

## Notice of September 2018 Annual Shareholders' Meeting

Notice is hereby given that the Annual Meeting of Rubicon Limited shareholders will be held at the Carrus Pavilion, Blake Park, 40 Kawaka Street, Mount Maunganui, on Monday 17 September 2018 at 3:30pm.



### Voting / Appointment of Proxy Form

Accompanying this document is a voting / appointment of proxy form to enable you to vote on the resolutions either by:

- attending the Meeting;
- lodging a postal vote; or
- appointing a proxy to vote at the Meeting.

If you do not plan to attend the Meeting you are encouraged to complete and return the voting / appointment of proxy form as soon as possible.

### Important Dates

5:00pm, 12 September 2018	Record date for voting entitlements for the Annual Shareholders' Meeting
3:30pm, 15 September 2018	Latest time for receipt of postal votes and proxy forms
3:30pm, 17 September 2018	Annual Meeting of Shareholders

All dates / times are given in New Zealand time.

### Business of the Meeting

#### *i. Chairman's introduction*

#### *ii. Chief Executive Officer's review*

#### *iii. Shareholder questions*

#### *iv. Resolutions - Shareholders will be asked to consider and, if thought appropriate, pass ordinary resolutions on the following matters.*

### Re-election of Director

1. That David Knott be re-elected as a Director of the Company. Mr Knott retires by rotation in accordance with the Company's Constitution. Mr Knott is eligible and offers himself for re-election. A biography of Mr Knott is contained in Explanatory Note 1.

### Election of Directors

*Messrs Thomas Avery and Ozey Horton were appointed as Directors by the Board in July 2018, and Mr Paul Smart was appointed as a Director by the Board in August 2018. In accordance with the Constitution, each holds office only until this Annual Meeting.*

2. That Thomas Avery be elected as a Director of the Company. Mr Avery is eligible and offers himself for election. A biography of Mr Avery is contained in Explanatory Note 2.
3. That Ozey Horton be elected as a Director of the Company. Mr Horton is eligible and offers himself for election. A biography of Mr Horton is contained in Explanatory Note 3.
4. That Paul Smart be elected as a Director of the Company. Mr Smart is eligible and offers himself for election. A biography of Mr Smart is contained in Explanatory Note 4.

### Non-executive Directors' Remuneration

5. That, subject to the election of Messrs Avery, Horton and Smart as Directors of the Company:
  - (a) the maximum aggregate remuneration able to be paid to non-executive Directors of the Company in 2018 shall be increased by NZ\$25,000 from NZ\$800,000 to NZ\$825,000, with immediate effect; and
  - (b) of the NZ\$825,000 maximum aggregate remuneration able to be paid in 2018, NZ\$450,000 shall be payable to Messrs Avery, Horton, and Smart (i.e. NZ\$150,000 to each) by way of an issue of shares in the Company (and not in cash), in compliance with listing rule 7.3.8 and on the terms described in Explanatory Note 5.

### Auditor's Remuneration

6. To authorise the Directors to fix Deloitte's fees and expenses as the Company's auditor for the year ending 31 March 2019. See Explanatory Note 6.

### Procedural Notes

- a. Each of the resolutions is an ordinary resolution and must be passed by a simple majority of the votes of those shareholders entitled to vote and voting on the resolutions.
- b. David Knott (including Dorset Management Corporation) and Ranjan Tandon (including Libra Fund LP), who collectively hold 45.9% of the shares on issue, have confirmed they intend to vote in favour of all resolutions.
- c. Messrs Avery, Horton and Smart will not be voting any discretionary proxies they hold on Resolution 5. (Messrs Avery, Horton and Smart do not currently own any Rubicon shares).
- d. The persons who will be entitled to vote on the resolutions at the Meeting are those persons who are recorded on the register as shareholders at 5:00pm on 12 September 2018 (record date).
- e. The accompanying voting / appointment of proxy form should be used to vote on the resolutions. You can participate by postal vote, by proxy, or by casting your vote in person at the Meeting.
- f. Mark Taylor, the Company Secretary, has been authorised by the Board to receive and count postal votes.

By Order of the Board

Mark Taylor  
Company Secretary  
Rubicon Limited

## EXPLANATORY NOTES

### 1. Resolution 1 – Re-election of David Knott

*Ordinary resolution: "That David Knott be re-elected as a Director of the Company."*

#### **David Knott – Non-Independent Director**

*BA University of Pennsylvania; MBA Wharton School of the University of Pennsylvania*

David is the Co-Chief Executive Officer, Co-Chief Investment Manager and Co-Managing Partner of Knott Partners who, with associated entities, is Rubicon's largest shareholder. He has served as Chief Investment Manager of Knott Partners since 1987, and prior to this he was a General Partner and analyst at Mandrakos Associates.

