



Leveraged Equities Finance Limited

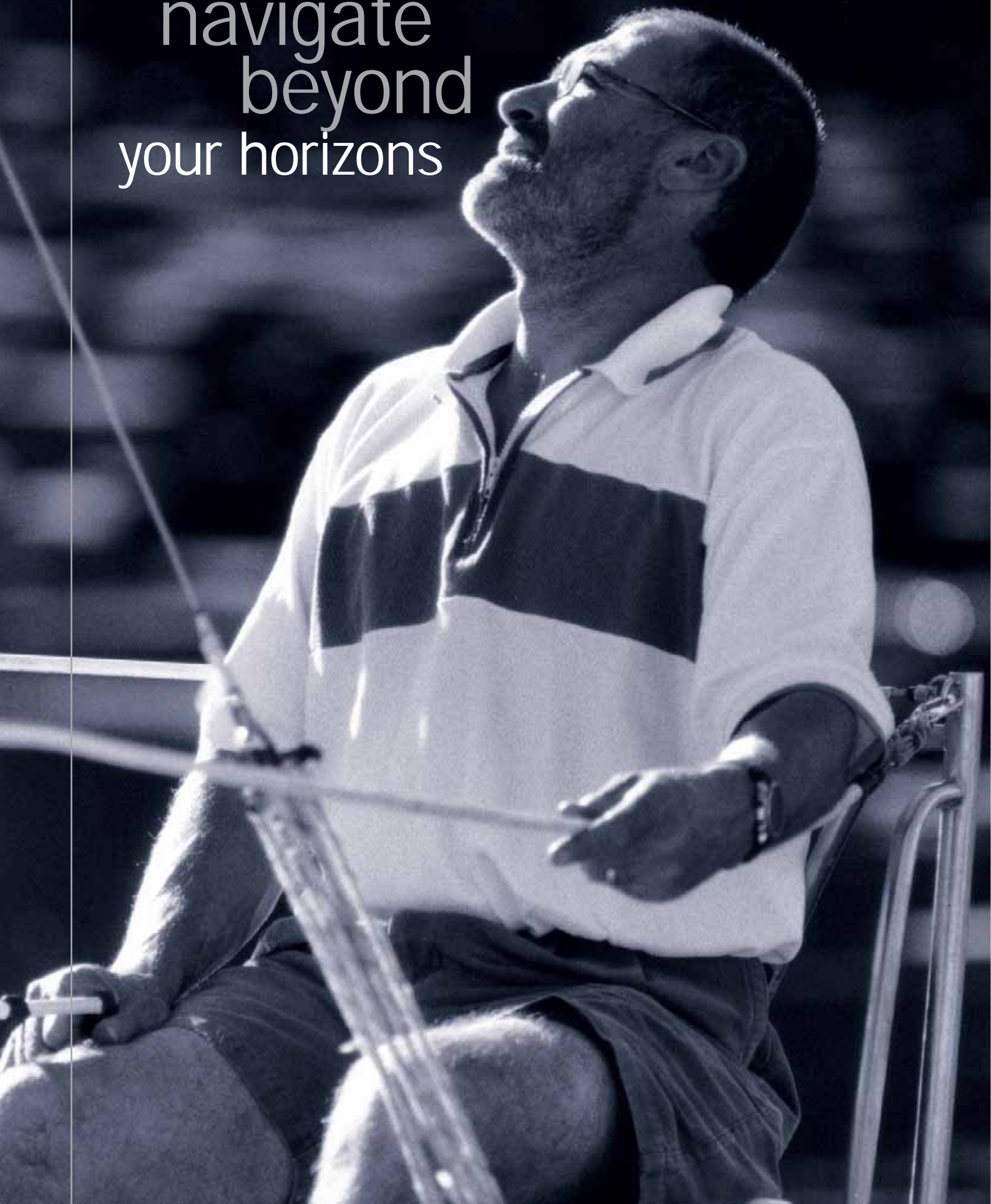


# LE Shorts



**LEVERAGED  
EQUITIES**  
FINANCE LIMITED

navigate  
beyond  
your horizons



## WHAT IS SHORT SELLING?

LE Shorts is a feature that you can add to your Margin Loan Facility.

LE Shorts will enable you to borrow certain securities from LEFL that you do not currently own and sell them on either the New Zealand or Australian Stock Exchange.

You must then repurchase the securities at a later date, with the aim of benefitting from a fall in the price of the securities borrowed. This is called covered short selling.

Your return is the difference between the sale price and purchase price after deducting costs and any tax liability on trading profits. However, if the price of the borrowed security rises, then you will incur a loss.

You are required to have sufficient available funds in your Margin Loan Account to borrow the securities. Each loan of securities has a collateral requirement equal to 120% of the market value of the securities borrowed less the sales proceeds from the short sale. The sales proceeds from the short are retained by LEFL on your account for the duration of the loan and are not available to be paid out to you until the position has been closed out.

Most New Zealand listed and many Australian listed securities can be borrowed, however this is subject to availability at the time of the request.

## WHY USE AN LE SHORTS FACILITY?

Investors who believe the price of a security is likely to fall in the short to medium term can earn a return if the expected fall occurs.

Using LE Shorts in conjunction with your Margin Loan Facility gives you increased flexibility to make decisions that can protect the value of your equity.

Investors may offset potential losses on an existing investment portfolio in the event of a broad based market fall in security prices. This is a form of hedging against a downturn in economic/market conditions.

A situation may also occur where the price of one security is expected to fall, but another similar security is expected to increase. Investors might seek to take advantage of these views with an arbitrage opportunity.

## WHO CAN USE AN LE SHORTS FACILITY?

Any client of LEFL may apply for an LE Shorts Facility. However, as short selling is generally a risky short-term trading strategy you should seek independent advice before using this facility. You must first read and ensure that you understand the risks of using the LE Shorts Facility.

