

24 February 2010

### **Special Meeting of Shareholders of Lombard Group Limited**

1. Lombard Group Limited (**LOM**) hereby advises that a special meeting of shareholders will take place at 10.30 am on 10 March 2010 at the offices of Minter Ellison Rudd Watts, Level 17, 125 The Terrace, Wellington.
2. The special meeting has been called for shareholders to consider and, if thought fit, pass resolutions relating to the proposed reverse takeover of LOM by Australian Consolidated Insurance Limited (**ACIL**).
3. The following documents relating to the special meeting were sent to shareholders today, and are enclosed with this notice:
  - (a) the notice of special meeting;
  - (b) the proxy form relating to the special meeting;
  - (c) the profile document required by *NZX Guidance Note – Backdoor and Reverse Listing Transactions – August 2008*; and
  - (d) an independent appraisal report relating to the proposed reverse takeover of LOM by ACIL.
4. Shareholders who wish to vote by proxy must complete the proxy form and send it to be received by 10.30 am on 8 March 2010 by LOM at:

Level 5, 99-105 Customhouse Quay, Wellington

**Or**

PO Box 1078, Wellington

**Or**

Facsimile +64 4 499 8850

Or by LOM's share registrar, ComputerShare Investor Services Limited, at:

Level 2, 159 Hurtsmere Road, Takapuna, North Shore City, Auckland

**Or**

Private Bag 92119, Auckland

**Or**

Facsimile +64 9 488 8787
5. The full text of the notice of meeting is set out below.

David Wallace  
**Chairman, Lombard Group Limited**

## NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

Notice is hereby given that a Special Meeting of existing shareholders of Lombard Group Limited (**Company** or **Lombard**) will be held at the offices of Minter Ellison Rudd Watts, Level 17, 125 The Terrace, Wellington at 10.30 am on 10 March 2010.

### BUSINESS OF THE MEETING

The business of the Special Meeting is for the Existing Lombard Shareholders to consider a proposal to give effect to a reverse listing of Australian Consolidated Insurance Limited (**ACIL**).

The Explanatory Notes which accompany this Notice of Meeting set out:

- the details of each transaction which form part of the Proposal which are the subject of the Resolutions; and
- the shareholder approvals required for each Resolution pursuant to the NZSX Listing Rules (**Listing Rules**), the Companies Act 1993 (**Companies Act**), the Corporations Act 2001 (Cth.) (**Corporations Act**) and the Company's constitution (**Constitution**).

### EXECUTIVE SUMMARY

Capitalised terms are defined in the Glossary on page 25.

The Proposal seeks to give effect to the proposed reverse listing of ACIL. If all of the Resolutions relating to the Proposal are approved, the overall effect for Existing Lombard Shareholders will be that they will receive an interest in an unlisted vehicle, equal to their current interest in Lombard, that contains Lombard's residual assets, they will continue to hold their Existing Lombard Shares and Lombard will then have as its primary asset full ownership of ACIL and, so that they can elect whether to continue as investors in the restructured company, Existing Lombard Shareholders will have a buyback offer made for their Lombard Shares at NZ\$0.01196 per Existing Lombard Share.

The Proposal has a number of interdependent steps. The steps have been put together by the Company to ensure Existing Lombard Shareholders are treated equally and fairly, and to ensure they retain an interest in the Company's business and assets without further capital contributions.

The steps of the Proposal are:

- Lombard will make a takeover offer to ACIL Shareholders for all of the ACIL Shares, being 42,834,287 ordinary shares in ACIL (**Takeover Offer**);
- Lombard will migrate its place of incorporation from New Zealand to Australia (**Migration**);
- if Lombard receives acceptances from ACIL Shareholders under the Takeover Offer holding 90% or more (by number) of the ACIL Shares:
  - Lombard will transfer Lombard's business, assets and liabilities (other than a series of existing liabilities valued at approximately \$220,000) to a subsidiary, First One Holdings Limited (**FOL**), which has been incorporated for the purpose of receiving and holding Lombard's business, assets and liabilities, and in return Lombard will receive 23,406,435 FOL Shares (**Divestment**). FOL currently has no business, assets or liabilities;
  - each Existing Lombard Shareholder will receive from Lombard a distribution of the FOL Shares in proportion to its current shareholding in Lombard (**Distribution**);
  - Lombard will acquire all ACIL Shares under the Takeover Offer and as consideration for the acquisition of all the ACIL Shares will issue a total of 1,480,246,656 New Lombard Shares to the ACIL Shareholders (**Share Issue**); and
- if approved by the required majority of New Lombard Shareholders, Lombard will make a buy back offer in cash for all Existing Lombard Shares held by the Existing Lombard Shareholders on the

Entitlement Date, and that continue to be held by Existing Lombard Shareholders on the Buy Back Offer Date, at a price per Existing Lombard Share which is equal to the exchange price for a New Lombard Share under the Takeover Offer (**Buy Back**). Shareholders will have no obligation to accept the Buy Back.