The Board unanimously supports the nomination of Mr Knott.

### 2. Resolution 2 – Election of Thomas Avery

*Ordinary resolution - "That Thomas Avery be elected as a Director of the Company."*

#### **Thomas Avery – Independent Director**

*MBA Harvard Business School; BSc Georgia Institute of Technology*

Tom has nearly 40 years of investment banking and venture capital experience. He has served on numerous private company boards throughout his career, advising companies on the successful financing, planning and execution of growth strategies.

As an investment banker, Tom worked primarily with middle market growth companies in executing mergers and acquisitions, initial public offerings, and private placements of equity and debt. He served as a Managing Director at Raymond James & Associates from 2000-2014, which involved the management of the technology investment banking group and the financial sponsors' efforts. Prior to that, Tom's career saw him act as the head of the investment banking group at Interstate/Johnson-Lane, be a general partner at Summit Partners and at Noro-Moseley Partners, and work as a Senior Vice President at The Robinson-Humphrey Company. He currently has directorships at Cicero Inc., CRA International Inc, and KIPP Metro Atlanta.

The Board unanimously supports the nomination of Mr Avery.

### 3. Resolution 3 – Election of Ozey Horton

*Ordinary resolution: "That Ozey Horton be elected as a Director of the Company."*

#### **Ozey Horton – Independent Director**

*MBA Harvard Business School; BSE Duke University*

Ozey has extensive experience in global operations, strategic planning, merger and acquisition integration and change management. He has been a Director Emeritus of McKinsey & Co., a business consulting organisation, since 2011 when he retired after nearly 30 years with the firm. At McKinsey, Ozey led various practice areas around the globe, including Pulp, Paper and Packaging, Industrial, Change Management, Global Operations in Energy and Materials, and Basic Materials. His McKinsey client service and practice leadership provided for considerable experience working in Europe, South America, India, and Asia. He is a faculty member for McKinsey's leadership development program and also serves as an independent business advisor. He currently serves on the boards of Metso Corporation, Worthington Industries, Al Dabbagh Group, and Louisiana-Pacific Corp. He also serves on the Board of Spoleto Festival, USA and the Advisory Board of The MUSC Hollings Cancer Center.

The Board unanimously supports the nomination of Mr Horton.

### 4. Resolution 4 – Election of Paul Smart

*Ordinary resolution: "That Paul Smart be elected as a Director of the Company."*

#### **Paul Smart – Independent Director**

*Chartered Accountant, member of the New Zealand Institute of Directors*

Paul has a broad background in growth companies in both the public and private markets, and extensive experience in all aspects of finance across a wide range of industries.

He has operated at both senior management and non-executive board levels throughout his career, with a focus on growing successful companies in the broad technology and energy fields. His prior management positions have included CFO of Meridian Energy and CFO of Sky Television. He has previously held non-executive Director and/or Chairman roles in Arc Innovations, NZPM Group, and Southern Hydro (Melbourne) amongst others, and he is currently a non-executive Director of Solarcity, InterCity Holdings, Mercer Group, Argus Group, and Geo40.

The Board unanimously supports the nomination of Mr Smart.

### 5. Resolution 5 - Non-executive Directors' Remuneration

*Ordinary resolution: "That, subject to the election of Messrs Avery, Horton, and Smart as Directors of the Company:*

- (a) the maximum aggregate remuneration able to be paid to non-executive Directors of the Company in 2018 be increased by NZ\$25,000 from NZ\$800,000 to NZ\$825,000, with immediate effect; and
- (b) of the NZ\$825,000 maximum aggregate remuneration able to be paid in 2018, NZ\$450,000 shall be payable to Messrs Avery, Horton, and Smart (i.e. NZ\$150,000 each) by way of an issue of shares in the Company (and not in cash), in compliance with listing rule 7.3.8 and on the terms described in this Notice of Meeting."

## NZX Listing Rules

As an NZX-listed company, the Company must comply with the NZX listing rules in relation to the remuneration of the non-executive Directors. Under listing rule 3.5.1, any increase in the aggregate annual remuneration that can be paid to non-executive Directors must be approved by shareholders by way of an ordinary resolution.

Listing rule 3.5.1 provides that any resolution to increase remuneration payable to Directors may expressly provide that remuneration may be payable (either in part or in whole) by way of an issue of equity securities, without the necessity for a resolution of shareholders approving the issue of equity securities, provided that the issue complies with listing rule 7.3.8.

Listing rule 7.3.8, as it applies here to an issue of shares by the Company to a non-executive Director, requires that:

- the shares are of a class already on issue;
- the shares are issued after the end of the period (or half period) to which the remuneration of the non-executive Director relates; and
- the issue price of the shares is equal to the volume weighted average market price of the shares over the 20 business days before the issue (**Market Price**).