## DO I NEED TO MAKE A CASH DEPOSIT TO COVER A SHORT TRANSACTION?

No, if you own securities which are on our approved Margin Lending stock list and which have a security value sufficient to cover the Required Collateral, then you can transfer these to us as collateral. Please note that we require the collateral to be held in your account prior to approving a short position and Australian share transfers may take some time to process.

## WHAT SECURITIES DO WE LEND?

We can lend securities listed on either the NZX or ASX depending on availability. Availability can change daily, so we are unable to publish a list of available securities. Please check with us for availability.





## HOW DOES LE SHORTS WORK?

The following examples demonstrate how the LE Shorts Facility works in conjunction with the Margin Loan Facility. For simplicity, all figures are in NZ dollars and brokerage, interest and our fees are ignored in the examples provided.

1. Say you already have a margin loan of \$50,000 and this loan is secured by 10,000 XYZ shares with a market price of \$10. XYZ has an LVR of 65% and therefore the security value is \$65,000 and the available funds on the account are \$15,000.

Margin Loan						\$50,000
Stock	Shares	Price	Market Value	LVR	Security Value	
XYZ	10,000	\$10.00	\$100,000	65%	\$65,000	
Available funds						\$15,000

2. Suppose you now borrow 20,000 shares of security ABC and sell these short on the market at a price of \$2.50. Your collateral requirement is the Security Value ( $20,000 * \$2.50 * 120\% = \$60,000$ ) less the Sales Proceeds ( $20,000 * \$2.50 = \$50,000$ ). Collateral requirement equals \$10,000. The available funds on your margin account will fall by the amount of the collateral requirement.

Margin Loan						\$50,000
Short Sale proceeds						-\$50,000
Loan less short sale consideration						\$0

Stock	Shares	Price	Market Value	LVR	Security Value	
XYZ	10,000	\$10.00	\$100,000	65%	\$65,000	
ABC	-20,000	\$2.50	-\$50,000	120%	-\$60,000	
Available funds						\$5,000

3. Assume that the market price of ABC then falls to \$2.

Margin Loan						\$50,000
Short Sale proceeds						-\$50,000
Loan less short sale consideration						\$0

Stock	Shares	Price	Market Value	LVR	Security Value	
XYZ	10,000	\$10.00	\$100,000	65%	\$65,000	
ABC	-20,000	\$2.00	-\$40,000	120%	-\$48,000	
Available funds						\$17,000

4. Suppose that you close out the short position at the ABC price of \$2, you will make a profit of \$10,000 and your margin position will now be as follows:

Margin Loan						\$50,000
Profit on Short Sale						\$-10,000
Margin Loan (post short sale)						\$40,000

Stock	Shares	Price	Market Value	LVR	Security Value	
XYZ	10,000	\$10.00	\$100,000	65%	\$65,000	
Available funds						\$25,000

## WHAT ARE THE RISKS OF USING AN LE SHORTS FACILITY?

As share price rises are unlimited, potential losses are also unlimited. In order to close out a short position, the securities must be repurchased and this may be significantly higher than the price at which the securities were short sold.

Using LE Shorts is generally a short term trading strategy and may have taxation implications. We recommend that you seek independent taxation advice, prior to using LE Shorts.

If the securities borrowed rise in price, the collateral requirement will also increase and this may result in a margin call on your margin account. Margin calls must be met in full, by 3pm the following day as per the terms and conditions of the Margin Loan Facility.

LEFL may request that you close out your short position before your planned timeframe. LEFL has the power to enforce the repurchase of securities as per the Terms and Conditions of the LE Shorts Agreement.

### 5. Assume that after selling short 20,000 ABC as per the preceding example 2, the market price of ABC rises to \$3.00. The margin position will be as follows:

Margin Loan					\$50,000
Short Sale proceeds					-\$50,000
Loan net of short sale proceeds					\$0
Stock	Shares	Price	Market Value	LVR	Security Value
XYZ	10,000	\$10.00	\$100,000	65%	\$65,000
ABC	-20,000	\$3.00	-\$60,000	120%	-\$72,000
Margin Call					\$7,000

### 6. Suppose that you close out the short position at the ABC price of \$3.00, you will make a loss of \$10,000 and your margin position will be:

Margin Loan					\$50,000
Loss on Short Sale					\$10,000
Margin Loan (post short sale)					\$60,000
Stock	Shares	Price	Market Value	LVR	Security Value
XYZ	10,000	\$10.00	\$100,000	65%	\$65,000
Available funds					\$5,000

## CAN I USE LE SHORTS TO REDUCE THE INTEREST PAYMENTS ON MY MARGIN LOAN?

No, an open short position will be credited to your loan account and will not affect the interest charged on your margin loan. However any profit or loss made on closing out the short position will be debited or credited to your loan account.

## DO CORPORATE ACTIONS AFFECT THE LOAN OF SECURITIES?

Corporate actions are events such as dividend payments, takeovers, rights issues, company restructures, returns of capital, buy backs, options exercise, share purchase plans, and call payments. In the event of a corporate action being announced it is likely you will be required to close out the position prior to the entitlement date, or be required to deliver to us either a cash payment, or shares.

### For example;

- ▶ If XYZ pays a dividend which has a right to New Zealand imputation tax credits, then we will request that you close out the position prior to the record date for the dividend.
- ▶ If XYZ declares a tax free 1:10 bonus issue, we may allow you to keep a short position open through the record date, but we will require you to deliver us the original stock loan plus the bonus shares when the position is closed out.
- ▶ If you do not close the position voluntarily when we ask you, then we will enforce the buy-back of the securities.





## LE SHORTS - PROCEDURES OF USE

These procedures are a summary of the current provisions of the LE Shorts Agreement and contain some additional information of our business practices. They do not form part of the LE Shorts Agreement, but are intended to assist you to understand our requirements and procedures.

