholly in cash.
- (k) Unless approved in writing and except as noted otherwise in paragraph (k) above, all distributions made prior to liquidation of AEP will be made in cash only. Where any distribution *in specie* is made under the LP Agreement (whether prior to, or as part of, the liquidation of AEP), the General Partner will have the right and, subject to law, the obligation if requested to do so by a limited partner, to purchase such assets at a price agreed between the parties or, in the absence of such agreement, as determined by an independent valuer.
- (l) AEP is permitted to borrow, including to pay distributions.

- (m) The limited partnership has a term of at least seven years, subject to earlier termination in the following circumstances:
  - (i) a resolution being passed by limited partners who together represent at least 75% of the committed capital of the limited partnership;
  - (ii) the occurrence of an insolvency event or an occurrence of a change in law which makes continuation of the partnership unlawful, impractical or inadvisable;
  - (iii) if George Kerr ceases to have substantial management involvement, or ceases to have a material equity interest, in the general partner of AEP;
  - (iv) if the Offer is not declared unconditional; or
  - (v) certain other usual circumstances.
- (n) Upon termination of the LP Agreement, the limited partnership will be liquidated and the limited partnership will be removed from the register of limited partnerships.
- (o) Nothing in the LP Agreement will require a party to take any action (including making or receiving a transfer of a partnership interest or making a distribution) to the extent that action would constitute a breach of the Takeovers Code, the Overseas Investment Act 2005 or the Limited Partnerships Act 2008 or would result in overseas persons holding or controlling 25% or more of the partnership interests.

#### ***Costs letter***

AEP, the General Partner, Baker Street and Pyne Holdings have also entered into a letter agreement dated 10 October 2011 under which the two limited partners of AEP, Pyne Holdings and Baker Street, have agreed to be responsible for all of the costs incurred by them prior to the Offer being declared unconditional in connection with establishing AEP and making the Offer. Pyne Holdings agreed to be responsible for 80% of those costs, with Baker Street to be responsible for the other 20% of those costs.

#### ***Trustee arrangements***

Michael Tinkler is the General Counsel of PGC. Mr Tinkler is the trustee of the Pyne Trust, a trust associated with George Kerr. In that capacity, Mr Tinkler is a shareholder of Pyne Holdings. Pyne Holdings owns 13.20% of the PGC Shares. Pyne Holdings has entered into a Lock-Up Agreement in favour of AEP in respect of those PGC Shares. The terms of that Lock-Up Agreement are summarised in paragraph 8 of this Appendix 1. Pyne Holdings has also entered into the LP Agreement in its capacity as a limited partner of AEP. Mr Tinkler has signed certain shareholder resolutions in respect of Pyne Holdings as the trustee of the Pyne Trust to give effect to these transactions.

#### **12. Financial assistance**

No financial assistance is to be given (directly or indirectly) by PGC, or any related company of PGC, for the purpose of, or in connection with the Offer.

#### **13. Likelihood of changes in Target Company**

If AEP becomes entitled to invoke the compulsory acquisition provisions of the Takeovers Code, it intends promptly to compulsorily acquire all of the outstanding PGC Shares and apply for PGC to be de-listed from the NZSX.

If AEP does not receive sufficient acceptances under the Offer to enable it to invoke the compulsory acquisition provisions of the Takeovers Code, but nevertheless declares this Offer unconditional,

AEP will seek appropriate representation on the PGC Board and will participate in decisions relating to PGC, and its future, through the PGC Board.

It is AEP's view that value from the PGC assets is likely to only be optimised over a longer term period of seven years and beyond. Execution of this strategy to optimise value is expected to require the re-investment of PGC's earnings over this time period, rather than distributing any earnings as dividends. With this strategy in mind, if the Offer becomes unconditional and completes, and once AEP has appropriate representation on the PGC Board, AEP intends to support a policy of reinvesting earnings. Implementation of that policy will mean that PGC is unlikely to pay dividends to shareholders in the foreseeable future.

If the Offer becomes unconditional and once it completes, AEP also intends to review PGC's capital structure in light of the proposed long term growth strategy that AEP intends PGC to pursue. This review may result in PGC raising new equity (including through a rights issue) or debt from time to time in order to support the growth of existing assets or acquire new assets which may become available and which fit the company's value criteria.

Although the foregoing represent AEP's current intentions in relation to PGC's business, AEP reserves the right to take any other action or pursue any other strategy in relation to PGC's business depending on the business and economic environment, the availability of suitable new investments and any other relevant circumstances applicable post acquisition.

**14. Pre-emption clauses in the constitution of PGC**

There is no restriction on the right to transfer equity securities to which the Offer relates contained in the constitution of PGC which has the effect of requiring the holders of the securities to offer the securities for purchase to shareholders of PGC or to any other person before transferring the securities.