Each of these steps is described in more detail in the Explanatory Notes.

If the Proposal is completed in its entirety:

- FOL will hold the business, assets and liabilities currently held by Lombard (other than a series of existing liabilities valued at approximately NZ\$220,000). FOL will be wholly-owned by the Existing Lombard Shareholders in proportion to their current shareholding in Lombard. FOL will not be listed on a registered exchange. Further detail about FOL is described in Explanatory Note 3.
- Lombard will change its name to “Insured Group Limited”, will be incorporated in Australia and will continue its NZSX listing, but its business, assets and liabilities will be those currently held by ACIL, plus a series of existing Lombard liabilities of approximately NZ\$220,000. Lombard will be predominantly owned by the ACIL Shareholders in proportion to their current shareholding in ACIL.
- ACIL will be wholly owned by Lombard.

The benefits of the Proposal to Existing Lombard Shareholders are:

- they retain their current interest in Lombard’s business, assets and liabilities through their shareholding in FOL and (if they choose not to participate in the Buy Back) obtain a small interest in Lombard’s investment in ACIL;
- once the transaction is complete, Existing Lombard Shareholders will (again, if they choose not to participate in the Buy Back) have the potential to increase the value of their combined shareholdings in both FOL and Lombard; and
- the ACIL transaction may generate certain operational synergies which may benefit all Lombard shareholders. The valuation of Lombard following the ACIL transaction in the Independent Appraisal Report has not incorporated the potential value of synergies as these are yet unquantified and still under study.

The Board is of the opinion that if the Proposal is not approved and does not proceed there are no real prospects for the Company. The Company has diminishing revenues and it is considered very unlikely that an alternative offer would materialise if the Proposal does not proceed.

The Resolutions to be considered and voted on at the Special Meeting are required to approve the transactions described above and to complete the Proposal as a whole.

## **WAIVERS**

Lombard has been granted a waiver from NZX from:

- Listing Rule 3.3.1(b) for three months so that Lombard can after completion of the Proposal operate with only one director being ordinarily resident in New Zealand; and
- Listing Rule 5.5.1(b) so that the meeting of New Lombard Shareholders to consider the Buy Back can be held in Australia. This waiver has been granted subject to the condition that should Lombard have New Zealand registered shareholders on its register at the time of holding the meeting:
  - the chairman’s address and presentation must be released to NZX at the time of the meeting; and
  - questions are required to be submitted in advance of the meeting and any answers must be transcribed and released to NZX within 24 hours of the meeting concluding.



## IMPORTANT DATES

Date	Event
24 February 2010	Shareholder Documents mailed to Lombard Shareholders
10 March 2010	Special Meeting of Existing Lombard Shareholders to consider and approve the Resolutions required for the Proposal*
11 March 2010	Opening Date for acceptance of the Takeover Offer by ACIL Shareholders**
5.00 pm (NZ time) 11 March 2010	Entitlement Date for Existing Lombard Shareholders to be offered participation in the Buy Back
12 March 2010	Applications made to transfer Lombard's place of incorporation to Australia
12 April 2010	Disposed Assets transferred to FOL***  Distribution of FOL Shares to Existing Lombard Shareholders***
12 April 2010	Closing Date for acceptance of the Takeover Offer by ACIL Shareholders
13 April 2010	New Lombard Shares issued to ACIL Shareholders
27 April 2010	Meeting of New Lombard Shareholders to vote on the Buy Back of Existing Lombard Shares
28 April 2010	Offer to buy back Existing Lombard Shares made to Existing Lombard Shareholders ****

\* After this date, all dates are indicative only and are subject to change by the Company without notice.

\*\* Dates relating to events to complete the Proposal after this date (other than the proposed migration of Lombard's place of incorporation to Australia) are conditional on Lombard receiving acceptances from ACIL Shareholders under the Takeover Offer for 90% or more of the ACIL Shares (by number) by the Closing Date.

\*\*\* The date for these events is approximate. They are to occur during the period between the date Lombard receives acceptances from ACIL Shareholders under the Takeover Offer for 90% or more of the ACIL Shares (by number) and the date the New Lombard Shares are issued to ACIL Shareholders.