- ▶ You must apply for and have approved a Margin Lending Facility. You must also apply for and have received approval to use LE Shorts by Leveraged Equities Finance Limited (LEFL).
- ▶ Prior to entering into a Short transaction, you must instruct your broker to seek confirmation from LEFL that we have sufficient quantity of the security available and we approve the lending of this security to you.
- ▶ You are required to have the Required Collateral in your Margin Loan Account as Available Credit, or provide evidence that you have deposited further collateral with us sufficient to cover the margin requirements at the time your broker seeks approval.
- ▶ We may approve a lesser number of securities than requested. We will also advise the period for which this authorisation is valid.
- ▶ Once your broker has received approval from us including our confirmation number he/she may proceed to sell the stock on your behalf.
- ▶ If securities are sold which have not been approved by us and/or do not meet the terms of that approval, then we are not obliged to settle that transaction.
- ▶ The sale proceeds from the Short are held in your margin account as a Pending Item.
- ▶ You do not receive interest on these funds.
- ▶ Safety Margin – an LVR of 120% is attached to the borrowed security.
- ▶ The margin requirement for the purposes of calculating your margin position is determined by the Safety Margin less the sales proceeds from the shorted security.
- ▶ You cannot enter into a short position as a means to reduce a shortfall on your Margin Loan Account or meet a margin call. A Short position will actually increase your shortfall, or reduce your available funds due to the Safety Margin requirements.
- ▶ You cannot enter into a Short position as a means to reduce your loan balance on your Margin Loan Account. The sales proceeds will be held as a Pending Item while the short position remains open.
- ▶ If an increase in the price of the shorted security results in a margin call on your Margin Loan Account, then you will be required to meet the margin call, as per the terms of your Margin Lending Facility Agreement.
- ▶ LEFL requires short positions to be closed out five Working Days prior to a corporate actions record date, unless we otherwise give permission to you.
- ▶ Once you close out the short position any profit will be credited to your Margin Loan Account and any loss will be debited to your Margin Loan Account.
- ▶ All Shorts are approved on a 24 hour call basis – that is if we require you to close out the position you must do so by 5pm on the same Working Day, or the next day if we have asked you to do so after 12pm on any Working Day.
- ▶ There is a transaction fee every time you open a Short position using LE Shorts. This is currently:
  - (a) NZ\$25 for securities registered in NZ and traded on the NZX.
  - (b) AU\$50 (or NZ\$60) for securities registered in Australia and traded on the ASX.

Note: If we consider that by lending the security to you to sell on the open market, that due to a lack of liquidity in the market for that security an adverse price movement will likely result, then we will decline the request to lend securities.

# LE Shorts Agreement Terms and Conditions

This LE Shorts Agreement sets out the terms and conditions under which Leveraged Equities Finance Limited (LEFL or we/us) agrees to make available to you an arrangement under which you may borrow certain *Securities* from LEFL. This Agreement is supplementary to the *Margin Lending Facility Agreement* between you and LEFL in relation to your *Margin Loan Account*. This Agreement is a *Transaction Document* for the purposes of the *Margin Lending Facility Agreement*, and is to be read in conjunction with that agreement except that, in the event of any inconsistency, the terms of this agreement shall prevail. The meaning of the words printed like *This* is set out in clause 9 of this Agreement, or in Part E of the *Margin Lending Facility Agreement*.

## 1 WHAT WE LEND, WHEN AND HOW

- 1.1 We agree to make available to you an arrangement under which you may borrow certain *Securities*, if we agree to lend them to you.
- 1.2 You may borrow *Securities* by following the procedures outlined in *this Agreement*.
- 1.3 You may only borrow *Securities* if:
  - a) you have established a *Margin Loan Account* with us and you are not in default under that facility; and
  - b) you have satisfied all of the requirements necessary before we will lend you money under the *Margin Lending Facility*; and
  - c) in respect of those *Securities* you propose to borrow:
    - (I) the *Required Collateral* does not exceed the *Available Credit*; or
    - (II) you provide us with additional *Collateral* so as to comply with clause 3.1; and
  - d) you or your broker have given us any approval, document or information which we reasonably request and it is satisfactory to us; and
  - e) you have paid us any *Fees* we require to be paid under the terms of this Agreement; and
  - f) you and the *Guarantor* (if any) have complied with all *Transaction Documents* and any other requirements we reasonably impose; and
  - g) you have complied with the procedures set out in this Agreement.
- 1.4 If you want to borrow any *Securities* the following steps must be followed:
  - a) You instruct your broker to give us an *Authorisation and Borrower Request* completed in accordance with its terms prior to close of business on the relevant Stock Exchange. This request must contain the maximum number of *Securities* you wish to sell.
  - b)
    - (I) If the *Authorisation and Borrower Request* is approved we will return a copy of the *Authorisation and Borrower Request* with an *Authorisation* number to your broker.
    - (II) We may decline to approve an *Authorisation and Borrower Request* at our discretion.
    - (III) We may, in approving any *Authorisation and Borrower Request*, reduce the number of *Securities* requested by you in the *Authorisation and Borrower Request*.
    - (IV) We may, in approving any *Authorisation and Borrower Request*, at our discretion set a minimum price at which you may sell the *Securities* on the open market.
    - (V) An *Authorisation* provided to your broker by us is valid and capable of being acted upon by you until the time and date specified by us in the relevant *Authorisation and Borrower Request* unless prior to that time you are notified by us in writing that another time and date will apply. All *Authorisations* automatically lapse at the end of the validity period specified in the *Authorisation*.
    - (VI) You may sell some or all of the *Securities* (but not more) as authorised by us during the period specified by our *Authorisation*.
  - c) Your broker must provide us by email or fax with a sale contract note within one *Working Day* after the *Securities* have been sold.
  - d) You must ensure, by instructing your broker, that on settlement the proceeds from the sale after deduction of brokerage at usual rates specified in the contract note are to be remitted directly to us in the manner and to such bank account as we may specify. Normal market conventions apply with regard to settlement of trades.
  - e) You agree:
    - (I) to comply with your obligations under this Agreement;
    - (II) to give the *Authorisations* and instructions required to be given by you under this Agreement;

- (III) to deposit in advance the *Required Collateral* in relation to the *Securities* borrowed by you under this Agreement.

