



23 February 2021

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Dear Shareholder

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

On 5 February 2021 we wrote to all Shareholders advising of REL's intention to make an offer and enclosed a Share Repurchase Disclosure Document. REL is now making a formal offer to all REL Shareholders to repurchase up to 3,302,833 REL shares at \$5.35 per share (*the Repurchase Offer*). The Repurchase Offer in respect of the REL shares you own is made to you in the enclosed green Acceptance Form, the reverse of that form contains the terms of the Repurchase Offer.

The Directors are not aware of REL shares ever trading at \$5.35 or above since REL was formed in 2004. Given that REL shares trade infrequently on Unlisted¹, the Directors consider that the Repurchase Offer will provide Shareholders who are contemplating exiting their investment in REL a convenient and efficient mechanism to realise their holding at \$5.35 with no brokerage or other transactional costs being incurred.

REL is a Code Company for the purposes of the Takeovers Code (*Code*). Accordingly, in order for REL to repurchase shares, without H&G Limited and the other Interests associated with the Cushing Family (*the Cushing Family Interests*) being required to subsequently sell down shares, the resultant increase in the percentage of voting rights held by the Cushing Family Interests must be approved by REL's Shareholders by passing an ordinary resolution. The Repurchase Offer is conditional upon that resolution being passed – further details of the Special Shareholders' Meeting are provided on the second page of this letter and in the accompanying documents.

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

You will be able to accept the Repurchase Offer for all or part of your REL shareholding. However, if you do accept the Repurchase Offer you must accept for a minimum of 15% of your shares, and, if accepting in respect of less than all of your shares, you must also continue to comply with REL's minimum shareholding requirement of 2,000 shares.

The terms of the Repurchase Offer are such that the proceeds of any repurchase should be a non-taxable return of capital unless the shares are held on revenue account. **The Directors, however, strongly recommend that shareholders seek their own taxation and financial advice.** If you have recently sold or otherwise transferred any of your shares in Rural Equities Limited, please pass this letter, together with the accompanying documents, as soon as possible to the purchaser or transferee or to the broker or other person who arranged the sale or transfer of your shares.

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¹ The Unlisted Securities Exchange is not a Licensed Financial Product Market.

If the Repurchase Offer is oversubscribed, the Directors will, at their absolute discretion, elect the criteria for scaling acceptances.

Should you wish to accept the Repurchase Offer please complete the enclosed green Acceptance Form. Your completed Acceptance Form can either be posted in the enclosed prepaid envelope or scanned and emailed to enquiries@ruralequities.co.nz. **Your Acceptance Form must be received by REL no later than 2.00 pm on Wednesday 17 March 2021. If you intend to accept the Repurchase Offer, we recommend that you return your Acceptance Form by scanning and emailing it immediately.**

SPECIAL SHAREHOLDERS' MEETING

REL is a Code Company for the purposes of the Takeovers Code (*Code*). In order for REL to repurchase shares, without the Cushing Family Interests being required to subsequently sell down shares, Shareholders' approval is required by the passing of an ordinary resolution under clause 4 of the Takeovers Code (Class Exemptions) Notice (No 2) 2001.

A Special Shareholders' Meeting of REL Shareholders will be held in Christchurch on Thursday, 11 March 2021 (the *Shareholders' Meeting*) to consider that resolution. The Cushing Family Interests are not permitted to vote at the Shareholders' meeting. **The Repurchase Offer is conditional upon the passing of that resolution.**

A Notice for the Shareholders' Meeting together with explanatory notes are enclosed. These documents provide a full explanation of the ordinary resolution that is to be considered at the Shareholders' Meeting. An admission card and proxy form for the Shareholders' Meeting is enclosed that provides details of how to attend the meeting or if you are unable to attend how to vote by nominating a proxy.

The Code also requires that an Independent Adviser's report be prepared and circulated to Shareholders to assist them in forming a view on whether or not to approve the resolution. A copy of the Northington Partners' Independent Adviser's report is also enclosed. The Northington Partners' report concludes that in their opinion the positive aspects of the Repurchase Offer outweigh the negative aspects. The key factors leading to their opinion are set out in full in section 1.4 (pages 5 to 7) and section 5 (pages 18 to 20) of the Northington Partners' report.

We encourage Shareholders to either **attend or submit a proxy** to the Shareholders' Meeting.

If you have any questions regarding the Repurchase Offer or the Shareholders' Meeting please call the REL office.



Rodger Finlay
DEPUTY CHAIRMAN