\*\*\*\* Only those Existing Lombard Shareholders who hold Existing Lombard Shares on the Entitlement Date, and who continue to hold those Existing Lombard Shares on the Buy Back Offer Date, will be entitled to participate in the Buy Back.

## THE RESOLUTIONS

### Resolution 1 – Takeover Offer

To consider and, if thought fit, pass the following resolution as a Special Resolution:

“That, conditional on all other Resolutions being approved by the required majority of Existing Lombard Shareholders:

- (a) the Company makes an offer to all ACIL Shareholders for all the ACIL Shares;
- (b) the Company offers 1,480,246,656 New Lombard Shares (issued on the terms set out in Resolution 2) as consideration for the ACIL Shares; and
- (c) the Takeover Offer is subject to the condition that the Company will not acquire any ACIL Shares unless it receives by the Closing Date acceptances from ACIL Shareholders holding 90% or more of the ACIL Shares (by number);
- (d) the Takeover Offer be made on such other terms and conditions as are deemed appropriate by the Board, provided that such terms are not inconsistent with paragraphs (a) to (c) of this Resolution; and
- (e) any Director or other person duly authorised by the Board be authorised to take all actions and enter into all documents required to give effect to the matters approved in this Resolution.”

*See Explanatory Note 1.*

### Resolution 2 – Share Issue

If Resolution 1 is passed, to consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

“That, conditional on:

- (a) all other Resolutions being approved by the required majority of Existing Lombard Shareholders; and
- (b) the Company receiving by the Closing Date acceptances under the Takeover Offer from ACIL Shareholders holding 90% or more of the ACIL Shares (by number),

the Company issues as consideration for all the ACIL Shares acquired by it under the Takeover Offer a total of 1,480,246,656 New Lombard Shares to the ACIL Shareholders for an aggregate issue price of NZ\$17,703,750 (being 34.55752 New Lombard Shares for each ACIL Share at an issue price of NZ\$0.01196 per New Lombard Share) on the following terms:

- a. each New Lombard Share will have:
  - i. the right to vote on a poll at a meeting of the Company on any resolution;
  - ii. the right to an equal share in dividends authorised by the Board; and
  - iii. the right to an equal share in the distributions of the surplus assets of the Company;

- b. each holder of a New Lombard Share must vote in favour of the Buy Back at the New Lombard Shareholders Meeting called for the purpose of voting on a resolution to approve the Buy Back; and
- c. no holder of New Lombard Shares may participate in the Buy Back in respect of its New Lombard Shares and the New Lombard Shares cannot be acquired by the Company under the Buy Back; and

any Director or other person duly authorised by the Board be authorised to take all actions and enter into all documents required to give effect to the matters approved in this Resolution.”

*See Explanatory Note 2.*

### **Resolution 3 – Divestment and Distribution**

If Resolutions 1 and 2 are passed, to consider and, if thought fit, pass the following resolution as a Special Resolution:

“That, conditional on:

- (a) all other Resolutions being approved by the required majority of Existing Lombard Shareholders; and
- (b) the Company receiving by the Closing Date acceptances under the Takeover Offer from ACIL Shareholders holding 90% or more of the ACIL Shares (by number),

the Asset Sale Agreement between the Company and First One Holdings Limited is approved, the Company enter into the Asset Sale Agreement and any Director or person duly authorised by the Board be authorised to take all actions and enter into all documents required to give effect to the matters approved in this Resolution.”

*See Explanatory Note 3.*

### **Resolution 4 - Migration**

If Resolutions 1 to 3 are passed, to consider and, if thought fit, pass the following resolution as a Special Resolution:

“That, conditional on:

- (a) all other Resolutions being approved by the required majority of Existing Lombard Shareholders; and
- (b) the Company meeting the requirements of the Companies Act regarding the transfer of incorporation to another jurisdiction,

the Company applies to be removed from the New Zealand Register of Companies in connection with becoming incorporated in Australia, the Company applies to be incorporated under the Corporations Act in Australia and any Director or person duly authorised by the Board be authorised to take all actions and enter into all documents required to give effect to the matters approved in this Resolution.”

*See Explanatory Note 4.*

## **Resolution 5 – Buy Back**

If Resolutions 1 to 4 are passed, to consider and, if thought fit, pass the following resolution as a Special Resolution required by the Corporations Act:

“That, conditional on:

- (a) the Company receiving by the Closing Date acceptances under the Takeover Offer from ACIL Shareholders holding 90% or more of the ACIL Shares (by number);
- (b) compliance with the Corporations Act; and
- (c) approval of the Buy Back by the required majority of New Lombard Shareholders at the New Lombard Shareholders Meeting,

the Company makes an offer on or about 28 April 2010 to acquire all Existing Lombard Shares for an aggregate purchase price of NZ\$279,940.96 (being NZ\$0.01196 per Existing Lombard Share), immediately cancel the Existing Lombard Shares so acquired and any Director or person duly authorised by the Board be authorised to take all actions and enter into all documents required to give effect to the matters approved in this Resolution.”

