

ESW Holdings, Inc. 401 Congress Avenue, Suite 2650 - Austin, TX 78701

22 October 2018

SLI Systems Limited  
1st Floor, Epic Centre  
78 - 106 Manchester Street  
Christchurch 8011  
New Zealand

## Takeover Notice under rule 41 of the Takeovers Code

ESW Holdings, Inc. (**ESW**) hereby gives notice pursuant to rule 41 of the Takeovers Code (**Code**) of its intention to make a full takeover offer for 100% of the:

- (a) fully paid ordinary shares; and
- (b) unlisted options to acquire fully paid ordinary shares which are subject to the terms of SLI Systems Limited's (**SLI**) share option plan,

in SLI.

Attached is the information specified in Schedule 1 to the Code which is required to be contained in, or to accompany, this notice. This includes the signed certificate required under clause 19 of Schedule 1 to the Code.

If ESW proceeds to make a takeover offer, the offer will be made on the same terms and conditions as those contained in or accompanying this notice, with any modifications and additional information permitted or required by the Code.

Please provide the class notice, in accordance with rule 42A of the Code, containing a description of each class of SLI's equity securities.

For and on behalf of  
**ESW Holdings, Inc.** by:



Andrew S. Price

cc. **The Takeovers Panel**  
Level 3, Solnet House  
70 The Terrace  
Wellington 6011  
By email: [takeovers.panel@takeovers.govt.nz](mailto:takeovers.panel@takeovers.govt.nz)

cc. **NZX Limited**  
Level 2, NZX Centre  
11 Cable Street  
PO Box 2959 Wellington  
By email: [announce@nzx.com](mailto:announce@nzx.com)

**FULL TAKEOVER OFFER FOR SLI SYSTEMS LIMITED**  
**UNDER THE TAKEOVERS CODE BY**  
**ESW HOLDINGS INC.**  
**TO PURCHASE ALL OF THE EQUITY SECURITIES**  
**IN SLI SYSTEMS LIMITED**

**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 SLI Systems 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.

SLI Systems Limited's target company statement, together with an independent adviser's report on the merits of this offer and another independent adviser's report on the fairness and reasonableness of the consideration and terms of this offer as between classes of financial products either accompanies this offer or will be sent to you within 14 days and should be read in conjunction with this offer.

Dated [insert] 2018

[insert] 2018

**Dear SLI Shareholder and/or Option holder,**

On 22 October 2018, ESW Holdings, Inc. (**ESW**) announced that it intended to make a full offer under the Takeovers Code for all of the:

- (a) fully paid ordinary shares (**SLI Shares**); and
- (b) unlisted options to acquire SLI Shares which are subject to the terms of SLI's share option plan (**Options**),

in each case, in SLI Systems Limited (**SLI**).

We are now pleased to provide you with our Offer for all of the SLI Shares and Options. The Offer price is:

- **NZ\$0.63 in cash** for each SLI Share; and
- per Option, the price in cash for that tranche of options as listed in the column labelled "Option Offer Price" set out at Appendix 2 to this Offer Document.

The Offer price for the SLI Shares and Options will be increased if SLI's Cash at 31 October 2018 exceeds the Required Cash Amount (\$4,500,000 of Cash, calculated in accordance with section 5.3 of this document). If Cash held by SLI at 31 October 2018 is greater than the Required Cash Amount, the increase to the Offer price per SLI Share and per Option will be calculated by:

- determining the aggregate amount of Cash held by SLI on 31 October 2018 in excess of the Required Cash Amount; and
- allocating that cash between the SLI Shares and each tranche of Options on a proportional basis, so that the Offer price for the SLI Shares and each tranche of Options is increased in the same proportion as the initial Offer prices (referred to in the summary on page 6 and section 2 of page 11) for the SLI Shares and each tranche of Options bears to the aggregate of the initial Offer price offered for all securities (that is all SLI Shares and Options).

(See section 5 of this Offer Document for further details on how this increase to the Offer price will be determined.)

We believe that our Offer represents a highly compelling proposition for shareholders as the price being offered per SLI Share is a premium of 103% to the closing price per SLI Share of NZ\$0.31 on 17 October 2018.

We encourage you to accept the Offer as soon as possible. This Offer closes at 11.59pm on [insert] 2018 (unless extended in accordance with the Takeovers Code).

If you have any questions in relation to the Offer or how to accept it, please contact the share registrar for the Offer, Link Market Services Limited on +64 9 375 5998.

Yours faithfully,

**Andrew S. Price**  
Director, ESW Holdings, Inc.

## KEY DATES

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THE KEY DATES OF THE OFFER ARE:

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OFFER DATE

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**[insert] 2018**

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CLOSING TIME

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**11.59pm, [insert] 2018**

(unless extended in accordance with the  
Takeovers Code)

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We encourage you to accept the Offer.

Under the Takeovers Code, if ESW increases the Offer price during the Offer Period, then you will receive the increased Offer price even if you accept the Offer prior to any price increase being advised by ESW.

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## SUMMARY OF OFFER

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On 22 October 2018 (**Notice Date**), ESW Holdings Inc. (**ESW**) announced that it intended to make a full offer under the Takeovers Code for all of the fully paid ordinary shares (**SLI Shares**), and all of the unlisted options to acquire SLI Shares which are subject to the terms of SLI's share option plan (**Options**), in SLI Systems Limited (**SLI**). As at the date of the Takeover Notice, ESW does not own any SLI Shares or any other equity securities in SLI.

The key terms of the Offer are:

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<b>Offer Price</b>	<ul style="list-style-type: none"><li>• <b>NZ\$0.63 in cash</b> for each SLI Share.</li><li>• per Option, the price in cash for that tranche of options as listed in the column labelled "Option Offer Price" set out at Appendix 2 to this Offer Document. See pages 29 and 30 for further details.</li></ul>
	<p>The Offer price for the SLI Shares and Options will be increased if SLI's Cash at 31 October 2018 exceeds the Required Cash Amount. See section 5 of this Offer Document for further details on how this increase to the Offer price will be calculated.</p>
<b>Full Offer</b>	The Offer is for 100% of the SLI Shares and 100% of the Options.
<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 12 to 13 of this Offer Document and the relevant Acceptance Form enclosed with this Offer Document.
<b>Conditions</b>	The Offer is conditional on the Conditions set out in clauses 4.1 and 4.2 of the Terms and Conditions of the Offer on pages [13] to [16] of this Offer Document.
<b>Shareholders holding more than 50% of SLI Shares have already agreed to accept the Offer</b>	<p>Before this Offer was made, shareholders holding more than 50% had agreed to accept the Offer within 2 Business Days of it being made.</p> <p>See further paragraph 8 of Appendix 1 of this Offer Document</p>
<b>Offer Period</b>	The Offer is dated [insert] 2018 ( <b>Offer Date</b> ) and remains open for acceptance until 11.59 pm on [insert] 2018 ( <b>Closing Time</b> ) (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 SLI Shares or Options in New Zealand dollars no later than seven days after the later of the date on which your acceptance is received by ESW, the date on which the Offer is declared unconditional or [insert] 2018.
<b>No Brokerage Costs</b>	You will not pay any brokerage costs if you accept the Offer.
<b>Important Contacts</b>	If you have any questions about the Offer or you require further copies of this Offer Document and enclosures (including the relevant Acceptance Form and the reply paid envelopes) you should contact the share registrar for the Offer, Link Market Services Limited on +64 9 375 5998.

