USX's Private Market Service

A customised liquidity, transparency and price discovery mechanism.

The Unlisted Securities Exchange[1] (USX) is a cost-effective and transparent securities trading facility providing valuable price discovery and liquidity.

Since its launch in 2003 USX has transacted more than 23,500 trades of over 430 million shares at a value of $661 million. USX currently quotes 19 securities for 17 issuers which have a combined market capitalisation of around $3.2 billion. Since inception USX has averaged 85 trades a month worth $2.4 million.

Why a Private Market?

If your company is not yet ready to commit to a public market listing or has restrictions on share ownership then our Private Market (PM) service might be what you need. It allows you to have your shares traded in an internally transparent, simple and cost efficient way, while minimising upfront fees and ongoing costs.

A Private Market will formalise your existing over-the-counter (OTC) share trading arrangements and may be a step on the road to a full listing.

Because your quotation on USX is private to existing shareholders and authorised people you can enjoy an arms-length trading environment while limiting wide access to your securities trading information.

How does a Private Market work?

Companies are free to choose how they facilitate trading in their securities. A Private Market allows shareholders to enjoy transparent liquidity and price discovery benefits of a USX quotation within a controlled environment. It also allows the company to experience the communication benefits of a USX listing.

Your company's quotation and trading history will also be visible to participating USX brokers, allowing arms-length trading of your stock. You will need to ensure your intention to allow an electronic Private Market for your securities is communicated clearly and in advance to all shareholders.

How much does a Private Market cost?

The fees for a Private Market quotation start at $1,906.25[2] per quarter ($7,625 per annum, plus GST) for issuers under $2 million in market capitalisation, with stepped increases up to a maximum $13,853.00 per quarter ($55,412 per annum, plus GST) for issuers with a market cap of $1 billion or above.

Depending on what technology set-up is required to meet your preferred market structure, you should allow one to two months lead-time for establishing your Private Market service. Additional trading platform customisation may attract a one-off fee, negotiated in advance.

What benefits does a USX quotation provide?

Listing on USX offers several benefits, including:

- ❑ **Options for trading**

Issuers can chose whether they want to have continuous trading, periodic trading or auction based trading.

- ❑ **Enhanced transparency**

USX removes the need for costly and complicated company valuations, and facilitates pricing of company securities in an independent, objective and robust manner compared with OTC practices.

- ❑ **Enhanced liquidity**

Shareholders can buy and sell shares in an open market where volumes are available for all to see,

- ❑ **Lower transaction costs**

Using USX reduces direct and indirect transaction costs associated with OTC securities trading, freeing up valuable issuer resources more productive activities.

- ❑ **Lower cost of capital**

Greater access to the capital markets and improved information flows enables issuers to access cheaper capital due to a reduced risk and liquidity premium. USX issuers have raised over $487 million in new capital since 2003.

- ❑ **Increased opportunities for growth**

Lower cost of capital improves issuers' ability to respond to market opportunities, promoting opportunities for economic growth.

- ❑ **Enhanced communication**

Issuers can communicate information directly to "the market" in a low cost and consistent manner. All users can access the trading data, investor communications and financial information on a centralised and accessible web-based platform.

---

[1] USX is operated by Efficient Market Services Limited.

[2] All fees quoted are exclusive of GST.

- **More direct and timely leadership and performance feedback**

The market pricing mechanism enables shareholders to express clearly and quickly their satisfaction or otherwise with issuer strategy and performance. This, in turn leads to improved management and director accountability, improved company performance and improved decision-making for investors.

- **Expansion of Venture Capital Market for SMEs**

USX provides venture capitalists with a cost effective market based price/value indicator, and an opportunity to intermediate or liquidate their investment, freeing up venture capital.

- **Increased information and choice for investors**

Investors have better access to information that is relevant to assessing investment opportunities, the prospect of reduced specific risk and additional liquidity. This enables investment diversification.

- **Brokers reduce settlement risk**

Shareholders can act with confidence in the settlement and share transfer processes.

Who's involved in USX?

USX's shareholders include a number of successful individuals from within the New Zealand business community.

USX is managed by Armillary.

How does trading on USX work?

Your Private Market trading activity and history web page provides market information, for example current price bids and offers, and past trades. It also contains any company information that you choose to post, such as updates on current business activities. All trading is via stockbrokers who are registered with USX and who access the internet-based trading platform through the website. The market is open from 9am to 5pm Monday to Friday but brokers are able to enter or remove their bids at any time.

Rules and regulations

USX is a Financial Product Market operating under an exemption from subpart 7 of Part 5 of the Financial Markets Conduct Act 2013[3] ("the Act") and certain conditions specified in the Exemption Notice. This means certain investor protections available under that Act do not apply to USX Issuers and their investors.

Issuers remain bound by the obligations contained in the Market Rules, their constitution, certain provisions of the Act and other legislation including the Companies Act, the Takeovers Code, the Financial Reporting Act, and by Common Law. Issuers are required to have available at all times their most recent financial statement.

Joining USX

It's easy to apply - just read the Market Rules, then complete an 'Issuer Application Agreement' and a 'Company Information Form'. All these documents are available on the USX website at www.usx.co.nz or email us on info@usx.co.nz.

USX will promptly review your application material and any other relevant information and get in touch with you.

We can provide assistance to any Issuer that is planning to raise capital though our database of registered users. Where an Issuer applies for quotation prior to a capital raise we may require an application deposit. This deposit will be applied against the quotation fee if the Issuer is accepted for quotation and lists on USX. If the application is declined or the Issuer withdraws its application prior to acceptance the deposit will be refunded. If the Issuer is accepted for quotation but does not list on USX the deposit is non-refundable.

Once we have completed our due diligence and internal approval process we will provide you with an Issuer Listing Agreement to execute.

Need more information?

Visit www.usx.co.nz or contact USX's Manager on 0508 UNLISTED (0508 865 478), or by emailing info@usx.co.nz.

[3] Licensed financial product markets are discussed in Part 5 of the Financial Markets Conduct Act 2013.