If you have satisfied all of the requirements to borrow *Securities* as outlined in *this Agreement*, and we agree to lend them to you, we will lend you the *Securities* by delivering the *Securities* to your Broker for settlement of the sale contract note. For the avoidance of doubt we are not obliged to lend you any *Securities* if the terms of our *Authorisation* have not been strictly complied with.

- 1.5 We may require information or instructions given pursuant to this Agreement to be given electronically, orally, or in writing.
- 1.6 You may request to borrow *Securities* as often as you wish under this Agreement; however, the *Required Collateral* on any *Securities* you borrow must not at any time exceed the *Available Credit* under your *Margin Lending Facility*.
- 1.7 We are not liable for any loss you may suffer if the price of any *Securities* you plan to *Short* changes during the time we take to authorise your *Authorisation and Borrower Request* to enter into a *Short* position.
- 1.8 We will provide to you each month a statement setting out:
  - a) The number and type of *Securities* borrowed by you pursuant to any *Authorisation and Borrower Request*;
  - b) the balance of all *Pending Items* on your account in accordance with clause 2.1(b);
  - c) the amount of *Required Collateral*.
- 1.9 If the broker nominated by you fails to settle a contract note in accordance with clause 1.4(d) of this Agreement then you agree to pay to us, the equivalent of the settlement proceeds on demand, together with all the losses, costs and expenses reasonably incurred by us as a result of such failure.
- 1.10 We may supplement or modify the above procedures at any time, and while we will notify you of any such change, these changes may take immediate effect and notwithstanding you have not received notice from us.
- 1.11 You will ensure that all *Short* sales will comply with all laws relating to dealings in *Securities* and all rules of the *ASX*, *NZX* or any other relevant exchange or clearing facility.

## 2 AUTHORISATIONS

- 2.1 You authorise us as and when required under this Agreement to:
  - a) for the purposes of the *Transaction Documents* (other than in respect of your obligation to pay interest and repay principal in respect of amounts loaned under the *Margin Lending Facility*) to vary the *Safety Margin* on *Short* positions in accordance with any procedures we may adopt from time to time;
  - b) deposit the sales proceeds received by us in respect of any *Securities* lent to you, as a *Pending Item* in a LEFL bank account which is separate from your loan account under the *Margin Lending Facility*, and you will not receive interest on these moneys;
  - c) draw down under your *Margin Loan Account* an amount equal to any amount you are required to pay us under clauses 1.9, 4.2 or 5.4 or any other provision of this Agreement and such amounts will be used to meet your obligations under this Agreement;
  - d) settle any sale of *Securities* borrowed under this Agreement on your behalf with the broker specified in the relevant *Authorisation and Borrower Request* and otherwise act in accordance with any other requests from your broker without making enquiry as to whether you have authorised your broker to do so.
- 2.2 Any *Authorisations* and instructions given by you or your broker pursuant to this Agreement may not be revoked by you until all *Short* positions pursuant to any *Authorisation and Borrower Request* have been closed out and while any money owing by you to us in relation to any borrowed *Securities* remains unpaid.

## 3 SECURITY

- 3.1 You must ensure that at all times we hold (in immediately available funds if we so require) the *Required Collateral* in respect of any *Securities* borrowed by you and you agree to comply with any request we make for *Collateral*.
- 3.2 Whenever we give you a request for *Collateral* under clause 3.1, it must be paid to us immediately on the day the instruction is given into the account specified by us. You must provide us with evidence of any funds deposited into our bank account.
- 3.3 You give us a *Security Interest* in all amounts held by us as *Collateral* (including all proceeds of sale of *Securities* lent to you by us whether or not those sales proceeds have yet been received by us) in accordance with clause 9 of the *Margin Lending Facility Agreement*.

#### 4 DISTRIBUTIONS AND CORPORATE EVENTS

- 4.1 *Monetary Rights* in any *Secured Property* or funds held by us will be applied by us in accordance with clause 9.6 of the *Margin Lending Facility Agreement*.
- 4.2 Where any *Distribution* is paid in relation to any borrowed *Securities*:
- a) On or by reference to an *Income Payment Date* on which such *Securities* are the subject of a loan under this Agreement, you must pay us the amount of that *Distribution* falling which we may, on the date of the payment of such *Distribution*, debit your *Margin Loan Account* with a sum of money irrespective of whether you have received the same.
- b) *Imputed/Franked Dividends*.
- If: (i) an *Income Payment Date* occurs during an *Income Determination Period* in relation to *Securities* borrowed pursuant to an *Authorisation and Borrower Request*; and (ii) had LEFL been the holder of those *Securities* on the relevant *Income Payment Date*, LEFL would have received an *Imputed/Franked Dividend* in respect of those *Securities*, then, on the relevant *Income Payment Date* you must pay to us an amount equal to the imputation/franking credit referable to the *Imputed/Franked Dividend*.
- 4.3 Where, in respect of any borrowed *Securities*, any rights arise relating to a conversion, subdivision, consolidation, pre-emption, a takeover offer or any *Other Rights*, then we will require from you redelivery of *Equivalent Securities*. If an election is required by the holder of such *Securities*, which is exercisable prior to the redelivery of *Equivalent Securities* then we reserve the right to require you to redeliver *Equivalent Securities* or *Monetary Rights* or other *Securities* (or any combination of them) in such form or amount which a holder would have been entitled to receive if the right were exercised by us, as we specify in our written notice to you.
- 4.4 Without limiting clause 4.3 where, in respect of any borrowed *Securities* the relevant issuer issues any right or option in respect of the borrowed *Securities* you must deliver or make, as the case may be, to us on the date of such issue or on such other date as we may from time to time agree:
- a) an equivalent right, or option; or at our election
- b) a payment equal to the *Market Value* of the right or option;
- together with any such endorsements or assignments as are customary and appropriate.
- 4.5 Any payment required to be made by you under this clause 4 may, at our election, be drawn under your *Margin Loan Account* and otherwise must be made in the manner specified by us.