*See Explanatory Note 5.*

## **Resolution 6 – Director Appointment**

If Resolutions 1 to 5 are passed, to consider and, if thought fit, pass the following resolution as an Ordinary Resolution:

“That, conditional on the Company receiving acceptances under the Takeover Offer from ACIL Shareholders holding 90% or more of the ACIL Shares (by number) before or on the Closing Date, Wayne Robert Miller be appointed as a director of the Company from the date the condition is satisfied.”

*See Explanatory Note 6.*

## **Resolution 7 – Director Appointment**

If Resolutions 1 to 5 are passed, to consider and, if thought fit pass, the following resolution as an Ordinary Resolution:

“That, conditional on the Company receiving acceptances under the Takeover Offer from ACIL Shareholders holding 90% or more of the ACIL Shares (by number) before or on the Closing Date, Anne-Marie Syme be appointed as a director of the Company from the date the condition is satisfied.”

*See Explanatory Note 7.*

## **Resolution 8 – Director Appointment**

If Resolutions 1 to 5 are passed, to consider and, if thought fit pass, the following resolution as an Ordinary Resolution:

“That, conditional on the Company receiving by the Closing Date acceptances under the Takeover Offer from ACIL Shareholders holding 90% or more of the ACIL Shares (by number) before or on the Closing Date, Mark Stephen Shelton be appointed as a director of the Company from

the date the condition is satisfied.”

*See Explanatory Note 8.*

### **Resolution 9 – Director Appointment**

If Resolutions 1 to 5 are passed, to consider and, if thought fit pass, the following resolution as an Ordinary Resolution:

“That, conditional on the Company receiving by the Closing Date acceptances under the Takeover Offer from ACIL Shareholders holding 90% or more of the ACIL Shares (by number) before or on the Closing Date, Trevor Hilton Jacobs be appointed as a director of the Company from the date the condition is satisfied.”

*See Explanatory Note 9.*

### **Resolution 10 – Placement of New Shares**

If Resolutions 1 to 5 are passed, to consider and, if thought fit pass, the following resolution as an Ordinary Resolution in accordance with Listing Rule 7.3.1(a) and the Company’s constitution:

“That, conditional on:

- (a) all other Resolutions (other than Resolution 11) being approved by the required majority of Existing Lombard Shareholders; and
- (b) the Company receiving by the Closing Date acceptances under the Takeover Offer from ACIL Shareholders holding 90% or more of the ACIL Shares (by number),  
then:
  - (c) the Company is authorised to offer and, if such offers are accepted, allot Ordinary Shares in the Company up to an aggregate value of such Ordinary Shares not exceeding NZ\$10,000,000 on the terms set out in Explanatory Note 10; and
  - (d) if the Company allots Ordinary Shares in the Company under paragraph (c) of this Resolution, the Company will make a non-renounceable offer of Ordinary Shares in the Company to all shareholders of the Company in accordance with Listing Rule 7.3.4(c) at the same price as Ordinary Shares are allotted in accordance with paragraph (c); and
  - (e) any Director or other person duly authorised by the Board be authorised to take all actions and enter into all documents required to give effect to the matters approved in this Resolution.”

*See Explanatory Note 10.*

### **Resolution 11 – Preference Share Issue**

If Resolutions 1 to 5 are passed, to consider and, if thought fit pass, the following resolution as an Ordinary Resolution in accordance with Listing Rule 7.3.1(a) and the Company’s constitution:

“That, conditional on:

- (a) all other Resolutions (other than Resolution 10) being approved by the required majority of Existing Lombard Shareholders; and
- (b) the Company receiving by the Closing Date acceptances under the Takeover Offer from ACIL Shareholders holding 90% or more of the ACIL Shares (by number),

then:

- (c) the Company or a wholly-owned subsidiary of the Company is authorised to offer and, if such offers are accepted, allot up to 10 million redeemable convertible preference shares (**RCPS**), together with a right at the Company's or the subsidiary's discretion to accept subscriptions for and allot a further 5 million RCPS, on the key terms set out in Explanatory Note 11;
- (d) the Company is authorised to issue Ordinary Shares in the Company on the conversion of the RCPS into Ordinary Shares in accordance with the terms set out in Explanatory Note 11; and
- (e) any Director or other person duly authorised by the Board is authorised to take all actions and enter into all documents required to give effect to the matters approved in this Resolution, provided that the authorisation provided in respect of paragraph (c) of this Resolution will be reduced by the dollar value of any new Ordinary Shares issued by the Company under the authority of Resolution 10."