Advisers

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 [10] TO [22] 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 ESW's views on the merits of the Offer. It is not the Independent Adviser's Rule 21 Report on the merits of the Offer or the Independent Adviser's Rule 22 Report on the fairness of the Offer between each class of equity securities. These Independent Adviser's Reports will accompany SLI's target company statement.



## HOW TO ACCEPT THE OFFER

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### Closing Time

The Offer is scheduled to close at **11.59 pm** on **[insert] 2018** (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 ESW before the Closing Time.

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### How to accept

To **ACCEPT** the Offer by ESW, you should complete the relevant Acceptance Form enclosed with this Offer Document in accordance with the instructions set out on that form and then return that form in the reply paid envelope provided or to the address set out below.

This Offer Document is accompanied by an Acceptance Form for you to use to accept the Offer in respect of your SLI Shares (in the case of SLI Shareholders) or an Acceptance Form for you to use to accept the Offer in respect of your Options (in the case of Option Holders).

You must accept the Offer for all of your SLI Shares or Options (as applicable) that are held for the same beneficial owner.

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### Address for Acceptance

You should **deliver or mail** the completed Acceptance Form in the enclosed reply paid envelope to ESW at the following address:

### Post

ESW Holdings Inc.  
C/- Link Market Services Limited  
PO Box 91976  
Victoria Street West  
Auckland 1142

### Delivery

Link Market Services,  
Level 11 80 Queen Street  
Auckland

### Facsimile

You may also fax your completed Acceptance Form to ESW at:  
  
+64 9 375 5990

### Email

You may also scan and email your completed Acceptance Form to ESW at: [applications@linkmarketservices.co.nz](mailto:applications@linkmarketservices.co.nz)

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### IMPORTANT

**ACCEPTANCES MUST BE RECEIVED BY OR POST-MARKED NOT LATER THAN 11.59 PM ON [insert] 2018** (unless the Offer Period is extended in accordance with the Takeovers Code).

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### IF YOU HAVE SOLD ALL YOUR SLI SHARES

If you have sold all of your SLI Shares, please send this Offer Document and all enclosures (including the Acceptance Form) immediately to the new SLI Shareholder or agent (e.g., the broker through whom the sale was made) requesting that they be forwarded to the new SLI Shareholder.

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### IF YOU HAVE SOLD SOME OF YOUR SLI SHARES

If you have sold some of your SLI Shares and wish to **ACCEPT** the Offer in respect of the SLI Shares you have retained, please

alter the total holding printed on the Acceptance Form to the number of SLI Shares which you have retained, initial the change and forward the amended Acceptance Form in the reply paid envelope supplied to ESW.

You may also fax or scan and email your amended Acceptance Form to +64 9 375 5990 or [applications@linkmarketservices.co.nz](mailto:applications@linkmarketservices.co.nz)

Upon receipt of the amended Acceptance Form, ESW will re-calculate the amount of cash to which you are entitled to reflect the number of SLI Shares for which you have accepted the Offer.

Please also advise the purchaser(s) of your SLI Shares, or request the broker through whom you made the sale to advise the purchaser(s) of your SLI 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 contact Link Market Services Limited.

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# TERMS AND CONDITIONS OF THE OFFER

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Full offer by ESW Holdings Inc. to purchase all of the SLI Shares and all of the Options.

Date of Offer: [insert] 2018

## 1. The Offer

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### 1.1 SLI Shares and Option

ESW offers to acquire, on the terms and conditions set out in this Offer Document:

- (a) all of the fully paid ordinary shares in SLI Systems Limited (**SLI**) (all such shares are referred to in this Offer Document as the **SLI Shares**); and
- (b) all of the unlisted options to acquire SLI Shares issued which are subject to the terms of SLI's share option plan (all such options are referred to in this Offer Document as the **Options**).

### 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 Time of 11.59 pm on [insert] 2018 (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. ESW 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 Time**.

### 1.3 Persons who may accept

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

### 1.4 Acceptance Form

This Offer Document is accompanied by an Acceptance Form for you to use to accept the Offer in respect of your SLI Shares (in the case of SLI Shareholders) or an Acceptance Form for you to use to accept the Offer in respect of your Options (in the case of Option Holders).

### 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 to SLI Shareholders is \$0.63 in cash for each SLI Share (subject to any other adjustment in accordance with clauses 5.6 to 5.9). ESW is offering the price in cash per Option listed in the column labelled "Option Offer Price" set out at Appendix 2 to this Offer Document.

2.2 The Offer price for the SLI Shares and Options will be increased if SLI's Cash at 31 October 2018 exceeds the Required Cash Amount. If Cash held by SLI at 31 October is greater than

the Required Cash Amount, the increase to the Offer price per SLI Share and per Option will be calculated by:

- (a) determining the aggregate amount of Cash held by SLI on 31 October 2018 in excess of the Required Cash Amount; and
- (b) allocating that cash between the SLI Shares and each tranche of Options on a proportional basis, so that the Offer price for the SLI Shares and each tranche of Options is increased in the same proportion as the initial Offer prices (referred to in the summary on page 6 and in this section 2) for the SLI Shares and each tranche of Options bears to the aggregate of the initial Offer price offered for all securities (that is all SLI Shares and Options).

(See section 5 of this Offer Document for further details on how this increase to the Offer price will be determined.)

2.3 Each tranche of Options set out at Appendix 2 represents a separate class of non-voting securities for the purposes of the Takeovers Code.

2.4 The consideration for the Offer will be paid by ESW by cheque sent by ordinary mail or paid by electronic transfer to SLI Shareholders and Option Holders whose SLI Shares or Options (as applicable) 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 ESW; or
- (c) **[insert]** 2018.

Accepting SLI Shareholders and Option Holders may elect their preferred method of payment on the relevant Acceptance Form.

2.5 If the consideration for the Offer is not sent within the period specified in clause 2.4 to any SLI Shareholder or Option Holder whose SLI Shares or Options (as applicable) are taken up under the Offer, that SLI Shareholder or Option Holder may withdraw his or her acceptance of the Offer by giving notice in writing to ESW, provided that such SLI Shareholder or Option Holder has first given ESW 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 SLI Shareholder or Option Holder (as applicable) 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 If you wish to accept the Offer, you need only:

- (a) complete the relevant enclosed Acceptance Form in accordance with the instructions set out on that Acceptance Form; and
- (b) return the completed Acceptance Form in the enclosed reply paid envelope as soon as possible, but in any event so as to be received by ESW by, or post-marked not later than, the Closing Time. If the reply paid envelope has been mislaid, please post your completed acceptance form to:

ESW Holdings Inc.  
C/- Link Market Services Limited  
PO Box 91976

Victoria Street West  
Auckland 1142

You may also fax your completed Acceptance Form to ESW, c/- Link Market Services Limited on +64 9 375 5990 or email a scanned copy to applications@linkmarketservices.co.nz

No acknowledgement of the receipt of the acceptances of the Offer will be issued by, or on behalf of, ESW.