#### 5 HOW AND WHEN YOU MUST REDELIVER EQUIVALENT SECURITIES

- 5.1 You must redeliver *Equivalent Securities* in accordance with this Agreement.
- 5.2 We may require you to close out your *Short* positions and call for the redelivery of all or any of the *Equivalent Securities* at any time by giving notice to you by no later than 12pm (NZ Time) on any *Working Day*. Your broker must send us a contract note for redelivery of *Equivalent Securities* in accordance with our instructions by not later than 5pm on the day the notice is given or the following *Working Day* if the notice is given after 12pm (NZ time).
- 5.3 If at any time you have an obligation under clause 4.2 of this Agreement, you may elect to satisfy that obligation (in full or in part) by redelivering sufficient *Equivalent Securities* as agreed by us.
- 5.4 Consequences of a default by you under clause 5.2 of this Agreement or clauses 4.2-4.4 of this Agreement are as follows:
- a) If you do not:
- (i) close out a *Short* position in accordance with clause 5.2 of this Agreement following a request by us under that clause; or
- (ii) satisfy your obligations under clauses 4.2-4.4 of this Agreement, whether by redelivering *Equivalent Securities* under clause 5.3 of this Agreement or otherwise,
- we may elect to terminate (in full or in part) any or all loans of *Securities* and "buy in" the *Equivalent Securities* in accordance with clause 5.4(b) of this Agreement.
- b) If we elect to terminate a loan of *Securities* (in full or in part) in accordance with clause 5.4(a) we will purchase these *Equivalent Securities* on the open market (a "buy in").
- c) If we elect to "buy in" the *Equivalent Securities* in accordance with clause 5.4(b) then you must pay to us the purchase price plus the total costs and expenses reasonably incurred by us as a result of the "buy in" and we may set this amount off against the *Collateral* in accordance with clause 5.6(b) and/or make a drawdown under your *Margin Lending Facility Agreement*.

- 5.5 You may at any time terminate a particular *Short* position or loan of *Securities* and redeliver all or any *Equivalent Securities* due and outstanding to us in accordance with this Agreement.
- 5.6 How to redeliver *Equivalent Securities*:
- a) To close out a *Short* position you must:
- (i) advise us that you elect to terminate the loan of the *Securities*;
- (ii) purchase *Equivalent Securities* and your broker must provide us with a copy of the contract note prior to the day which is the settlement date of the contract;
- (iii) instruct your broker to deliver us the *Equivalent Securities* the subject of the purchase by you.
- b) We will remit to your broker the amount payable under the contract note for that purchase, firstly from the corresponding *Pending Item* and to the extent that amount is insufficient, secondly by way of a drawdown under your *Margin Lending Facility Agreement*. If the corresponding *Pending Item* exceeds the amount payable under the contract note any balance will be paid to your *Margin Loan Account* and will be available to you subject to the terms of the *Margin Lending Facility Agreement*.
- c) We have the discretion (but not the obligation), if we receive a contract note under which you have purchased *Equivalent Securities*, without any other advice from you, to treat this as a termination of any outstanding loan of *Securities*.
- d) Where you have borrowed the same type of *Securities* under more than one *Authorisation and Borrower Request* we will nominate which loan of *Securities* the *Equivalent Securities* will be terminating.
- e) Alternatively to closing the position on the open market, you may transfer to us *Equivalent Securities* by off market transfer.

#### 6 REPRESENTATIONS, UNDERTAKINGS AND ACKNOWLEDGEMENTS

- 6.1 You make the representations and undertakings set out in clauses 11 and 12 of the *Margin Lending Facility Agreement*, except that the reference in those clauses to *Secured Property* is taken to be a reference to *Collateral* under this Agreement.
- 6.2 You acknowledge that you have taken independent financial and taxation advice in relation to the consequences of borrowing *Securities* under this Agreement and any related sale or purchase of *Securities*.
- 6.3 You acknowledge that this Agreement is a *Transaction Document* under the *Margin Lending Facility Agreement*.

#### 7 IF YOU OR THE GUARANTOR ARE IN DEFAULT

- 7.1 If you are or the *Guarantor* is in default under this Agreement, then you and the *Guarantor* will also be in default under the provisions of clause 8.1 of the *Margin Lending Facility Agreement* and the provisions of clauses 8.2 and 8.3 of that agreement apply.

#### 8 OTHER COSTS, CHARGES AND INDEMNITIES

- 8.1 *Fees*.
- In respect of each loan of *Securities*:
- a) We will draw down under your *Margin Loan Account* a fee which we determine, and give you notice of, from time to time for each contract note pursuant to which you sell *Securities* the subject of an *Authorisation and Borrower Request*.
- b) We may draw down (from time to time) under your *Margin Loan Account* an amount necessary to pay all government and bank costs, charges and fees imposed as a result of transactions, authorised by you in accordance with clauses 1 and 2 of this Agreement, in relation to your *Margin Loan Account*.
- c) Pursuant to clause 4.2(b) of this Agreement we will be entitled to receive an amount for any imputation/franking credits referable to any *Imputed/Franked Dividend* paid in relation to *Securities* borrowed by you under this Agreement.
- 8.2 Calculation of interest under the *Margin Loan Account*.
- In respect of each loan of *Securities*, the interest on amounts borrowed under your *Margin Loan Account* will accrue daily in accordance with the terms of the *Margin Lending Facility Agreement*.
- 8.3 Stamp duty, etc.
- You must promptly pay and account for any transfer or similar duties or taxes (if any) chargeable in connection with any loan of *Securities* or redelivery of *Equivalent Securities* by this Agreement, and will indemnify and keep us indemnified against any liability arising in respect of any transfer or similar duties or taxes as a result of your failure to do so.
- 8.4 Interest on overdue amounts.
- If you fail to pay sums in accordance with this Agreement and we are unable to draw down such sums under your *Margin Loan Account*, you



must pay us interest at the default rate in accordance with clauses 2.7–2.10 of the *Margin Lending Facility Agreement*.