**15. No escalation clause**

There is no agreement or arrangement (whether legally enforceable or not) under which any existing holder of equity securities in PGC will or may receive in relation to, or as a consequence of, the Offer any additional consideration or other benefit over and above the consideration set out in the Offer, or any prior holder of equity securities in PGC will or may receive any consideration or other benefit as a consequence of the Offer.

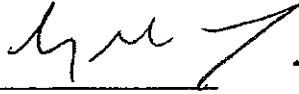
**16. Classes of securities**

No report is required under Rule 22 of the Takeovers Code (which, if the offer is for more than one class of securities, requires a report by an independent adviser on the fairness and reasonableness of the consideration and terms of the offer as between different classes of securities).

**17. Certificate**

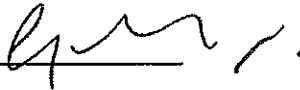
To the best of our knowledge and belief, after making proper enquiry, the information contained in or accompanying the [Takeover Notice] is, in all material respects, true and correct and not misleading, whether by omission of any information or otherwise, and includes all the information required to be disclosed by AEP under the Takeovers Code.

Signed by the persons named below or their respective agents authorised in writing.



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**George Kerr**  
(as the sole director of Australasian Equity Partners (GP) No. 1 Limited, such company being the person fulfilling the role of Chief Executive Officer of Australasian Equity Partners Fund No. 1 LP)



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**George Kerr**  
(as the sole director of Australasian Equity Partners (GP) No. 1 Limited, such company being the person fulfilling the role of Chief Financial Officer of Australasian Equity Partners Fund No. 1 LP)



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**George Kerr**  
(as the sole director of Australasian Equity Partners (GP) No. 1 Limited, the sole general partner of Australasian Equity Partners Fund No. 1 LP)

**ACCEPTANCE AND TRANSFER FORM – PGC SHARES**

**OFFER BY AUSTRALASIAN EQUITY PARTNERS FUND NO. 1 LP (“AEP”) FOR ALL OF THE SHARES IN  
PYNE GOULD CORPORATION LIMITED (“PGC”)**

**Shareholder/Seller (the Seller) Details:**

*[Link will personalise with Shareholder's names & address details as per the register]*

**Number of PGC Shares held as at [date]:**

XXXXXXXXXXXXXXXXXX

**CSN / Holder Number:**

XXXXXXXXXXXXXX

<<<<<BARCODE>>>>>

**PLEASE REFER TO THE INSTRUCTIONS OVERLEAF FOR DIRECTIONS ON HOW TO COMPLETE THIS ACCEPTANCE AND TRANSFER FORM**

Payment will be made in accordance with the Seller's current instructions held by Link Market Services Limited by direct credit to the bank account as held on register or by cheque posted to the Seller's registered address. If you wish to amend the method of payment or bank account, please indicate which method of payment you would prefer by ticking the appropriate box below.

**Preferred method of payment: Cheque:**

**Direct credit:**

If you prefer payment to be made by direct credit and you have a New Zealand bank account, please fill in the boxes below with your bank account details (the swift code must be left blank). For overseas Sellers who prefer payment by direct credit, please complete the bank account for the overseas financial institution and provide the swift code to enable AEP to effect the payment.

Account name:

Bank name:

Branch:

Account number for New Zealand financial institution

BSB	-	Branch	-	Account number	-	Suffix
<input style="width: 20px; height: 20px;" type="text"/>	-	<input style="width: 30px; height: 20px;" type="text"/>	-	<input style="width: 100px; height: 20px;" type="text"/>	-	<input style="width: 30px; height: 20px;" type="text"/>

Account number for overseas financial institution

Bank's Swift Code / Sort Code / BSB Code:

You may accept the Offer in respect of all or some of your PGC Shares held by you. Please state the number of share you wish to sell under this offer in the box below. If you do not state the number of PGC Shares in respect of which you wish to accept the Offer, you will be deemed to have accepted the Offer in respect of all of the PGC Shares held by you and to have stated that number in the box below.

**Number of PGC Shares you wish to sell:**

**By signing this form the Seller hereby:**

- (a) irrevocably:
  - (i) accepts the offer of AEP dated [Date] 2011 (the Offer), for the number of PGC Shares set out in the box above together with all other PGC Shares issued to or acquired by the Seller and held by the Seller (the PGC Shares); and
  - (ii) agrees to transfer all those PGC Shares to AEP, subject to the terms and conditions of the Offer;
- (b) appoints AEP as the Seller's attorney; and
- (c) undertakes and warrants as set out in clauses 7.4 and 7.5 of the Offer Document.