- 3.2 ESW 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 to enable that form to constitute a valid acceptance of the Offer and to facilitate registration of the transfer of the relevant SLI Shares or Options. ESW may, in its discretion allow for acceptance in any other manner it wishes.
- 3.3 Acceptance of the Offer by a SLI Shareholder or Option Holder (each such person an **Acceptor**) constitutes a contract between that Acceptor and ESW on the terms and subject to the conditions of the Offer. Other than in the circumstances set out in clause 2.5 and clause 3.4, 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 variation of the Offer in accordance with the Takeovers Code. You must accept the Offer for all of your SLI Shares or Options (as applicable) that are held for the same beneficial owner.
- 3.4 ESW 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 or in the circumstances referred to in clause 4.7.
- 3.5 Legal and beneficial ownership, and title, to the SLI Shares and Options which are the subject of an acceptance of the Offer shall pass to ESW, and the registration of the transfer of those SLI Shares and Options shall take place, contemporaneously with the consideration for such SLI Shares or Options (as applicable) being sent in accordance with clause 2.4.
- 3.6 ESW 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 (**Brokers**) to contact holders of SLI Shares and receive acceptance forms for SLI Shares. If ESW chooses to do this, the key terms of engagement will be as follows:
- (a) for each completed and valid Acceptance Form procured by a Broker, ESW may pay to that Broker a handling or procurement fee in respect of the SLI Shares the subject of the Acceptance Form (**Procurement Fee**). The amount of the Procurement Fee will be 0.75% of the consideration payable by ESW under this Offer to the relevant Acceptor in respect of the Acceptance Form received. The Procurement Fee will be subject to a minimum amount of \$50 and a maximum amount of \$750 for a single Acceptance Form inclusive of GST, if any;
  - (b) the Broker will be paid, and receive, the Procurement Fee solely in connection with its services to ESW 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 SLI Shares, which are the

subject of that Acceptance Form, being validly transferred to ESW. No Procurement Fees will be payable if this Offer is not declared unconditional by ESW. In addition, the Acceptance Form must be delivered to ESW in accordance with clause 3.1 and, unless ESW in its sole discretion determines otherwise, must be stamped by the Broker (and only that Broker). A Procurement Fee will not be paid in respect of SLI Shares acquired by ESW through the compulsory acquisition provisions set out in Part 7 of the Takeovers Code;

- (d) Brokers are precluded from receipt of any Procurement Fee in respect of SLI Shares in which they or their associates have a relevant interest (as defined in Part 5 of the Financial Markets Conduct Act 2013);
- (e) ESW may, in determining the Procurement Fee payable to a Broker, aggregate and/or disregard any acceptance of this Offer procured by that Broker if ESW believes that a party has structured holdings of SLI Shares for the purpose or with the effect of enabling parties to take advantage of the arrangements summarised in this clause 3.6;
- (f) ESW will determine, in its sole discretion, any disputes relating to the payment of a Procurement Fee. The determination of ESW will be final and binding on all parties; and
- (g) no Procurement Fees will be payable in respect of SLI Shares that are subject to the Sale 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 ESW:
- (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 SLI Shares or any other securities in SLI or in respect of any shares or other securities in any of SLI's subsidiaries (such subsidiaries, together with SLI, the **SLI Group**) other than any dividend or distribution from wholly-owned subsidiaries of SLI to other companies within the SLI Group;
  - (b)
    - (i) no further shares, convertible shares or options or any other securities of any description of any member of the SLI Group have been or will be issued, other than any SLI Shares which are issued by SLI pursuant to the exercise of an Option; and
    - (ii) no SLI Shares or Options nor any securities of any member of the SLI Group have been or are reclassified, subdivided, consolidated or bought back; and
    - (iii) no rights, privileges, entitlements or restrictions attaching to the SLI Shares or Options or any securities of any member of the SLI Group have been or are altered;
  - (c) the business of each member of the SLI Group is carried on in the normal and ordinary course, consistent with past practices, including, without limitation:
    - (i) neither SLI nor any other member of the SLI Group:
      - (A) disposes of, purchases, 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 asset, business operation, property or subsidiary; 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 of more than \$500,000 (either by a single act or series of related acts), except in the ordinary course of business or pursuant to any transaction which has been publicly disclosed by SLI before the Notice Date; and

- (ii) neither SLI nor any other member of the SLI 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 SLI Group over its term, of more than \$250,000 or having a term of more than one year, otherwise than in the ordinary course of business; and

- (iii) neither SLI nor any other member of the SLI Group:

- (A) acquires or disposes of;

- (B) agrees to acquire or dispose of; or

- (C) offers, proposes, announces a bid or tender for,

any shares, business, interest in a joint venture, entity or undertaking, the value of which exceeds in aggregate \$250,000 except pursuant to any transaction which has been publicly disclosed by SLI before the Notice Date;

- (d) neither SLI nor any other member of the SLI 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 any established review policy) or commences the employment of any person (except where such commencement is for the purposes of filling a vacant position), at a rate of remuneration in excess of \$100,000 per annum;
- (e) there being no alteration to the constitutional documents of any SLI Group member other than amendments of a formal or technical (but not substantive) nature or amendments required to comply with the NZX Listing Rules;
- (f) no liquidator, receiver, receiver and manager, administrator (voluntary or otherwise), statutory manager or similar official is appointed to SLI, or any other member of the SLI 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 SLI or any other member of the SLI Group, and neither SLI nor any other member of the SLI 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 SLI nor any other member of the SLI Group enters into or contracts to enter into, or completes any transaction or arrangement to which NZX Listing Rule 9.1 and/or NZX Listing Rule 9.2 applies (or would apply but for the granting of a waiver or exemption);

- (i) there being no event or circumstance that has occurred on or after the Notice Date that has had, or could reasonably be expected to have, a material adverse effect on the financial position, trading operations or prospects or assets of the SLI Group (**Material Adverse Effect**) as compared with the position immediately prior to the Notice Date;
- (j) no proceedings, other than any which have been publicly disclosed by SLI prior to the Notice Date (or which relate to the same or similar subject matter to any proceedings which have been publicly disclosed by SLI before the Notice Date), being notified, threatened or commenced against SLI or its subsidiaries, and there being no material change in the status of any proceedings against SLI or its subsidiaries which have been publicly disclosed by SLI prior to the Notice Date, involving a claim or claims together totalling in excess of \$250,000;
- (k) no assets of any member of the SLI Group and no shares, securities or interests held, controlled or owned by any member of the SLI Group, in any company or other entity or any other unincorporated body (which assets, shares, or other securities or interests are or could reasonably be expected to be material to the SLI 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 materially adverse to SLI Group or ESW in the event of any member of the SLI Group becoming a subsidiary or under the control of ESW;
- (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 SLI or any SLI Group member is subject occurring as a consequence of SLI or any of its subsidiaries becoming a subsidiary or under the control of ESW;
- (m) neither SLI nor any other member of the SLI 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 SLI 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 SLI Group becoming a subsidiary or under the control of any other company, provided that this will not apply to amounts payable by SLI to senior managers of SLI in accordance with employee retention agreements in force as at August 6, 2018;
- (o) SLI or the SLI Group changing any significant accounting practice or policy applied by them to report their financial position or performance, other than to comply with generally accepted New Zealand accounting standards and any domestically accepted international accounting standards (including a change to an IFRS standard);
- (p) no board resolution or shareholders' resolution of SLI or any other member of the SLI 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 (o); or
  - (ii) which could reasonably be expected to give rise to any act, matter or circumstance referred to in clauses 4.1(a) to (o);
- (q) no decline in either the NZX 50 Index (Gross) of 10% or more, measured by reference to the level of the relevant index at 5.00pm on the day immediately prior to the Notice Date, which decline is maintained for a period of any three consecutive trading days on which the main board equity security market operated by NZX is open for trading



or, if it occurs less than three trading days before the Closing Time, is maintained continuously during the trading periods of the main board equity security market operated by NZX during that period from when the decline occurs until the Closing Time; and