*See Explanatory Note 11.*

## **VOTING RESTRICTIONS**

All Existing Lombard Shareholders may vote on all Resolutions.

**Any person who is both an ACIL Shareholder and an Existing Lombard Shareholder is prohibited from voting on Resolution 2.**

## **PROXIES**

Subject to the voting restrictions above, all Existing Lombard Shareholders are entitled to:

- attend the Special Meeting and vote on the Resolutions; or
- appoint a proxy to attend the Special Meeting and vote on their behalf on the Resolutions.

A proxy need not be a shareholder of the Company.

If you have sold, transferred or otherwise disposed of, or do sell, transfer or otherwise dispose of, Existing Lombard Shares between the date of this Notice of Meeting and the date of the Special Meeting, you should give this Notice of Meeting to the new holder of those Existing Lombard Shares.

The Proxy Form for the Special Meeting is enclosed with this Notice of Meeting.

To be effective, the Proxy Form must be completed in accordance with the notes set out in the Proxy Form and be lodged (either by delivery, post or facsimile) at the registered office of the Company at:

Level 5  
99-105 Customhouse Quay  
WELLINGTON

**OR**

PO Box 1078  
WELLINGTON

**OR**

Facsimile: +64 4 499 8850

or with the Company's share registrar at:

ComputerShare Investor Services Limited  
Level 2  
159 Hurtsmere Road  
Takapuna  
North Shore City  
AUCKLAND

**OR**  
Private Bag 92119  
AUCKLAND

**OR**

Facsimile: +64 9 488 8787

before 10.30 am on 8 March 2010.

## EXPLANATORY NOTES

The Company is listed on the NZSX market and must comply with the Listing Rules. While the Company is incorporated in New Zealand, the Company must also comply with the Companies Act. If the Company migrates to Australia, it will cease to be subject to the Companies Act, and will instead be subject to, and must comply with, the Corporations Act.

The Resolutions set out in this Notice of Meeting are variously required by the Listing Rules, the Companies Act, the Corporations Act and the Constitution and their implications, insofar as they relate to each Resolution, are addressed in the Explanatory Notes below.

The Takeovers Code does not apply to the Proposal because:

- ACIL (as the target company) is a company incorporated in Australia. Accordingly, the Takeover Offer will be made in accordance with the Corporations Act and the Listing Rules.
- On its migration to Australia, Lombard will cease to be a “code company” (as that term is defined in the Takeovers Code). The migration is to occur before any New Lombard Shares are issued to ACIL Shareholders under the Takeover Offer that would lead to a change in the control of voting rights in the Company for the purposes of the Takeovers Code. As a result, no resolutions of Existing Lombard Shareholders are required under the Takeovers Code.

### Explanatory Note 1 – Takeover Offer

Resolution 1 is to approve the Takeover Offer and is proposed as a Special Resolution.

The Takeover Offer is the offer by the Company to acquire all the issued share capital of ACIL being 42,834,287 ACIL Shares. It is the legal mechanism to give effect to the reverse listing of ACIL.

Under a reverse listing, the business of the target company (in this case, ACIL) is acquired by the listed company (in this case, Lombard) and becomes the sole business of the listed company. In this way, ACIL’s business would become listed on the NZSX market.

The Board seeks your approval for the Company to make the Takeover Offer for all the ACIL Shares to give effect to the proposed reverse listing of ACIL.

For the purposes of Listing Rule 9.1 and section 129 of the Companies Act, your approval of this Resolution is sought by way of Special Resolution.

If this Resolution is approved by Special Resolution of the Existing Lombard Shareholders, the Company will make the Takeover Offer on the following terms:

- the Company will offer to acquire all ACIL Shares held by ACIL Shareholders and will offer as consideration New Lombard Shares to the ACIL Shareholders (see Explanatory Note 2 for the terms of issue of the New Lombard Shares);
- the offer will be conditional on the Company receiving acceptances from ACIL Shareholders under the Takeover Offer for 90% or more of the ACIL Shares (by number) (**Defeating Condition**);
- if the Defeating Condition is met by the end of the Offer Period, and all other conditions are met or waived, the Company will compulsorily acquire all ACIL Shares for which it has not already received acceptances; and
- the offer will be made and completed on all other terms and conditions as are deemed appropriate by the Board, provided that said terms are not inconsistent with the above terms.

If the Defeating Condition is not met by the end of the Offer Period, the Takeover Offer will not be completed and the Proposal will not proceed.