#### 8.5 General indemnity.

- a) In addition to, but without limiting the provisions of clause 13.2 13.4 of the *Margin Lending Facility Agreement*, you indemnify us against any claim, action, damage, loss, liability, cost, charge, expense, outgoing or payment which we pay, suffer, incur or become liable for, in respect of or arising from:
- (I) your failure to act in accordance with any contract note sent to us by your broker in accordance with clause 1.4 of this Agreement;
  - (II) the broker, specified by you in an *Authorisation and Borrower Request*, not settling any sale of *Securities* in accordance with the relevant contract note provided by that broker to us in accordance with clause 1.4 of this Agreement;
  - (III) any failure by you to comply with the provisions of clause 3 of this Agreement;
  - (IV) us being *Required* to “buy-in” *Equivalent Securities* in accordance with clause 5.4 of this Agreement; or
  - (V) any other breach by you of the terms of this Agreement.
- b) The indemnity contained in clause 8.5(a):
- (I) is a continuing obligation of you despite any settlement of account or the occurrence of any other thing;
  - (II) is not affected, abrogated, released or varied by any action or omission of us and is intended to be absolute and unconditional in any and all circumstances;
  - (III) remains in full force and effect until all moneys owing, contingently or otherwise, under this Agreement have been paid in full; and
  - (IV) survives termination of this Agreement.

### 9 GENERAL MATTERS

9.1 Clauses 14–19 of the *Margin Lending Facility Agreement* apply as if set out in this Agreement.

9.2 Meaning of words.

In this Agreement, unless defined below or the context otherwise requires words printed like *This* shall have the same meaning as set out in Part E of the *Margin Lending Facility Agreement* between you and LEFL in relation to your *Margin Loan Account* and this *Agreement* is to be interpreted according to any other interpretation provisions set out in Part E of the *Margin Lending Facility Agreement*.

**Authorisation** is the return to you or your broker by LEFL, of an *Authorisation and Borrower Request* with all the *Authorisation* details (including *Authorisation number*);

**Authorisation and Borrower Request** means a request in the form of Schedule 1 to this *Agreement* pursuant to clause 1.4 of this Agreement;

**Available Credit** means the amount available to be borrowed by you under your *Margin Loan Account*;

**Collateral** means deposits of cash or approved *Securities* which are delivered by you to us in accordance with this Agreement, or the *Margin Lending Facility Agreement*;

**Equivalent Securities** means in respect of any *Securities* borrowed under this Agreement and any *Other Rights* arising in respect of them, *Securities*:

- of the same *Issuer*; and
- of an identical type, description, nominal value (where relevant) and (unless otherwise agreed between us) amount as the borrowed *Securities* or *Other Rights*;

**Fees** means amounts due to LEFL in accordance with clause 8 of this Agreement;

**Imputed/Franked Dividend** means a dividend the whole or part of which is taken to have been imputed/franked in accordance with New Zealand or Australian Taxation Legislation;

**Income Determination Period**, in relation to a particular loan of *Securities*, means the period commencing when the *Securities* cease to be registered in our name (or the relevant transferor) upon or before delivery of those *Securities* under clause 1.5 and ending when *Equivalent Securities* are registered in our name (or the relevant transferee) upon or following redelivery of those *Equivalent Securities* under clause 5;

**Income Payment Date**, in relation to any *Securities*, means the date on which a *Distribution* is paid in respect of such *Securities*, or, in the case of registered *Securities*, the date by reference to which particular registered holders are identified as being entitled to payment of a *Distribution*;

**Margin Loan Account** means the borrowing facility established under the *Margin Lending Facility Agreement*;

**Margin Lending Facility Agreement** means the Agreement executed or to be executed on behalf of each Borrower and *Guarantor* pursuant to the original *Application Form* or relating to the *Margin Loan Account*, identified in the LE Shorts Application Form relating to this Agreement;

**Market Value** at any particular time means, in relation to *Securities* and *Equivalent Securities*, the value we determine by reference to the current market price of the *Securities* or *Equivalent Securities*;

**Pending Item** means for the purposes of this Agreement, an open Short position where the sales proceeds are deposited in a LEFL bank account and held as *Collateral*. These proceeds are included in the calculation of your *Required Collateral* and your overall margin position but you will not receive interest on these moneys;

**Required Collateral** means the *Safety Margin* that we require you to deposit as *Collateral* less any Available Credit on your *Margin Loan Account*;

**Safety Margin** means the value of all *Securities* we have lent to you \* 120%, less the proceeds from those *Securities* we have received;

**Short** means selling *Securities* that you do not own. You must borrow the *Securities* to enable the settlement of the transaction.

### 10 EXECUTION BY ATTORNEY

Each attorney executing this Agreement states that he or she has no notice of revocation or suspension of his or her power of attorney.

### RISK DISCLOSURE STATEMENT – LE SHORTS

The following paragraphs are important and should be carefully read.

**An investor who sells shares short will make a loss if the relevant share price increases while the short position is in place.** As share prices can potentially increase quickly, significantly and for long periods of time, large losses on short positions can occur.

**Selling shares short exposes you to unlimited risk.** If you buy shares, the share price cannot fall below zero, which acts as a limit on your losses, but if you sell shares short, the share price can increase without limit, resulting in a possibility of unlimited losses.