## Background and Rationale

The Company's current maximum aggregate remuneration of NZ\$800,000 was approved by shareholders in 2001. That remuneration can only be paid to Directors in the form of cash. Since 2001, the Company's investment portfolio has undergone significant change. Following the sale of its investment in Tenon, the Company's sole investment is its US-based business, ArborGen.

The Board composition has also changed significantly this year, with the Company having appointed three new directors to the Board, each of whom will play an important role in, and bring valuable experience to, the commercialisation of ArborGen's businesses throughout the US, Brazil and Australasia. The three new directors have expressed an interest in being remunerated by way of restricted equity, as is common practice in the US. Accordingly, the Board proposes to make a one-off issue of restricted shares (**Shares**) in the Company to a trustee (the **Trustee**), to be held for the each of the three new independent directors (Tom Avery, Ozey Horton, and Paul Smart) (the **New Independent Directors**) in their capacities as Directors of the Company, conditional on them meeting certain vesting criteria over three years. This requires shareholders to approve both an increase to the Company's 2018 Directors' remuneration pool, and the payment of this remuneration by way of an issue of shares.

The Board considers it to be in the Company's interests to remunerate the New Independent Directors by way of restricted Shares and cash, rather than solely by way of cash. It will assist the Company in retaining critical director competencies, necessary to bring value to the Company's business. Further, by providing remuneration to the New Independent Directors in the form of Shares, their interests are more closely aligned with those of shareholders.

## Issue of equity securities as non-executive Director remuneration

Of the increased Director remuneration pool of NZ\$825,000, NZ\$450,000 will be used solely to make a one-off issue of Shares to the Trustee to be held on behalf of Rubicon's New Independent Directors. This issue of Shares will be in addition to the current cash payments made to all non-executive Directors every three months.

The entitlement of the New Independent Directors to the Shares will arise immediately on approval by shareholders of Resolution 5 on 17 September 2018, and the issue will be made on the day following the Annual Meeting on 18 September 2018.

As the issue is a 'one-off', the proposed increase to the non-executive Director remuneration pool will only apply for 2018. In future years, the maximum aggregate remuneration able to be paid to non-executive Directors will revert back to NZ\$800,000, payable only in cash. Based on the current Board composition and the current fee amounts, the total aggregate Director fees payable on a go-forward basis are expected to be NZ\$481,381.

The Shares to be issued will be new ordinary Shares in the Company of the same class as the Company's existing ordinary shares, but which will be held by the Trustee and will only vest in the New Independent Directors if certain vesting criteria are met.

The vesting criteria and the other terms and conditions upon which the Trustee will hold the Shares on behalf of the New Independent Directors (the **Plan**) are set out below. The Plan will also be subject to a trust deed.

## Terms of the Plan

If Resolution 5 is approved:

- the Company will issue to the Trustee NZ\$450,000 (after tax) of Shares on the first trading day following the 2018 Annual Meeting, to be held on behalf of the New Independent Directors by the Trustee until vesting occurs for the relevant Shares (the **Restrictive Period**); and
- the actual number of Shares held by the Trustee on behalf of each New Independent Director will be determined by dividing NZ\$150,000 (i.e. NZ\$450,000 divided by three) by the Market Price of Rubicon shares over the 20 business day period ending on 17 September 2018.

In addition, the Company will pay each New Independent Director NZ\$73,881 over three years (with one third i.e. NZ\$24,627 being payable on each anniversary date), being the tax on the gross value of NZ\$150,000 of Shares. Should a New Independent Director remain on the Board for the full Restrictive Period, the cash-equivalent pre-tax value he will receive under the operation of the Plan will be NZ\$223,881 (i.e. NZ\$150,000 + NZ\$73,881), or NZ\$74,627 per year (plus the value of any increment in the share price that has occurred from 18 September 2018). When combined with a New Independent Director's current base cash remuneration of NZ\$62,500 per annum, this equates to a total pre-tax remuneration of NZ\$137,127 per annum.

No further Shares will be offered to the New Independent Directors as remuneration without seeking shareholder approval. Accordingly, the Shares allocated under the Plan in 2018 will be the maximum number of shares paid to the New Independent Directors as remuneration.

Details of the Shares allocated to the New Independent Directors will be advised by the Company to NZX on allocation and will be published in the 2019 interim and annual reports of the Company.

## Entitlement

The Shares to be issued will be ordinary shares in the Company having the same rights, privileges, limitations and conditions as existing ordinary Rubicon shares.