The Company currently has 23,406,435 Existing Lombard Shares on issue. If the Takeover Offer is successful and New Lombard Shares are issued to ACIL Shareholders:

- the Company will have a total of 1,480,246,656 Ordinary Shares on issue;
- the Existing Lombard Shareholders will hold approximately 1.5% of the Ordinary Shares on issue; and
- the New Lombard Shareholders will hold approximately 98.5% of the Ordinary Shares on issue.

As a result, the New Lombard Shareholders will, if they vote in the same way, have the power to appoint and remove the directors of the Company.

Resolution 1 is conditional on all other Resolutions in this Notice of Meeting being approved.

As a special resolution in respect of a major transaction (as defined in the Companies Act) any shareholder who votes all of their shares against Resolution 1 will, if the Proposal proceeds, have the right under section 110 of the Companies Act to require the Company to purchase their Ordinary Shares. The right to have shares purchased must be exercised within 10 Working Days of the passing of Resolution 1 by the dissenting shareholder by giving written notice to the Company.

**If all other Resolutions in this Notice of Meeting are not approved by the required majority of Existing Lombard Shareholders, the Takeover Offer will not be made and the Proposal will not proceed.**

## **Explanatory Note 2 – Share Issue**

Resolution 2 is to approve the issue of New Lombard Shares to ACIL Shareholders under the Takeover Offer and is proposed as an Ordinary Resolution.

Resolution 2 is required to allow the issue of New Lombard Shares as consideration for the acquisition of ACIL Shares under the Takeover Offer.

Resolution 2 will not be proposed if Resolution 1 is not passed.

The Board seeks your approval for the Company to issue New Lombard Shares under the Takeover Offer to give effect to the proposed reverse listing of ACIL.

For the purposes of Listing Rule 7.3.1 and section 254D(4) of the Corporations Act, your approval of this Resolution is sought by way of Ordinary Resolution.

If this Resolution is approved by Ordinary Resolution of the Existing Lombard Shareholders, the New Lombard Shares will only be issued by the Company if:

- the Defeating Condition is met under the Takeover Offer; and
- the Company has been removed from the New Zealand Register of Companies and has been incorporated under the laws of Australia (see Explanatory Note 4 as to the details of the Migration).

If the Takeover Offer is successful, the Company will acquire all the ACIL Shares and will be required to issue a total of 1,480,246,656 New Lombard Shares (at a ratio of 34.55752 New Lombard Shares for each ACIL Share) to the ACIL Shareholders at an issue price of NZ\$0.01196 per New Lombard Share. The aggregate issue price of the New Lombard Shares (in other words, the consideration that will be paid for the ACIL Shares) is NZ\$17,703,750. That amount is the value attributed to the ACIL Shares by Lombard. The value is consistent with the valuation of ACIL of NZ\$17,703,750 set out in the Independent Appraisal Report.

Each New Lombard Share will be issued with the following rights attached:

- the right to vote on a poll at a meeting of the Company on any resolution;
- the right to an equal share in dividends authorised by the Board; and
- the right to an equal share in the distributions of surplus assets of the Company.

The New Lombard Shares will rank equally with all Existing Lombard Shares. However, the terms of issue of the New Lombard Shares will:

- expressly disclaim any rights of holders of New Lombard Shares to participate in the Buy Back; and
- require holders of New Lombard Shares to vote in favour of the Buy Back at the New Lombard Shareholders Meeting.

The above terms of issue of the New Lombard Shares are to ensure that only the Existing Lombard Shareholders may participate in the Buy Back. Details of the Buy Back are set out in Explanatory Note 5.

Resolution 2 is conditional on all other Resolutions in this Notice of Meeting being approved.

**If all other Resolutions in this Notice of Meeting are not approved by the required majority of Existing Lombard Shareholders, the Share Issue will not be made and the Proposal will not proceed.**

### **Explanatory Note 3 – Divestment and Distribution**

Resolution 3 is to approve the entry by the Company into the Asset Sale Agreement with FOL to give effect to the Divestment and the Distribution and is proposed as a Special Resolution.

Resolution 3 is required to allow Lombard to divest itself of its current business by transferring it to FOL and to ensure the Existing Lombard Shareholders continue to hold an interest in that business by receiving a distribution of shares in FOL in proportion to their current interest in Lombard.

If all the Resolutions are passed by the required majority of Existing Lombard Shareholders, the Board proposes that the Company will make a distribution of the FOL Shares to the Existing Lombard Shareholders. The FOL Shares will be distributed on the date of completion under the Asset Sale Agreement. The Distribution itself does not require any action to be taken by current Lombard Shareholders and, accordingly, no Lombard Shareholder resolutions or approvals are required for the Board to make the Distribution.