- (r) there has not occurred any event, change, circumstance or condition of the nature referred to in clauses 4.1(a) to (o) (ignoring, for this purpose, any materiality or similar qualifications in those clauses) which (while not causing a failure of any of the conditions set out in any of those clauses), when aggregated with all other events, changes, circumstances or conditions of any of the natures referred to in those clauses (ignoring, for this purpose, any materiality or similar qualifications in those clauses) that have occurred, have an overall impact which taken as a whole has, or could reasonably be expected to have, a Material Adverse Effect,

provided that nothing in this clause 4.1 will apply to the entry into any agreement between SLI and any holder of SLI SARs and/or any payment made by SLI to any holder of SLI SARs relating to the cash settlement and/or cancellation of such SARs upon and subject to the Offer becoming unconditional in each case on terms approved by ESW acting reasonably, provided that any payments made pursuant to these SARs cash settlement and/or cancellation arrangement payments do not exceed in the aggregate NZ\$1,263,315.

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

- (a) ESW receiving acceptances by no later than the Closing Time in respect of SLI Shares which would upon the Offer being declared unconditional and the relevant SLI Shares being transferred, result in ESW holding 90% or more of the voting rights in SLI;
- (b) if the condition in clause 4.2(a) is waived by ESW, then (in accordance with Rule 23 of the Takeovers Code) acceptances being received in respect of that number of SLI Shares which, when taken together with the SLI Shares already held or controlled by ESW, confer on ESW more than 50% of the voting rights in SLI;
- (c) SLI not making any payment, or incurring any obligation to pay, any Transaction Costs which in aggregate, total more than NZ\$4,962,000 (which amount includes the amount referred to in the proviso to clause 4.1), provided that this is not intended to (and shall not) prevent SLI from making any additional payment, or incurring any additional obligation to pay, costs which are properly incurred in relation to the Takeover Notice or the Offer in accordance with the Takeovers Act 1993; and
- (d) SLI having Cash available as at 31 October 2018 of at least NZ\$4,500,000, excluding any Cash held for the purposes of making any payments of the Transaction Costs (the amount of Cash as at 31 October 2018 is to be determined in accordance with the process set out in clause 5.3).

4.3 Each of the Conditions set out in clauses 4.1(a) to 4.1(r), 4.2(a), 4.2(b), 4.2(c) and 4.2(d) is a separate condition subsequent, and acceptance of the Offer by each Acceptor shall constitute a contract between that Acceptor and ESW, subject to the Conditions. The Offer will only proceed if all Conditions in clauses 4.1(a) to 4.1(r), 4.2(a), 4.2(b), 4.2(c) and 4.2(d) are satisfied or, if capable of waiver, waived, provided that, assuming none of the events in clause 4.1 have arisen (or ESW have waived any such events) at the time that the conditions in clauses 4.2(a), 4.2(b), 4.2(c) and 4.2(d) have been satisfied, ESW will declare the offer unconditional.

4.4 The Conditions set out in clauses 4.1(a) to 4.1(r), 4.2(a), 4.2(b), 4.2(c) and 4.2(d) have been inserted for the benefit of ESW and may, to the extent they are capable of being waived and to the extent permitted under the Takeovers Code or other relevant law, be waived in whole or in part by ESW at its absolute discretion. Any waiver or consent given by ESW 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.

- 4.5 To the extent required by the Takeovers Code, where any Condition set out in clause 4.1 requires a determination as to whether a matter is or could reasonably be expected to be material or not, is usual 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 significant or not, or any similar determination required in relation to any such condition, before the condition may be invoked, such determination must be made by a suitably qualified expert appointed by ESW who is independent of, and not an associate of, ESW.
- 4.6 Immediately following all Conditions being satisfied or waived (to the extent capable of being waived) in accordance with the terms of the Offer, ESW will:
- (a) declare the Offer unconditional; and
  - (b) provide written notice that the Offer is unconditional to SLI, the Takeovers Panel and NZX.
- 4.7 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 Time. The latest date by which the Offer is to become unconditional is 11.59 pm on [insert] 2018 (the **Condition Date**), but this date may change if the Closing Time is extended as permitted by the Takeovers Code. If the Offer does not become unconditional, it will lapse and all Acceptance Forms received by ESW will be destroyed.
- 4.8 Notwithstanding any other term of the Offer, ESW may not allow the Offer to lapse:
- (a) in unreasonable reliance on a condition of the Offer; or
  - (b) in reliance on a condition that restricts SLI Group's activities in the ordinary course of SLI's business during the period that begins on the Notice Date and ends on the Condition Date.

## 5. Change of circumstances

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- 5.1 The consideration payable to SLI Shareholders for their SLI Shares and to Option Holders for their Options under the Offer will be increased to the extent that the amount of Cash held by SLI as at 31 October 2018 exceeds the Required Cash Amount.
- 5.2 If Cash held by SLI at 31 October 2018 is greater than the Required Cash Amount, ESW will increase the Offer price per SLI Share and per Option, with the increase to the Offer price being calculated by:
- (a) determining the aggregate amount of Cash held by SLI on 31 October 2018 in excess of the Required Cash Amount; and
  - (b) allocating that cash between the SLI Shares and each tranche of Options on a proportional basis, so that the Offer price for the SLI Shares and each tranche of Options is increased in the same proportions as the initial Offer prices (referred to in the summary on page 6 and in section 2 on page 11) for the SLI Shares and each tranche of Options bears to the aggregate of the initial Offer price offered for all securities (that is all SLI Shares and Options).
- 5.3 SLI's Cash at 31 October 2018 will be determined by reference to a Cash summary prepared by SLI immediately following 31 October 2018 and agreed between SLI and ESW. ESW will announce no later than 7 November 2018 the amount of the additional cash payment per SLI Share and Option (if any).