#### *Vesting of Shares*

Legal title will be transferred to, and the Shares will be registered in, each New Independent Director's name, in three equal tranches on the first, second and third anniversaries following the date of issue, provided that the director remains a Director of the Company on the relevant anniversary date.

Any transfer of Shares to a New Independent Director following the vesting criteria being met will occur within one month of the relevant anniversary date.

#### *Early Termination of Directorship*

If a New Independent Director ceases to be a director of the Company, that New Independent Director will not be entitled to any Shares that have not already vested in the name of that New Independent Director as at the date of ceasing to be a director.

#### *Voting Rights and Transfer Restrictions*

The New Independent Directors will have no voting rights in respect of the Shares at all times while the Shares are held by the Trustee under the Plan. Until the Shares have vested, the Trustee shall have absolute discretion as to how the Shares are voted.

Until legal title in the Shares transfers to a New Independent Director, a New Independent Director cannot sell, transfer, mortgage, charge or otherwise encumber or dispose of those Shares.

Neither a New Independent Director, nor the Company, nor any other person may terminate, cancel, surrender or otherwise make or obtain payment of the returns from the Shares other than as described in these terms.

The New Independent Directors may not enter into arrangements (including through the use of derivative instruments or otherwise) which seek to remove or limit the economic risk of participating in the Plan.

#### *Dividends*

During the Restrictive Period, the New Independent Directors will not be entitled to the benefit of any dividends, capital returns or other distributions declared and to the benefit of any bonus issues or other entitlements offered to holders of Shares. All such entitlements will be received and held by the Trustee and only pass to a New Independent Director on transfer of legal title to the Shares to which the entitlement relates.

#### *Corporate Actions*

If at any time while Shares are held by the Trustee on behalf of a New Independent Director under the Plan, the Company issues shares pro rata to shareholders generally by way of a bonus issue involving the capitalisation of reserves or distributable profit:

- any such bonus Shares will not be transferred to the New Independent Directors but will be held by the Trustee on behalf of the New Independent Directors for so long as the Shares which gave rise to the bonus Shares remain subject to the Restrictive Period;
- at the end of the Restrictive Period for the relevant Shares, legal title to a pro-rata number of bonus Shares will be transferred to the New Independent Director proportionate to the number of Shares (if any) for which legal title is transferred to the New Independent Director at the end of the Restrictive Period.

If at any time while Shares are held by the Trustee on behalf of a New Independent Director under the Plan, the Company makes or announces any rights issue or other offer to shareholders to take up shares or securities other than shares, the Trustee may elect, at its sole discretion, whether to participate on behalf of the New Independent Directors in any such offer. If the Trustee does participate, it will seek to do so in a manner that provides for the value or benefit of the Company's offer to be transferred to a New Independent Director only on transfer of legal title to the Shares to which such value or benefit relates (in the same manner that applies to dividends).

If prior to the vesting of the Shares:

- the Company is a party to a Court-approved reorganisation, merger or reconstruction; or
- any person makes an offer to acquire the Shares of the Company for consideration comprising cash and/or securities,

which:

- may, if accepted, result in that person acquiring 50% or more of the total votes of the Company at a shareholders' meeting; or
- is recommended to shareholders by the Board,

the Board will, at its absolute discretion, determine whether, and subject to such conditions as it thinks fit, some or all of the Shares will immediately vest in a New Independent Director.

#### **Voting restrictions**

The Company will disregard any votes cast on Resolution 5 by any New Independent Director and any associated person (as defined in the NZX listing rules) of a New Independent Director.

The Company will not disregard any votes cast by a New Independent Director as a proxy for a person who is entitled to vote, in accordance with the express directions (i.e. instructions to vote for, against or abstain from Resolution 5) on the Proxy Form. However, NZX listing rule 9.3.3 prohibits a New Independent Director from exercising discretionary proxy votes on this resolution.

#### **6. Resolution 6 - Auditors' Remuneration**

*Ordinary resolution: "To authorise the Directors to fix Deloitte's fees and expenses as the Company's auditor for the year ended 31 March 2019."*

Rubicon recently undertook a competitive tender process in connection with the supply of audit services to the Company. As a result of the assessment of proposals, the Board selected Deloitte to provide audit services to the Company, and KPMG resigned as the Company's auditor with effect from 21 August 2018. The Board appointed Deloitte as the auditor, with effect from the same date.

Deloitte has indicated its willingness to continue in office for the year ended 31 March 2019. Deloitte is automatically re-appointed at the Annual Shareholders' Meeting as auditor of the Company by virtue of section 207(T) of the New Zealand Companies Act 1993. The proposed ordinary resolution is required to authorise the Directors of the Company to fix Deloitte's fees and expenses for the following year for the purposes of section 207(S) of the New Zealand Companies Act 1993.