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## 10. REORGANISATIONS

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*Chapter 10 sets out the requirements for reorganisation of capital by a listee.*

### Reorganisations of capital

#### General rule for a fair, orderly and transparent market

- 10.1 If a **listee** proposes to reorganise its capital (in the case of a **managed investment scheme**, interests) in any way, it must consult **APX** to ensure that a fair, orderly and transparent market is maintained in its **securities**.

#### Court approved reorganisation

- 10.2 A **listee** that has applied to a court for approval of a reorganisation of its capital (in the case of a **managed investment scheme**, interests) must keep **APX** informed of each of the following:
- (a) Court approval, immediately after the court has approved the application.
  - (b) the date when the court order will be lodged with a regulatory authority (if any), and no later than 24 hours before the court order is lodged.
  - (c) lodgement of the court order with the regulatory authority, immediately after it is lodged with the regulatory authority, with a copy of the court order given to **APX** at the same time.

#### Reorganisation of shares and units

- 10.3 Before a **listee** reorganises its capital, (in the case of a **managed investment scheme**, interests) it must give written notice to holders of **equity securities** setting out the following:
- (a) the effect of the reorganisation of capital on the number of **securities** and the amount unpaid (if any) on the **securities**;
  - (b) the proposed treatment of any fractional entitlements arising from the reorganisation; and
  - (c) the proposed treatment of any **convertible securities** on issue.

#### Reorganisation of convertible securities (except options)

- 10.4 The manner in which a **listee** reorganises its capital (in the case of a **managed investment scheme**, interests) must be done so as to ensure that holders of **convertible securities** (except options) on issue do not receive a benefit that holders of **ordinary securities** do not receive (having regard to the number of **underlying securities** each **convertible security** represents or the conversion price, or both).

This **Rule 10.4** does not prevent a rounding up of the number of **securities** to be received on conversion if the rounding up is approved at the **security holders'** meeting which approves the reorganisation.

## Reorganisation of options

10.5 A reorganisation of options by a **listee** must comply with the following:

Reorganisation	Requirement	Example
consolidation of capital (in the case of a <b>managed investment scheme</b> , interests)	the number of options must be consolidated in the same ratio as the ordinary capital and the exercise price must be amended in inverse proportion to that ratio	A <b>listee</b> consolidates 2 fully paid <b>ordinary securities</b> into one fully paid <b>ordinary security</b> . Every 2 options exercisable at \$1.00 each are consolidated into one option exercisable at \$2.00 for one fully paid <b>ordinary security</b> .
sub-division of capital (in the case of a <b>managed investment scheme</b> , interests)	the number of options must be sub-divided in the same ratio as the ordinary capital and the exercise price must be amended in inverse proportion to that ratio	Example: A <b>listee</b> splits one fully paid <b>ordinary security</b> into 2 fully paid <b>ordinary securities</b> . Every option exercisable at \$2.00 each is split into 2 options exercisable at \$1.00 each for an ordinary fully paid security.
return of capital (in the case of a <b>managed investment scheme</b> , interests)	the number of options must remain the same, and the exercise price of each option must be reduced by the same amount as the amount returned in relation to each <b>ordinary security</b> .	Example: A <b>listee</b> has fully paid securities on issue. It returns \$1.00 per <b>ordinary security</b> to <b>security holders</b> . Every option exercisable at \$2.00 each for a fully paid security becomes an option exercisable at \$1.00 each for a fully paid security.
reduction of capital (in the case of a <b>managed investment scheme</b> , interests) by a cancellation of paid up capital (in the case of a <b>managed investment scheme</b> , interests) that is lost or not represented by available assets where no <b>securities</b> are cancelled	the number of options and the exercise price of each option must remain unaltered	Example: A <b>listee</b> has fully paid securities on issue. It has lost the equivalent of \$1.00 per <b>security</b> and cancels the equivalent of \$1.00 from each <b>security</b> . Every option exercisable at \$2.00 each for a fully paid security remains an option exercisable at \$2.00 each for a fully paid security.
pro rata cancellation of capital (in the case of a <b>managed investment scheme</b> , interests)	the number of options must be reduced in the same ratio as the ordinary capital and the exercise price of each option must be amended in inverse proportion to that ratio	Example: A <b>listee</b> has fully paid securities on issue. It has lost \$1.00 per <b>security</b> and cancels half the <b>securities</b> . Its capital is reduced from 1,000,000 <b>securities</b> to 500,000 <b>securities</b> . It has on issue 1,000,000 options exercisable at \$2.00 each for a fully paid security. Following the reorganisation, it has on issue 500,000 options exercisable at \$4.00 each for a fully paid security.

Reorganisation	Requirement	Example
in any other case	<p>the number of options or the exercise price, or both, must be reorganised so that the holder of the option will not receive a benefit that holders of <b>ordinary securities</b> do not receive.</p> <p>This <b>Rule</b> does not prevent a rounding up of the number of <b>securities</b> to be received on exercise if the rounding up is approved at the <b>security holders'</b> meeting which approves the reorganisation.</p>	

### Amending convertible securities to allow reorganisation

- 10.6 A reorganisation must not be undertaken in respect of **convertible securities** if the terms of the **convertible securities** do not allow them to be treated in accordance with these **Rules**.

Cross-reference: **Rule 10.4**.

### Reorganisation of partly paid securities

- 10.7 In a reorganisation, **partly paid securities** must be treated by a **listee** as follows:
- (a) the number of **partly paid securities** must be reorganised in the same proportion as the other **classes** of fully paid **securities**; and
  - (b) the reorganisation must not involve cancellation or reduction of the total amount payable and unpaid by the holder.

### No return of capital on restricted securities.

- 10.8 A **listee** must not return capital to holders of **restricted securities**.

Cross-reference: **Chapter 21**.

### Issues and reorganisations affecting trading prices

- 10.9 A **listee** must not reorganise its capital (in the case of a **managed investment scheme**, interests) if the effect of doing so would be to decrease the price at which its **main class** of **securities** would be likely to trade after the issue or reorganisation to an amount less than 5 cents.

Example: A **listee** with a trading price of 2 cents would be permitted to reorganise its capital if the result was to increase its trading price to 4 cents. It would not be permitted to reorganise its capital if the result is likely to be any decrease in its trading price.

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A **listee** with a trading price of 10 cents would be permitted to reorganise its capital if the result is likely to be a decrease in its trading price to 6 cents. It would not be permitted to reorganise its capital if the result is likely to be a decrease in its trading price to 4 cents.

Cross-reference: **Rule 10.1.**