**Signature(s):**

- All holders named in the Sellers section at the top of this form must sign above
- If signing on behalf of a company, the authorised person(s) must sign in accordance the Companies Act 1993.
- If signing under a Power of Attorney, please complete the certificate of Non-Revocation on the reverse of this form

Dated and signed the \_\_\_\_\_ day of \_\_\_\_\_ 20

**POWER OF ATTORNEY**

**By signing this form, the Seller** hereby enters into a power of attorney in favour of AEP as follows:

As from the time of the Offer being declared unconditional, I/we irrevocably authorise and appoint AEP (with power of substitution by AEP in favour of such person(s) as AEP may appoint to act on its behalf) as my/our attorney and agent to act for me/us and to do all matters of any kind or nature whatsoever in respect of or pertaining to the PGC Shares referred to above and all rights and benefits attaching to them as AEP may think proper and expedient and which I/we could lawfully do or cause to be done if personally acting, including the transfer of shares to any person or persons whatsoever, the appointment of a proxy or proxies for any meeting of the shareholders of PGC, attendance in person at, and voting at, such meeting, application to any court whatsoever and execution of all documents in my/our name(s) which AEP may consider necessary for all or any of the foregoing purposes.

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**CERTIFICATE OF NON-REVOCATION OF POWER OF ATTORNEY**

**IF SIGNING UNDER POWER OF ATTORNEY THE ATTORNEY(S) SIGNING MUST SIGN THE FOLLOWING CERTIFICATE OF NON-REVOCATION OF POWER OF ATTORNEY**

I/WE

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*(Insert name of Attorney(s) signing)*

of

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*(Address and Occupation)*

HEREBY CERTIFIES:

- (a) that by a Power of Attorney dated the \_\_\_\_\_ day of \_\_\_\_\_ the Shareholder named and described on the face of this form (the **Donor**) appointed me/us his attorney on the terms and conditions set out in that Power of Attorney, which terms authorise me/us to sign this form; and
- (b) that I/we have executed this form as attorney under that Power of Attorney and pursuant to the powers thereby conferred upon me/us; and
- (c) that at the date hereof I/we have not received any notice or information of the revocation of that Power of Attorney by the death (or liquidation) of the Donor or otherwise.

Signed at \_\_\_\_\_ this \_\_\_\_\_ day of \_\_\_\_\_ 20\_\_

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Signature of Attorney(s)

**NOTE:** Your signature does not require witnessing.

## NOTES AND INSTRUCTIONS FOR COMPLETION

### 1. TO ACCEPT THE OFFER:

- (a) Insert the date of signing in the space provided. Please ensure that all details on this form are correct. Please alter this form if required.
- (b) Sign this form where marked "Signature(s)". Companies must sign where marked in accordance with the Companies Act 1993 or other applicable law.

### 2. JOINT HOLDERS: If the PGC Shares are registered in the names of joint holders, all holders must sign this form.

### 3. SHARES HELD BY NOMINEES: If your PGC Shares are held through a nominee, advise your nominee that you wish to sell all your PGC Shares and instruct your nominee to complete, sign and return this form to AEP in accordance with the instructions contained in it.

### 4. POWER OF ATTORNEY: If this form is signed under a power of attorney, the certificate of non-revocation printed above must be completed by the party holding the power of attorney and signing this form.

### 5. ON COMPLETION: Either mail, deliver, fax or email this form as provided for below as soon as possible, but in any event so as to be received by AEP or post-marked not later than *[date 30 days after the date of the Offer]* 2011, or, if the Offer Period is extended, by the extended Closing Date.

- (a) **MAIL:** If mailing from within New Zealand, place the completed form (together with a copy of any relevant power of attorney) in the reply paid envelope and mail. If mailing from an overseas address, place in an envelope, affix the required postage and mail to the following address:

Australasian Equity Partners Fund No. 1 LP  
C/- Link Market Services Limited  
PO Box 91976  
Auckland, 1142

**DELIVER:** Deliver the completed form (together with a copy of any relevant power of attorney) to AEP, c/- Link Market Services Limited, at the following address:

Australasian Equity Partners Fund No. 1 LP  
c/- Link Market Services Limited  
Level 16 Brookfields House  
19 Victoria Street  
Auckland

**NOTE: These offices are only open on weekdays between 8.00am and 5.30pm.**

**PGC Shareholders resident outside New Zealand are encouraged to return the Acceptance and Transfer Form by fax or email.**

- (b) **FAX:** Fax the completed form to AEP, c/- Link Market Services Limited on +64 9 375 5990.
- (c) **EMAIL:** Scan the completed form and email to AEP, c/- Link Market Services Limited at [Lmsenquiries@linkmarketservices.com](mailto:Lmsenquiries@linkmarketservices.com). Please write "AEP Acceptance" in the subject line for easy identification.

### 6. PREVIOUS SALE: If you have sold all of your PGC Shares, you should immediately hand this form, together with the Offer Document, to the purchaser or agent (e.g. broker) through whom the sale was made, to be passed to the purchaser. Refer to more detailed instructions on pages 7 and 8 of the Offer Document.

### 7. INTERPRETATION: In this form references to the singular include the plural and vice versa.

**IF YOU ARE IN ANY DOUBT ABOUT THE PROCEDURES FOR ACCEPTANCES,  
PLEASE TELEPHONE THE LINK MARKET SERVICES INVESTOR CONTACT CENTRE  
ON +64 9 375 5998**