- 5.4 Any Cash held by SLI in currencies other than New Zealand dollars as at 31 October 2018 will be converted to New Zealand dollars using the prevailing exchange rate on the RBNZ daily rates page (<https://www.rbnz.govt.nz/statistics/b1>) at 5pm on 31 October 2018.
- 5.5 Any Cash that is held by SLI as at 31 October 2018 for the purposes of paying the Transaction Costs will be excluded from the amount of Cash that is held by SLI at 31 October for the purposes of calculating the increase in the Offer price per SLI Share and per Option in accordance with clause 5.2.
- 5.6 If, on or after the Notice Date, SLI declares or pays any dividend or makes any other distribution of whatever nature whatsoever to the SLI Shareholders (and the Condition contained in clause 4.1(a) is waived by ESW), Acceptors will be bound to pay to ESW an amount equivalent to such dividend or the value of such other distribution or, at the option of ESW, 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.
- 5.7 If, on or after the Notice Date, SLI makes any issue of shares or convertible shares or other securities or grants any other rights or interests to the SLI Shareholders by way of bonus issue (and the condition contained in clause 4.1(b)(i) or 4.1(b)(iii) is waived by ESW), SLI Shareholders accepting the Offer will be bound to transfer such shares or convertible shares, other securities or other rights and interests to ESW and the consideration per SLI Share provided for under clause 2 will be reduced to take account of such issue.
- 5.8 If all or any of the SLI Shares are consolidated or subdivided on or after the Notice Date (and the condition contained in clause 4.1(b)(ii) is waived by ESW), 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 SLI Share provided for under clause 2 will be increased or reduced, as the case may require, in proportion to such consolidation or subdivision, and SLI Shareholders will be bound to transfer such consolidated or subdivided SLI Shares to ESW on the basis of the consideration per share so increased or reduced.
- 5.9 If SLI 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 ESW), 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 SLI, 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 SLI Shareholders and Option Holders 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 SLI Shareholder, each Option Holder, SLI, 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 ESW; and
- (b) your Acceptance Form is in order (or in ESW's discretion, is treated as valid or is rectified in accordance with clause 3.2),

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 your Acceptance Form or the cash amount will be electronically transferred to your bank account identified in your Acceptance Form, by the date specified in clause 2.4.

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

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

- (a) represent and warrant to ESW that title to each of your SLI Shares or Options (as applicable) (and to all other shares referred to in clauses 5.7 to 5.9) will be transferred to ESW 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 ESW that you will have full power and capacity to sell and transfer the SLI Shares or Options (as applicable) (and all other shares referred to in clauses 5.7 to 5.9 on the date of settlement of the Offer);
- (c) authorise ESW to effect any rectification of any Acceptance Form in the manner contemplated in clause 3.2; and
- (d) authorise ESW to advise SLI and/or its share registrar of the details of your acceptance of the Offer and to note that acceptance in the SLI share register.

7.5 Each Acceptor:

- (a) will not, and will not attempt to, sell, transfer, dispose of (or agree to do any of those things), any or all of the SLI Shares or Options (as applicable) in respect of which the Acceptor has accepted this Offer (other than for acceptance of the Offer itself); and
- (b) irrevocably authorises ESW to instruct SLI and its share registrar to refuse, during the Offer Period, to register any transfer of any or all of the SLI Shares or Options (as applicable) in respect of which the Acceptor has accepted this Offer, except for transfers pursuant to this Offer.

7.6 All cheques, electronic funds transfers, Acceptance Forms and other documents to be delivered, sent by or transferred to a holder of SLI Shares or Options (as applicable) will be delivered, sent by or transferred to 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 the Appendix) unless the context otherwise requires:

**Acceptance Form** means either:

- (a) the acceptance and transfer form relating to SLI Shares that is enclosed with and forms part of this Offer Document (in the case of SLI Shareholders); or

(b) the acceptance and transfer form relating to the Options that is enclosed with and forms part of this Offer Document (in the case of Option Holders);

**Acceptor** has the meaning given to that term in clause 3.3 of this Offer Document;

**Business Day** means a day on which registered banks are open for business in Auckland, New Zealand and Austin, Texas;

**Cash** means cash and cash equivalents calculated using the same methodology that SLI used for calculating cash and cash equivalents in its 2018 annual report;

**Closing Time** means 11.59 pm on [insert] 2018 or such date to which the Offer Period is extended in accordance with the Takeovers Code;

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

**Condition Date** means 11.59 pm on [insert] 2018, but this date may change (as permitted by the Takeovers Code) if the Closing Time is extended as permitted by the Takeovers Code;

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

**Government Agency** means any government, minister or any public, statutory, governmental (including a local authority), semi-governmental, local governmental or judicial body, entity, department or authority, any self-regulatory organisation established under statute, or any other body that has legal power to require another person to act or not act in a particular way or to authorise a particular act, in any jurisdiction;

**Independent Adviser's Rule 21 Report** means an independent adviser's report prepared in relation to the merits of the Offer pursuant to Rule 21 of the Takeovers Code;

**Independent Adviser's Rule 22 Report** means an independent adviser's report prepared in relation to the fairness of the Offer in comparison to the consideration and terms offered for the SLI Shares and between each class of Options pursuant to Rule 22 of the Takeovers Code;

**Material Adverse Effect** means a material adverse effect on the financial position, trading operations or prospects or assets of the SLI Group;

**Notice Date** means 22 October 2018, being the date on which ESW served or caused to be served on SLI a notice in writing pursuant to Rule 41 of the Takeovers Code;

**NZX Listing Rules** means the Main Board and Debt Market Listing Rules made by NZX from time to time;

**NZX** means NZX Limited;

**Offer** means the offer for the SLI Shares and the Options, set out in this Offer Document;

**Offer Document** means this offer document dated [insert] 2018;

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

**Options** means the unlisted options to acquire SLI Shares which are subject to the terms of SLI's share option plan;

**Option Holder** means a holder of Options;

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

**Required Cash Amount** means \$4,500,000 of Cash, calculated in accordance with section 5.3;

**Sale Agreements** means the Agreements dated on or about 22 October 2018, described in paragraph 8 of Appendix 1 of this Offer Document;

**Sale Parties** and **Sale Party** have the meanings given in paragraph 8 of Appendix 1 of this Offer Document;

**SARs** means the share appreciation rights granted to certain senior SLI employees under SLI's share appreciation rights scheme;

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

**SLI Directors** means the directors of SLI;

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

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

**SLI Shares** means all of the fully paid ordinary shares in SLI;

**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 consolidated, amended, re-enacted or replaced from time to time and as varied by any applicable exemption granted by the Takeovers Panel;

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

**Transaction Costs** means the following costs which SLI will be required to pay if the Offer becomes unconditional:

- (a) transaction bonuses to SLI's senior managers in accordance with the employee retention agreements dated on or about August 6, 2018;
- (b) redundancy entitlements to Chief Executive Officer, Chris Brennan and Chief Financial Officer, Rod Garrett in accordance with their employment agreements with SLI;
- (c) amounts to SARs holders to cash settle their entitlements under SLI's share appreciation rights scheme including any costs incurred by SLI in having the SARs independently valued; and
- (d) amounts paid or incurred by SLI in relation to legal fees, tax fees or adviser fees which are paid or incurred in connection with the Offer.

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) All sums of money referred to in the Offer are in New Zealand currency.
- (c) The Offer and any contract arising from it shall be governed by and construed in accordance with the laws of New Zealand.
- (d) All references to statutes are references to New Zealand legislation unless otherwise stated.
- (e) All times referred to in the Offer are New Zealand times unless otherwise stated.
- (f) The singular includes the plural and vice versa unless the context otherwise requires.
- (g) The provisions set out in any Acceptance Form form part of the Offer.
- (h) Where the total consideration payable to an Acceptor results in a fractional number of cents, the consideration shall be rounded down to the nearest whole number.
- (i) All references to "subsidiaries" have the meaning given to that term in section 5 of the Companies Act wherever they are incorporated.
- (j) Headings are for convenience only and do not affect the interpretation of the Offer or any 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 (or the application of 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 [insert] 2018.