Resolution 3 will not be proposed if Resolutions 1 and 2 are not passed.

For the purposes of Listing Rule 9.1.1 and section 129 of the Companies Act, your approval of this Resolution is sought by way of Special Resolution.

The Divestment and the Distribution involve:

- the incorporation of FOL under the Companies Act, initially as a wholly-owned subsidiary of Lombard. As at the date of this Notice of Meeting, this step has already taken place. FOL will not be listed on a registered exchange;
- Lombard transferring all of its current business, assets and liabilities (other than a series of existing liabilities valued at approximately NZ\$220,000, comprising Inland Revenue payments, accrued employee benefits and trade creditors of Lombard and its subsidiary United Home Mortgages Limited) to FOL in return for the issue of the FOL Shares to it;
- the Existing Lombard Shareholders receiving a distribution of the FOL Shares in proportion to their existing shareholding in Lombard; and

- current Lombard directors Michael Reeves and David Wallace retiring from the Board if the Company receives acceptances under the Takeover Offer from ACIL Shareholders holding 90% or more of the ACIL Shares (by number) by the Closing Date. The Hon. William Jeffries will remain as a director and will be the Chairman of the Company after completion of the Proposal.

The Divestment and Distribution will take place under the Asset Sale Agreement. The key terms of the Asset Sale Agreement are set out below:

- Lombard will transfer to FOL:
  - (a) cash on hand and deposits at the bank;
  - (b) the ordinary shares of each of its subsidiaries, being Lombard Finance & Investments Limited (in receivership), Lombard Fund Mangers Limited, Lombard Mortgages Limited, Maestro Commerce Limited, Pure New Zealand Limited and Security Trustee Services Company Limited;
  - (c) securities (other than deposits and unsecured subordinated notes) issued by Lombard Finance & Investments Limited (in receivership) (**LFIL**) under its debenture trust deed dated 28 November 2002 (as amended and/or supplemented) and held by Lombard, having a face value of NZ\$2,000,000 but the value of which is severely impaired as a consequence of the receivership of LFIL;
  - (d) loan advances made by Lombard to each of Lombard Fund Mangers Limited, Lombard Mortgages Limited and Maestro Commerce Limited, each having an impaired value of NZ \$0; and
  - (e) the trade and other receivables and debts or amounts owing to Lombard,
 (collectively the **Disposed Assets**).
- FOL will take responsibility for the trade creditors, accruals and other debts or amounts owing by Lombard.
- In consideration for the transfer of Lombard's current business to FOL, FOL will:
  - (a) give Lombard an indemnity in respect of any liability arising from Lombard's current business (up to NZ\$500,000 which, in any event, is not to exceed the value of FOL's assets post divestment) for a period of 12 months; and
  - (b) issue and allot 23,406,435 ordinary shares in FOL to Lombard.
- Lombard will subsequently make a distribution of the FOL Shares to the Existing Lombard Shareholders. Lombard will distribute one FOL Share for each Lombard Share held.

Each FOL Share will be issued with the following rights attached:

- the right to vote on a poll at a meeting of FOL on any resolution;
- the right to a equal share in dividends authorised by the board of FOL; and
- the right to an equal share in the distributions of surplus assets of the Company.

The FOL Shares will rank equally with one another. However, the terms of issue of the FOL Shares will include an embargo period of 12 months from the date of issue within which no FOL Share may be transferred.

On completion of the Divestment and Distribution, each Existing Lombard Shareholder will:

- become a shareholder of FOL in proportion to their current shareholding in Lombard; and

- as a result, retain the same interest in the assets and liabilities transferred to FOL as it currently has in those assets and liabilities currently held by Lombard (other than a series of existing Lombard liabilities valued at approximately NZ\$220,000, comprising Inland Revenue payments, accrued employee benefits and trade creditors for Lombard and its subsidiary United Home Mortgages Limited).

The nature of FOL's assets and liabilities means that it is not anticipated that FOL will have a positive net value. In determining the number of New Lombard Shares to be offered for each ACIL Share under the Takeover Offer the Disposed Assets were not attributed a value. As a consequence, the Divestment and Distribution has been proposed to provide a means for Existing Lombard Shareholders to benefit from any upside in the realisation of value in the Disposed Assets. It is anticipated that a determination will be made at an appropriate time in the future as to whether any value exists. The means of making such a determination and of distributing any value to Existing Lombard Shareholders will be determined by the board of FOL.

In the absence of the creation of FOL any increase in the value of the Company's residual assets would not have been received by all Existing Lombard Shareholders.