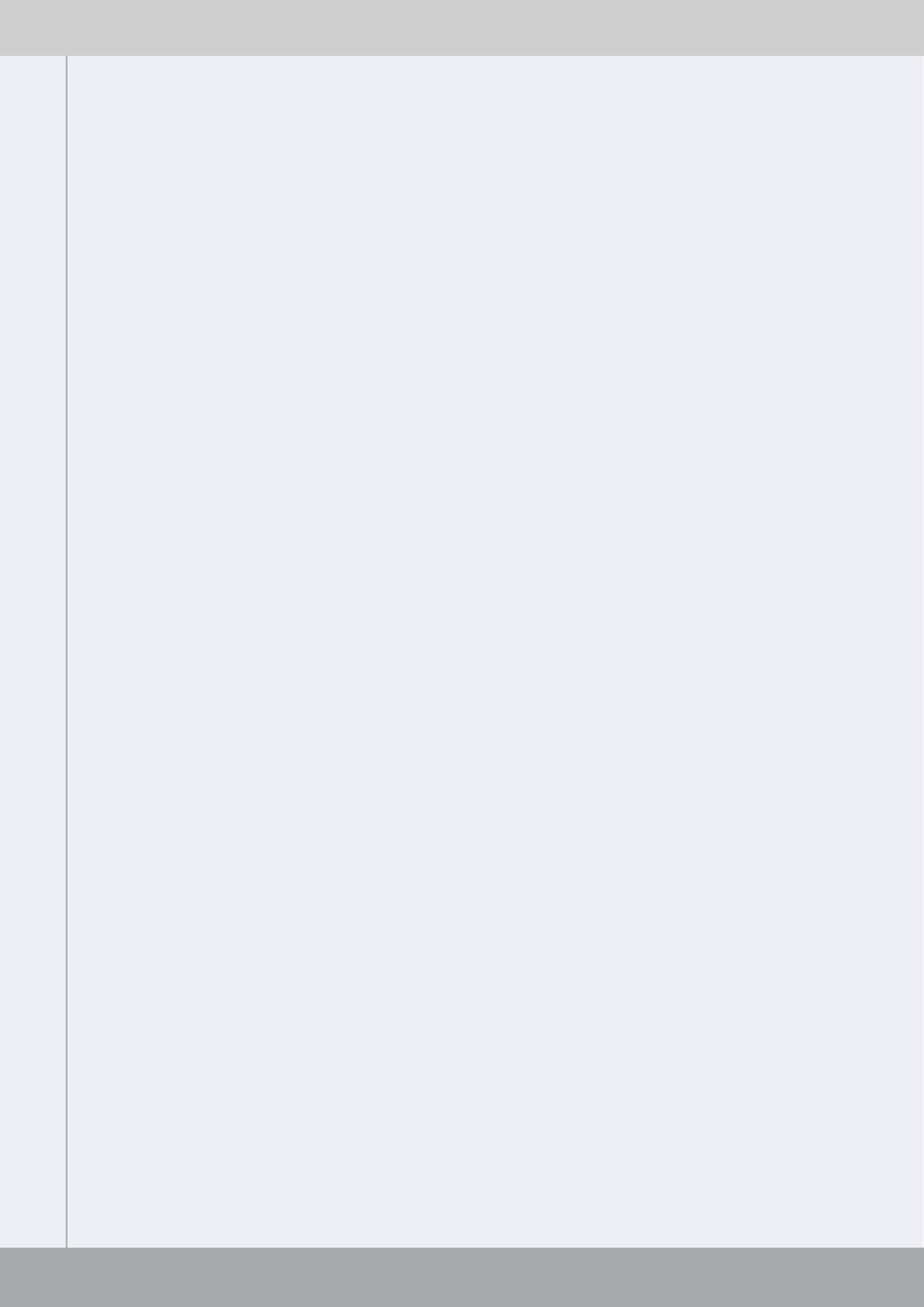
**You must compensate LEFL for the benefit of any corporate actions (eg: dividends including imputation/franking credits, rights issues etc) which arise while you have a short position.** This means you may have to make a cash payment to LEFL and/or repay more shares than you initially borrowed. Please see clause 4 of the LE Shorts Agreement for further details.

**LEFL can ask you to close out your short position at any time on demand.** Accordingly, you may be required to close your short position on demand which may cause you to crystallise losses.

