

**Reprint  
as at 1 August 2010**



**Securities Act (Paradigm NZD  
Fund Limited) Exemption Notice  
2005**

(SR 2005/225)

Securities Act (Paradigm NZD Fund Limited) Exemption Notice 2005: expired,  
on 1 August 2010, by clause 3.

Pursuant to the Securities Act 1978, the Securities Commission gives the following notice (to which is appended a statement of reasons of the Securities Commission).

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**Note**

Changes authorised by section 17C of the Acts and Regulations Publication Act 1989 have been made in this reprint.

A general outline of these changes is set out in the notes at the end of this reprint, together with other explanatory material about this reprint.

**This notice is administered by the Securities Commission.**

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## Notice

### 1 **Title**

This notice is the Securities Act (Paradigm NZD Fund Limited) Exemption Notice 2005.

### 2 **Commencement**

This notice comes into force on the day after the date of its notification in the *Gazette*.

### 3 **Expiry**

This notice expires on the close of 31 July 2010.

### 4 **Interpretation**

(1) In this notice, unless the context otherwise requires,—

**Act** means the Securities Act 1978

**initial subscription price** means the price for any subscription for specified securities in an initial offer period

**Paradigm** means Paradigm NZD Fund Limited, a company incorporated in the British Virgin Islands on 22 November 2004

**Regulations** means the Securities Regulations 1983

**specified securities** means redeemable preference shares in Paradigm offered to the public by Paradigm

**subsequent subscription price** means the price for any subscription for specified securities after an initial offer period.

(2) Any term or expression that is defined in the Act or the Regulations and used, but not defined, in this notice has the same meaning as in the Act or the Regulations.

### 5 **Exemption from clause 1(4) of Schedule 1 of Regulations**

Paradigm and every person acting on its behalf are exempted from clause 1(4) of Schedule 1 of the Regulations in respect of the specified securities.

**6 Conditions of exemption in clause 5**

The exemption in clause 5 is subject to the conditions that—

- (a) Paradigm's first registered prospectus in New Zealand relating to the offer of the specified securities states—
  - (i) the initial subscription price to be paid in an initial offer period; and
  - (ii) the initial offer period; and
- (b) Paradigm's first registered prospectus in New Zealand and every other registered prospectus in New Zealand relating to the offer of the specified securities—
  - (i) describes the procedure for fixing the subsequent subscription price; and
  - (ii) states when the subsequent subscription price will be fixed; and
  - (iii) describes how subscribers must pay for subscriptions for the specified securities; and
  - (iv) describes how subscriptions for the specified securities will be held by Paradigm pending allotment of the specified securities; and
  - (v) states how an investor may ascertain the subsequent subscription price; and
  - (vi) states how any overpayments of the subsequent subscription price will be treated, and if overpayments are to be refunded, describes the procedure for refunding overpayments; and
- (c) if any registered prospectus, investment statement, or advertisement relating to the offer of the specified securities refers to this notice or to the exemption granted by clause 5, that prospectus, investment statement, or advertisement also states that—
  - (i) it is not the function of the Securities Commission to approve investments or the terms of offers of specified securities; and
  - (ii) the Securities Commission has not expressed a view about investment in the specified securities or the terms of the offer of the specified securities.

- 7 Exemption from clause 8(5) of Schedule 1 of Regulations**  
Paradigm and every person acting on its behalf are exempted from clause 8(5) of Schedule 1 of the Regulations in respect of the specified securities.
- 8 Conditions of exemption in clause 7**  
The exemption in clause 7 is subject to the conditions that the registered prospectus relating to the offer of the specified securities contains a statement of Paradigm's reasons for not providing the information required by clause 8(5) of Schedule 1 of the Regulations, including—
- (a) statements to the effect that—
    - (i) Paradigm intends to issue the specified securities on the basis described in the prospectus; and
    - (ii) the subsequent subscription price of the specified securities is to be determined by reference to the net tangible asset backing per unit of specified securities; and
    - (iii) the net tangible asset backing per unit of specified securities will depend on Paradigm's performance after Paradigm commences investment activity; and
    - (iv) a calculation of the net tangible asset backing per unit of specified securities that is based on the assumption that all the specified securities had been allotted cannot be specified in the prospectus because the number of specified securities that may be allotted cannot be determined with certainty; and
  - (b) a statement to the effect that the calculation of the net tangible asset backing per unit of specified securities will reflect the amount of the subscription price paid by subscribers for the specified securities (and the value of investments acquired by Paradigm using those funds) less any amounts paid by Paradigm as fees; and
  - (c) to the extent of Paradigm's knowledge at the specified date, a statement of how those fees will be determined and levied; and

- (d) a prominent warning that those fees may include fees that are not known to Paradigm at the specified date.

**9 Exemption from clause 10(1)(c) of Schedule 1 of Regulations**

Paradigm and every person acting on its behalf are exempted from clause 10(1)(c) of Schedule 1 of the Regulations in respect of the specified securities.

**10 Conditions of exemption in clause 9**

The exemption in clause 9 is subject to the conditions that the registered prospectus relating to the offer of the specified securities contains, in the place where the prospective statement of cash flows required by clause 10(1)(c) of Schedule 1 of the Regulations would otherwise have been set out,—

- (a) a statement of Paradigm's reasons for not providing the prospective statement of cash flows required by clause 10(1)(c); and
- (b) a statement to the effect that investors should regard investment in Paradigm as high risk.