### 2. ESW and its directors

#### ESW Holdings Inc.:

401 Congress Avenue  
Suite 2650  
Austin, Texas 78701

#### Directors of ESW:

Andrew Price

### 3. Name of target company

The target company is SLI Systems Limited.

### 4. Advice statement

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

### 5. Offer terms

The terms and conditions of the Offer are set out on pages [10] to [22] of this Offer Document.

### 6. Ownership of equity securities of SLI

The table below sets out a statement of the number, designation and percentage of equity securities of any class of SLI held or controlled by:

- (a) ESW;
- (b) any related company of ESW;
- (c) any person acting jointly or in concert with ESW;
- (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 ESW.



Name <sup>1, 2</sup>	Description	Number of equity securities held or controlled	Type of equity security	Percentage of class
Shaun William Ryan <sup>3</sup>	Person holding or controlling 5% or more of the SLI Shares	6,744,376	Ordinary shares	10.83%
Pie Funds Management Limited <sup>4</sup>	Person holding or controlling 5% or more of the SLI Shares	4,836,231 <sup>5</sup>	Ordinary shares	7.77%
Milford Funds Limited <sup>6</sup>	Person holding or controlling 5% or more of the SLI Shares	4,882,748 <sup>5</sup>	Ordinary shares	7.84%
Steven Marder <sup>7</sup>	Person holding or controlling 5% or more of the SLI Shares	4,299,322	Ordinary shares	6.9%
Grant James Ryan <sup>8</sup>	Person holding or controlling 5% or more of the SLI Shares	3,918,711	Ordinary shares	6.29%

**Notes:**

- (1) Unless otherwise noted, the details have been obtained from SLI's most recent Annual Report.
- (2) The information in the table above is information known at the date of this Offer Document.
- (3) Shaun William Ryan is legal and beneficial holder of 810,000 ordinary shares, holds 2,430,000 ordinary shares as trustee of an associated family trust and holds 3,504,376 ordinary shares as trustee of his brother's and parents' family trusts.
- (4) The legal holder of the shares is TEA Custodians Limited.
- (5) Based on information provided by SLI.
- (6) The legal holder of the shares is National Nominees Limited. Milford Active Growth Wholesale Fund has a relevant interest in 2,844,256 ordinary shares. Milford NZ Equities Wholesale Fund has a relevant interest in 1,999,945 ordinary shares.
- (7) Steven Marder is legal and beneficial owner of 1,286,032 ordinary shares and has a deemed relevant interest in the 3,031,290 ordinary shares held by Marder Media Group, Inc. arising from his power to control Marder Media Group, Inc.
- (8) Grant James Ryan is legal and beneficial holder of 414,335 ordinary shares, holds 2,953,116 ordinary shares as trustee of an associated family trust and holds 551,260 ordinary shares as trustee of his parents' family trust.

Except as set out in the table above, no person referred to in paragraphs 6(a) to (d) above holds or controls equity securities of SLI.

**7. Trading in SLI equity securities**

None of the persons referred to in sub-paragraphs (a) to (d) of paragraph 6 above have acquired or disposed of any equity securities in SLI during the six-month period before the date of this Offer Document.

## 8. Agreements to accept Offer

On or about 22 October 2018, each of the parties listed in the table below (the **Sale Parties** and each a **Sale Party**) entered into a Sale Agreement with ESW, in respect of all of the SLI Shares they hold or control pursuant to which they have each agreed to accept, or procure the acceptance of, the Offer in respect of the relevant number of SLI Shares (as set out alongside their names below).

<b>Sale Parties</b>	<b>SLI Shares subject to Sale Agreement</b>	<b>Percentage of Class of SLI Shares</b>
Pie Funds Management Limited <sup>1</sup>	4,836,231	7.77%
Milford Funds Limited <sup>2</sup>	4,882,748	7.84%
Marder Media Group Inc.	3,031,290	4.87%
Grant Ryan & Shaun Ryan as trustees of the Grant James Ryan Family Trust	2,953,116	4.74%
Wayne Munro	2,940,120	4.72%
Shaun Ryan & Katherine Ryan as trustees of the Shaun W Ryan Family Trust	2,430,000	3.90%
Lynnwood Holdings Limited	2,056,616	3.30%
Robert Van Nobelen	2,007,612	3.22%
Michael Grantham	1,946,012	3.13%
James Ryan & Irene Ryan & Shaun Ryan as trustees of the J&I Ryan Family Trust	551,260	0.89%
Warwick Croft & Elizabeth Croft as trustees of the W D & E P Croft Family Trust	530,118	0.85%
Steven Marder	1,268,032	2.04%
Matthew Yarnell	505,206	0.81%
Grant Ryan	414,335	0.67%
James Ryan	200,000	0.32%
Rodney Garrett	196,350	0.32%
Craig Ryan	155,104	0.25%
Shaun Ryan	810,000	1.30%
<b>Total</b>		<b>50.94%</b>

**Notes:** The percentage numbers are rounded to two decimal places.

(1) The legal holder of the shares is TEA Custodians Limited.

- (2) The legal holder of the shares is National Nominees Limited. Milford Active Growth Wholesale Fund has a relevant interest in 2,844,256 ordinary shares. Milford NZ Equities Wholesale Fund has a relevant interest in 1,999,945 ordinary shares.

The material terms of the Sale Agreements entered into by ESW and the Sale Parties are:

- (a) ESW agreed that it will send a notice of takeover offer relating to the Offer in accordance with Rule 41 of the Takeovers Code to SLI within two Business Days after execution of the Sale Agreement;
- (b) ESW agreed to send the Offer to SLI 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 to SLI;
- (c) subject to the Offer being made or caused to be made at a price not less than \$0.63 per SLI Share, the Sale Parties each agreed to accept, or procure the acceptance of, the Offer within two Business Days after the date of despatch of this Offer Document to SLI Shareholders;
- (d) nothing in the Sale Agreement confers on ESW or any other party the ability, or right, to hold or control (as defined in the Takeovers Code) the voting rights attaching to the SLI Shares of the relevant Sale Party and no party will become the holder or controller of such voting rights except following payment of the purchase price to the relevant Sale Party under the Offer; and
- (e) the Sale Agreement will automatically terminate if:
  - (i) ESW does not make the Offer to SLI Shareholders (in compliance with the Takeovers Code) in accordance with the Sale Agreement;
  - (ii) ESW withdraws the Offer in accordance with the Takeovers Code; or
  - (iii) any of the conditions set out in this Offer Document are not fulfilled and ESW has given notice in writing in accordance with the Takeovers Code that the Offer has lapsed.

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**

ESW 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 Sections 47 – 53 of the Takeovers Act 1993). ESW will have funding for such amounts from cash balances available to it.