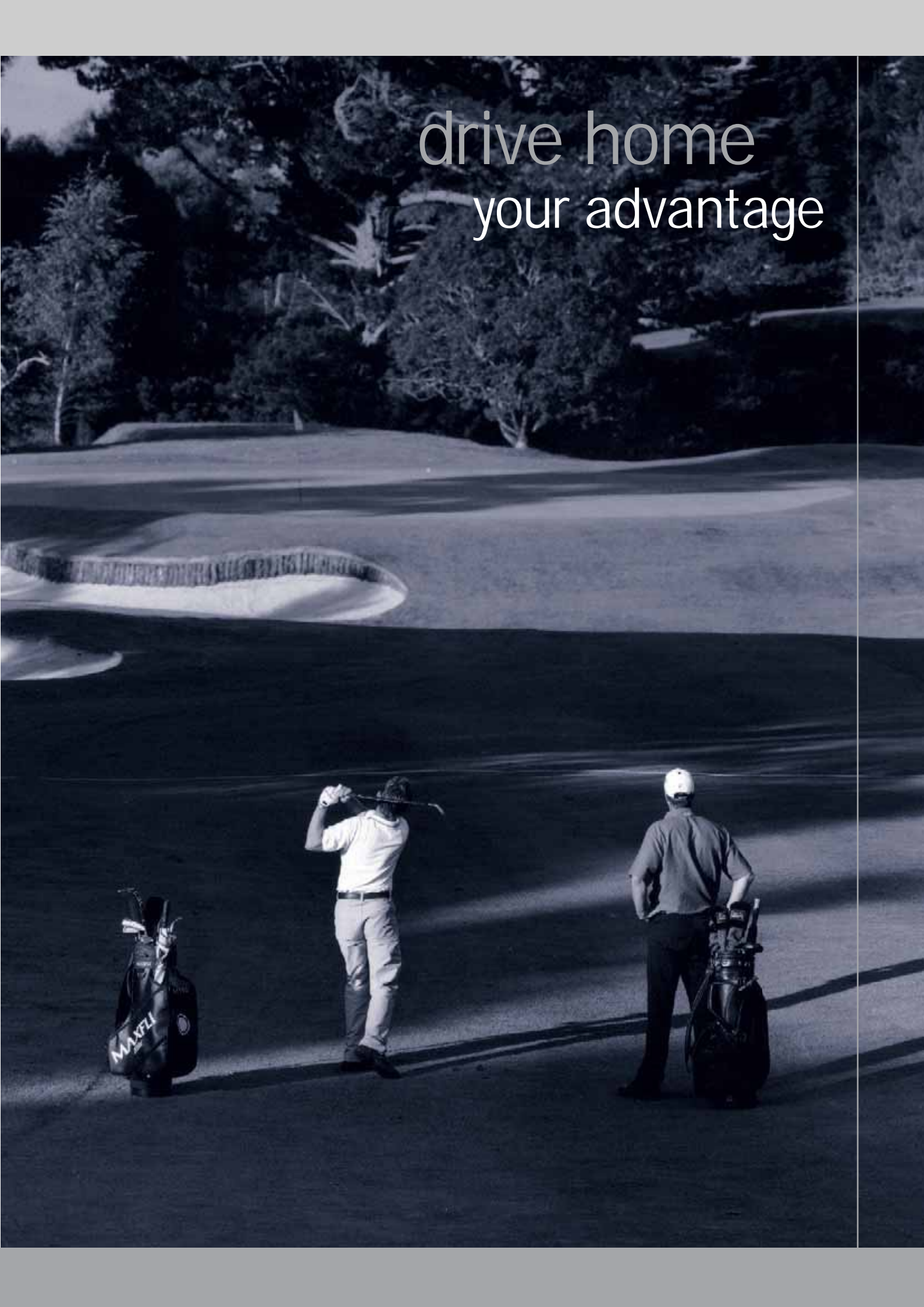
Every day, LEFL will calculate the margin requirements for each short position. These calculations may mean **LEFL can require you to make margin payments** in accordance with the terms of your LEFL *Margin Loan Account* and your LE Shorts Agreement.

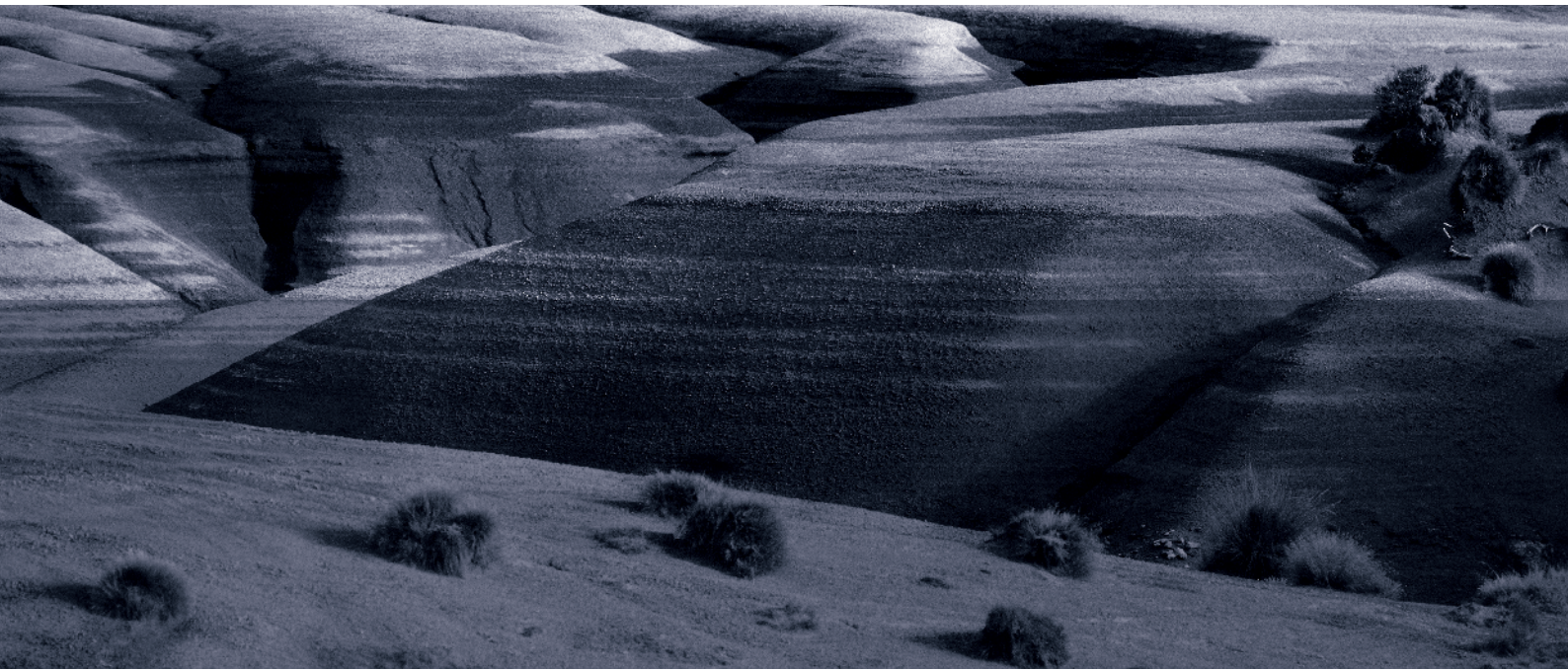
**You must seek your own professional legal, financial and taxation advice on the implications of using LE Shorts given your own circumstances.**

We have not advised and will make no representation to you as to the appropriateness or suitability of any shares you sell short.



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EQUITIES**  
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