Dated at Wellington this 2nd day of August 2005.

The Common Seal of the Securities Commission was affixed in the presence of:

[Seal]

C A N Beyer,  
Member.

### Statement of reasons

This notice, which comes into force on the day after the date of its notification in the *Gazette* and expires on 31 July 2010, exempts Paradigm NZD Fund Limited (**Paradigm**) from the following provisions of Schedule 1 of the Securities Regulations 1983:

- clause 1(4)—this means that, except for an initial subscription price in the first prospectus, Paradigm’s registered prospectuses do not have to state the price to be paid for the securities being offered; and
- clause 8(5)—this means that Paradigm’s registered prospectuses do not have to include in their financial statement the net tangible asset backing per unit of the securities being offered; and
- clause 10(1)(c)—this means Paradigm’s first registered prospectus does not have to provide a prospective statement of cash flows for the next year.

The Securities Commission considers that it is appropriate to grant the exemptions because—

- although securities in the fund are equity securities under New Zealand law, the business of the company is akin to a managed fund. The company is unable to comply with the requirement to state a price for its securities in its prospectus (as the price will change depending on the value of investments in the fund). It is also unable to state the net tangible asset backing per unit of the securities on an ongoing basis, as this will depend on the performance of the underlying investments of the fund; and
- as the company will be investing in market securities, any prospective statement of cash flows would be highly speculative and may be of little relevance to potential investors; and
- the conditions of the exemptions require the company to provide descriptions of the pricing of the securities, and of the manner in which the net asset backing per unit of the securities will be determined. The conditions also require the company to set out for investors the reasons why no prospective financial information is provided, and to indicate the high risk

nature of the investment. The information required by the conditions should enable investors to make informed decisions.

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Issued under the authority of the Acts and Regulations Publication Act 1989.  
Date of notification in *Gazette*: 4 August 2005.

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**Notes****1 General**

This is a reprint of the Securities Act (Paradigm NZD Fund Limited) Exemption Notice 2005. The reprint incorporates all the amendments to the notice as at 1 August 2010, as specified in the list of amendments at the end of these notes.

Relevant provisions of any amending enactments that have yet to come into force or that contain relevant transitional or savings provisions are also included, after the principal enactment, in chronological order.

**2 Status of reprints**

Under section 16D of the Acts and Regulations Publication Act 1989, reprints are presumed to correctly state, as at the date of the reprint, the law enacted by the principal enactment and by the amendments to that enactment. This presumption applies even though editorial changes authorised by section 17C of the Acts and Regulations Publication Act 1989 have been made in the reprint.

This presumption may be rebutted by producing the official volumes of statutes or statutory regulations in which the principal enactment and its amendments are contained.

**3 How reprints are prepared**

A number of editorial conventions are followed in the preparation of reprints. For example, the enacting words are not included in Acts, and provisions that are repealed or revoked are omitted. For a detailed list of the editorial conventions, *see*



<http://www.pco.parliament.govt.nz/legislation/reprints.shtml>  
or Part 8 of the *Tables of Acts and Ordinances and Statutory Regulations, and Deemed Regulations in Force*.

**4 Changes made under section 17C of the Acts and Regulations Publication Act 1989**

Section 17C of the Acts and Regulations Publication Act 1989 authorises the making of editorial changes in a reprint as set out in sections 17D and 17E of that Act so that, to the extent permitted, the format and style of the reprinted enactment is consistent with current legislative drafting practice. Changes that would alter the effect of the legislation are not permitted. A new format of legislation was introduced on 1 January 2000. Changes to legislative drafting style have also been made since 1997, and are ongoing. To the extent permitted by section 17C of the Acts and Regulations Publication Act 1989, all legislation reprinted after 1 January 2000 is in the new format for legislation and reflects current drafting practice at the time of the reprint.

In outline, the editorial changes made in reprints under the authority of section 17C of the Acts and Regulations Publication Act 1989 are set out below, and they have been applied, where relevant, in the preparation of this reprint:

- omission of unnecessary referential words (such as “of this section” and “of this Act”)
- typeface and type size (Times Roman, generally in 11.5 point)
- layout of provisions, including:
  - indentation
  - position of section headings (eg, the number and heading now appear above the section)
- format of definitions (eg, the defined term now appears in bold type, without quotation marks)
- format of dates (eg, a date formerly expressed as “the 1st day of January 1999” is now expressed as “1 January 1999”)
- position of the date of assent (it now appears on the front page of each Act)

- punctuation (eg, colons are not used after definitions)
- Parts numbered with roman numerals are replaced with arabic numerals, and all cross-references are changed accordingly
- case and appearance of letters and words, including:
  - format of headings (eg, headings where each word formerly appeared with an initial capital letter followed by small capital letters are amended so that the heading appears in bold, with only the first word (and any proper nouns) appearing with an initial capital letter)
  - small capital letters in section and subsection references are now capital letters
- schedules are renumbered (eg, Schedule 1 replaces First Schedule), and all cross-references are changed accordingly
- running heads (the information that appears at the top of each page)
- format of two-column schedules of consequential amendments, and schedules of repeals (eg, they are rearranged into alphabetical order, rather than chronological).

**5** *List of amendments incorporated in this reprint  
(most recent first)*

Securities Act (Paradigm NZD Fund Limited) Exemption Notice 2005 (SR 2005/225): clause 3

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