A statement setting out the rights of each offeree under Rule 34 of the Takeovers Code, to withdraw acceptances for non-payment by ESW of the consideration, is set out in clause 2.5 of the Terms and Conditions of the Offer.

## **10. Arrangements between ESW and SLI**

In July 2018, ESW indicated to SLI an interest in acquiring all of the shares in SLI. ESW and SLI entered into a confidentiality agreement, under which ESW agreed to keep confidential any information disclosed to ESW by SLI in connection with ESW's proposal to make a full takeover offer for SLI and to use the information solely for that purpose.

On 20 August 2018, ESW and SLI entered into a letter of intent under which SLI granted ESW an exclusivity period to allow ESW to complete a due diligence investigation and prepare the

required documentation to make a full takeover offer.

SLI provided ESW with access to certain non-public information relating to the SLI Group in order for ESW to undertake certain legal, technology and business due diligence in relation to the SLI Group prior to the Notice Date.

ESW indicated to the SLI Board of Directors the price per SLI Share and Option and the terms on which ESW would be prepared to make the Offer. SLI's Independent Director Committee (a sub-committee of SLI's Board of Directors), responsible for considering the merits of the Offer and providing advice to SLI Shareholders and Option Holders on the Offer, has indicated to the SLI Board and to ESW that it is likely to recommend the Offer to SLI Shareholders and Option Holders at that price per SLI Share and Option and on those terms.

ESW and SLI agreed that:

- (a) payments which are to be paid to each of SLI Chief Executive Chris Brennan, SLI Chief Financial Officer Rod Garrett and SLI Chief Product Officer Blair Cassidy under employment retention agreements dated on or about August 6, 2018, are to be paid from SLI's cash reserves (which amounts form part of the Transaction Costs);
- (b) SLI may cash settle and/or cancel SARs upon and subject to the Offer becoming unconditional (in each case on terms approved by ESW acting reasonably), provided that any payments made pursuant to these SARs cash settlement and/or cancellation arrangement payments do not exceed in the aggregate NZ\$1,263,315 (which amounts form part of the Transaction Costs);
- (c) redundancy payments to be made to SLI Chief Executive Chris Brennan and SLI Chief Financial Officer Rod Garrett are to be paid from SLI's cash reserves (which amounts form part of the Transaction Costs).

Other than as set out above, as at the date of this Offer Document, no agreement, arrangement (whether legally enforceable or not) has been made, or is proposed to be made, between ESW (or any associate of ESW) and SLI or any related company of SLI in connection with, in anticipation of, or in response to the Offer.

#### **11. Arrangements between ESW, and directors and officers of SLI**

As at the date of this Offer Document no agreements or arrangements (whether legally enforceable or not) have been made, or are proposed to be made, between ESW or any of its associates and any of the directors or senior officers of SLI or of any related company of SLI (including 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.

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

As at the date of this Offer Document, no agreement or arrangement has been made or proposed to be made, under which SLI or any related company of SLI will give (directly or indirectly) financial assistance for the purpose of, or in connection with, the Offer.

#### **13. Intentions about material changes to SLI**

- (a) If ESW becomes entitled to invoke the compulsory acquisition provisions of the Takeovers Code, it intends to compulsorily acquire all the outstanding SLI Shares and apply for SLI to be de-listed from the NZX Main Board.
- (b) If ESW does not receive sufficient acceptances under the Offer to enable the compulsory acquisition provisions of the Takeovers Code to be invoked, but nevertheless declares

the Offer unconditional, ESW will seek appropriate representation on the SLI Board and will participate in decisions relating to SLI, and its future, through the SLI Board.

- (c) ESW's current intention in relation to the business activities of SLI and its subsidiaries is to invest in SLI's global business in three ways:
- (i) ensuring long-term viability;
  - (ii) investing in product innovation; and
  - (iii) leveraging current Tier 1 retail relationships to expand SLI's business.

Each of these three key strategies will be done keeping in mind the best interest of SLI's valued customers and long-term viability of SLI.

- (d) Only after completion of the Offer and a detailed review of the SLI Group, having regard to all material facts and circumstances (including as to the level of acceptances received under the Offer), will ESW finally determine its intentions for the SLI Group. At that point, ESW will take such action as it considers necessary to implement appropriate strategies. However, ESW's current intentions about material changes to the material assets or capital structure (including dividend policy) of SLI and its subsidiaries are:
- (i) ESW does not intend to make any material changes to any material asset of the SLI Group.
  - (ii) ESW will review the SLI Group's capital structure (including the SLI Group's dividend policy, raising capital and debt) following completion of the Offer.
  - (iii) It is intended that the employment arrangements SLI has with SLI Chief that Executive Chris Brennan and SLI Chief Financial Officer Rod Garrett will be terminated with those responsibilities being assumed by suitably qualified ESW executives.
- (e) If ESW does not receive sufficient acceptances under the Offer to enable the compulsory acquisition provisions of the Takeovers Code to be invoked, but nevertheless declares the Offer unconditional, the extent to which ESW will be able to implement its intentions as described above in relation to the SLI Group will be subject to:
- (i) the outcome of the Offer and the size of ESW's shareholding at that time;
  - (ii) limitations or restrictions contained in the Companies Act and the NZX Listing Rules, in particular in relation to related party transactions and conflicts of interests; and
  - (iii) the legal obligations and duties of the directors and officers of SLI.
- (f) The above statements of intention represent ESW's current intentions based on information that is known to ESW as at the date of preparation of this Offer Document. ESW reserves the right to take any other action or pursue any other strategy in relation to SLI's business that it sees fit depending on the business, economic and political environments and other relevant circumstances which may be applicable following completion of the Offer.
- (g) ESW is not required to give, and has not given, any information to any regulatory body (in New Zealand or in an overseas jurisdiction), other than the Takeovers Panel, in relation to the Offer.

#### **14. Pre-emption clauses in the constitution of SLI**

As at the date of this Offer Document there is no restriction on the right to transfer equity securities to which the Offer relates contained in the constitution of SLI which has the effect of requiring the holders of the securities to offer the securities for purchase to shareholders of SLI or to any other person before transferring the securities.

#### **15. No escalation clause**

As at the date of this Offer Document there is no agreement or arrangement (whether legally enforceable or not) under which:

- (a) any existing holder of equity securities in SLI 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
- (b) any prior holder of equity securities in SLI will or may receive any consideration or other benefit as a consequence of the Offer.

#### **16. Classes of securities**

The consideration and terms of the Offer for the SLI Shares and the Options have been calculated to be fair and reasonable in compliance with rule 8(4) of the Takeovers Code. The basis for such calculation is that the consideration offered for Options is within the current value range assessed by Simmons Corporate Finance Limited and the terms of the Offer for the SLI Shares and the Options being equivalent. Further details are set out in the report prepared by Simmons Corporate Finance Limited referred to below which certifies that, in the opinion of Simmons Corporate Finance Limited, the consideration and terms offered for the Options is fair and reasonable in comparison with the consideration and terms offered for the SLI Shares and as between each class of Options.

ESW has obtained a report by Simmons Corporate Finance Limited concerning the fairness and reasonableness of the consideration and terms of the Offer in relation to the different classes of financial products. The Simmons Corporate Finance Limited report will be sent to all offerees with SLI's target company statement. The Offer should be read in conjunction with the Simmons Corporate Finance Limited report and with the report obtained by SLI on the merits of the Offer.

