

Securities Act (Venture Capital Schemes) Exemption Notice 2008

The EDANZ Scheme functions under the Securities Act (Venture Capital Schemes) Exemption Notice 2008. This exemption allows businesses who register with the Scheme Administrator, using defined protocols, to be presented to registered investors without having to complete the onerous task of developing a full prospectus and registering this with the Companies Office, as is required by the Securities Act when a business issues shares to the public.

This exemption process is only available for capital investments of under NZ\$5,000,000.00 (five million New Zealand dollars).

Under the Securities Act Exemption the manager of the processes is called the Scheme Administrator. EDANZ is a Scheme Administrator. This person and any others who work directly with the Administrator on scheme processes and services must not express any view, positive or negative, to anyone on the validity of the business proposals. They must be commercially neutral at all times.

Because a company is registered and listed by the Scheme, does not imply endorsement of the business or the offer. It only states that the business has gone through the processes required by the Securities Act Exemption Notice and the Code of Practice.

Once an introduction is made between potential investor and business the administrator does not participate in any negotiations or due diligence.

The Administrator has the right to refuse any business onto the Scheme if they believe the process has not been completed under the requirements of the Exemption Notice.

Notes:

1. Securities Act NZ

The raising of capital within New Zealand through the offer of equity securities to the public is governed by the Securities Act 1978 and the Securities Regulations 1983. The governing body that reviews and monitors these activities is the Securities Commission. www.sec-com.govt.nz

There are defined procedures and processes that must be adhered to when a company offers shares to the public. These are in place to protect both the investor and business seeking investment. A simple summary is that in most instances businesses offering shares to the public outside of family and close friends need to develop a full prospectus and register this with the Companies Office.

The development of a prospectus, investment statement, associated accounts documentation and disclosures are prohibitive in time and resource to most small businesses to develop.

To combat this barrier, and make access to private investment capital (known also as Angel Investment) for small businesses more affordable and accessible, the Securities Commission has power under the Securities Act 1978 to issue exemptions from the full requirements of that Act to certain groups. The Securities Commission has issued the Securities Act (Venture Capital Schemes) Exemption Notice 2008 to provide an easier pathway for small businesses. EDANZ is a scheme administrator under this exemption notice.

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The Exemption Notice provides for the issue of a separate Code of Practice (please download, read and print for reference). The Code of Practice incorporates two required forms. One of the required forms is for the business seeking investment (Registered Business Information Pack and supporting information) and one is for potential investors (Registered Investors Application Form).

This Exemption Notice as its title sounds does not negate the Securities Act of 1978. Its purpose is to create a less onerous process for emergent and small private businesses without large resources to trade some of their shareholding for capital investment.

2. Limitations of the publications of businesses seeking capital investment

The EDANZ scheme under the Exemption Notice is not a broker or trader of shares. The role is limited to that of an administration and introduction service.

- EDANZ assesses the compliance of the processes documented in the code of practice.
- Businesses seeking capital investment who have satisfactorily completed registration under the requirements of the code of practice may be introduced to those potential investors who have also registered with the scheme.
- A public offer of shares may not take place. The introductions of a registered business seeking equity capital can only be made to those potential investors who have registered with the scheme.

3. Commercial Neutrality

EDANZ does not endorse or give an opinion of the potentials or risks of any business it introduces to registered investors. It recommends the investors use professional advice to assess the potentials of the offered investment. The EDANZ administrator is accountable to ensure the process of documentation and introductions are completed in the manner proscribed in the Exemption Notice and [Code of Practice](#)

4. Investment Size Limitation

All deal introductions and transactions must be under the total of NZ\$5 million capital raised. Dependant upon the circumstances of the business at the time of second and third rounds of investment business may still use this service, or be introduced to venture capital dealers and processes as defined under the full Securities Act 1978.