#### **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 ESW under the Takeovers Code.

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



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**Andrew S. Price**

Sole Director and person fulfilling the  
roles of Chief Executive Officer and  
Chief Financial Officer of ESW  
Holdings, Inc.

## APPENDIX 2: CONSIDERATION PAYABLE FOR OPTIONS

TRANCHE	GRANT DATE	EXPIRY DATE	NUMBER OF OPTIONS	EXERCISE PRICE	OPTION OFFER PRICE (NZ\$)
1.	13 Nov 06	13 Nov 19	180,000	US\$0.29	0.18
2.	7 Jan 08	7 Jan 21	60,000	US\$0.29	0.19
3.	25 Mar 08	25 Mar 21	210,000	US\$0.33	0.16
4.	5 May 08	5 May 21	60,000	US\$0.33	0.16
5.	12 May 08	12 May 21	60,000	US\$0.29	0.19
6.	9 Mar 09	9 Mar 19	49,500	US\$0.33	0.11
7.	14 Apr 09	14 Apr 19	49,500	US\$0.33	0.11
8.	10 May 09	10 May 19	49,500	US\$0.33	0.11
9.	30 Jun 09	30 Jun 19	49,440	US\$0.33	0.11
10.	15 Mar 10	15 Mar 20	49,500	US\$0.33	0.14
11.	23 Mar 10	23 Mar 20	210,000	US\$0.33	0.14
12.	6 Apr 10	6 Apr 20	49,500	US\$0.33	0.14
13.	31 May 10	31 May 20	29,500	US\$0.33	0.14
14.	8 Jun 10	8 Jun 20	49,500	US\$0.33	0.14
15.	21 Jun 10	21 Jun 20	49,500	US\$0.33	0.14
16.	30 Jun 10	30 Jun 20	64,118	US\$0.33	0.14
17.	4 Oct 10	4 Oct 20	49,500	US\$0.33	0.15
18.	15 Jan 11	15 Jan 21	210,000	US\$0.33	0.16
19.	16 May 11	16 May 21	22,500	US\$0.33	0.16
20.	30 Jun 11	30 Jun 21	165,272	US\$0.33	0.17
21.	12 Jul 11	12 Jul 21	120,000	US\$0.33	0.17
22.	17 Oct 11	17 Oct 21	49,500	US\$0.33	0.17
23.	5 Dec 11	5 Dec 21	49,500	US\$0.33	0.18
24.	28 May 12	28 May 22	49,500	US\$0.68	0.07
25.	5 Jun 12	5 Jun 22	28,875	US\$0.68	0.08
26.	18 Jun 12	18 Jun 22	43,500	US\$0.68	0.08
27.	25 Jun 12	25 Jun 22	49,500	US\$0.68	0.08
28.	1 Jul 12	1 Jul 22	51,000	US\$0.75	0.07
29.	16 Jul 12	16 Jul 22	49,500	US\$0.75	0.07
30.	20 Aug 12	20 Aug 22	63,338	US\$0.75	0.07
31.	12 Sep 12	12 Sep 22	32,400	US\$0.75	0.07
32.	8 Oct 12	8 Oct 22	32,400	US\$0.75	0.07
33.	19 Nov 12	19 Nov 22	24,300	US\$0.75	0.07
34.	3 Dec 12	3 Dec 22	32,400	US\$0.75	0.08
35.	14 Jan 13	14 Jan 23	32,400	US\$0.78	0.07
36.	15 Feb 13	15 Feb 23	32,400	US\$0.78	0.07
37.	4 Mar 13	4 Mar 23	32,400	US\$0.78	0.08
38.	8 Apr 13	8 Apr 23	32,400	US\$0.78	0.08



TRANCHE	GRANT DATE	EXPIRY DATE	NUMBER OF OPTIONS	EXERCISE PRICE	OPTION OFFER PRICE (NZ\$)
39.	17 Jun 13	17 Jun 23	13,800	NZ\$1.94	0.04
40.	1 Jul 13	1 Jul 23	6,900	NZ \$1.94	0.04
41.	8 Jul 13	8 Jul 23	13,800	NZ \$1.94	0.04
42.	22 Jul 13	22 Jul 23	13,800	NZ \$1.94	0.04
43.	5 Aug 13	5 Aug 23	13,800	NZ \$1.94	0.04
44.	16 Sep 13	16 Sep 23	13,800	NZ \$1.94	0.04
45.	25 Sep 13	25 Sep 23	13,800	NZ \$2.06	0.04
46.	14 Oct 13	14 Oct 23	13,800	NZ \$1.93	0.04
47.	25 Nov 13	25 Nov 23	13,800	NZ \$1.94	0.04
48.	27 Jan 14	27 Jan 24	13,800	NZ \$2.17	0.04
49.	24 Feb 14	24 Feb 24	27,600	NZ \$2.55	0.03
50.	31 Mar 14	31 Mar 24	13,800	NZ \$2.46	0.03
51.	14 Apr 14	14 Apr 24	13,800	NZ \$2.26	0.04
52.	2 Jul 14	2 Jul 24	100,000	NZ \$1.61	0.07
53.	14 Jul 14	14 Jul 24	13,800	NZ \$1.53	0.08
54.	28 Jul 14	28 Jul 24	13,800	NZ \$1.42	0.08
55.	4 Aug 14	4 Aug 24	13,800	NZ \$1.40	0.09
56.	11 Aug 14	11 Aug 24	26,500	NZ \$1.37	0.09
57.	19 Sep 14	19 Sep 24	13,800	NZ \$1.36	0.09
58.	29 Sep 14	29 Sep 24	13,800	NZ \$1.31	0.10
59.	25 Nov 14	25 Nov 24	27,600	NZ \$1.15	0.11
60.	22 Dec 14	22 Dec 24	13,800	NZ \$1.12	0.12
61.	29 Jan 15	29 Jan 25	13,800	NZ \$1.14	0.12
62.	24 Aug 15	24 Aug 25	77,000	NZ \$0.76	0.18
63.	24 Aug 15	11 Jun 25	200,000	NZ \$0.94	0.15
64.	16 Oct 15	16 Oct 25	2,000	NZ \$0.79	0.18
65.	25 Nov 15	25 Nov 25	2,000	NZ \$0.77	0.18
66.	2 Sep 16	2 Sep 26	35,000	NZ \$0.72	0.20
67.	28 Nov 16	9 Oct 25	613,083	NZ \$0.83	0.17
68.	22 Feb 17	22 Feb 27	16,875	NZ \$0.43	0.28
69.	2 Mar 17	2 Mar 27	315,000	NZ \$0.37	0.30
70.	28 Jul 17	28 Jul 27	75,000	NZ \$0.33	0.31
71.	2 Oct 17	2 Oct 27	75,000	NZ \$0.25	0.34
72.	28 Nov 17	9 Oct 25	613,083	NZ \$0.37	0.28
73.	13 Apr 18	13 Apr 28	460,000	NZ \$0.31	0.33
74.	21 May 18	21 May 28	200,000	NZ \$0.31	0.33
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