If this Resolution is approved by Special Resolution of the Existing Lombard Shareholders, the Asset Sale Agreement will take effect only if the Defeating Condition is met under the Takeover Offer.

Resolution 3 is conditional on all other Resolutions in this Notice of Meeting being approved.

As a special resolution in respect of a major transaction (as defined in the Companies Act) any shareholder who votes all of their shares against Resolution 3 will, if the Proposal proceeds, have the right under section 110 of the Companies Act to require the Company to purchase their shares. The right to have shares purchased must be exercised within 10 Working Days if the passing of Resolution 3 by the dissenting shareholder by giving written notice to the Company.

**If all other Resolutions in this Notice of Meeting are not approved by the required majority of Existing Lombard Shareholders, the Divestment and Distribution will not take place and the Proposal will not proceed.**

#### **Explanatory Note 4 – Migration**

Resolution 4 is to approve the Company moving its place of incorporation from New Zealand to Australia and is proposed as a Special Resolution.

Resolution 4 will not be proposed if Resolutions 1 to 3 are not passed.

The Migration is a step in the proposed reverse listing process. On the conclusion of the reverse listing, Lombard will continue to be listed on the NZSX market but it will be the parent company of a group of Australian businesses and will have predominantly Australian shareholders. It is therefore desirable to have Lombard incorporated as a company under Australian law.

The Board seeks your approval for the Migration to give effect to the proposed reverse listing of ACIL.

For the purposes of section 352 of the Companies Act, your approval of this Resolution is sought by way of Special Resolution.

If this Resolution is approved by Special Resolution of the Existing Lombard Shareholders, the Company will make applications for removal from the New Zealand Register of Companies and for incorporation under the Corporations Act only if it has met all the requirements of section 351 of the Companies Act. Such applications will be made before the Company issues any New Lombard Shares to ACIL Shareholders.

Upon completion of the migration the Company will be subject to the requirements of the Corporations Act and will no longer need to comply with the Companies Act. The objectives of these two pieces of legislation are very similar, although there are some notable differences. These differences include:

- the Corporations Act has no equivalent to the major transaction requirement imposed by section 129 of the Companies Act, which provides that a company cannot enter into a transaction which has a value of more than half the value of the company's assets without the approval of a special resolution. However, the Company will still be subject to the Listing Rules which has a similar rule, albeit that it is based on average market capitalisation and requiring only an Ordinary Resolution of shareholders; and
- provisions regarding the acquisition of increased voting control in listed companies and companies with more than 50 members is governed by the Corporations Act. The Corporations Act permits shareholders who hold at least 19% of the voting power in such companies to increase their voting power by up to 3% above the voting power the shareholder held in the 6 months before the relevant acquisition. Such arrangements are not permitted under the New Zealand Takeovers Code unless a shareholder holds more than 50% of the voting rights in the relevant company.

The Company will also, upon completion of the migration, be subject to Listing Rule 4 as it will no longer be a "code company" (as that term is defined in the Takeovers Code). This Listing Rule provides various takeover related provisions which will apply in addition to the takeover provisions contained within the Corporations Act.

Resolution 4 is conditional on all other Resolutions in this Notice of Meeting being approved.

**If all other Resolutions in this Notice of Meeting are not approved by the required majority of Existing Lombard Shareholders, the Migration will not take place and the Proposal will not proceed.**

#### **Explanatory Note 5 – Buy Back**

Resolution 5 is to approve the Company offering to buy back the Existing Lombard Shares from Existing Lombard Shareholders and is proposed as an Ordinary Resolution. In order to participate in the Buy Back, Existing Lombard Shareholders must hold Existing Lombard Shares on the Entitlement Date, and continue to hold those Existing Lombard Shares on the Buy Back Offer Date.

Resolution 5 will not be proposed if Resolutions 1 to 4 are not passed.

The Buy Back will occur shortly after Lombard has issued the New Lombard Shares to the New Lombard Shareholders (subject to approval of the Buy Back by the New Lombard Shareholders, which is explained below).

The Buy Back's inclusion within the Proposal was proposed by the Company as a means of providing some liquidity to Existing Lombard Shareholders. In tandem with the Divestment and the Distribution, the intention of the Buy Back is to treat Existing Lombard Shareholders equally and fairly by ensuring they have the opportunity to receive some immediate value for their stake in Lombard. The Company expresses no view as to whether Existing Lombard Shareholders should participate in the Buy Back. Existing Lombard Shareholders do not have to sell their Existing Lombard Shares to the Company and can retain all or a portion of these shares and hold a minority interest in Lombard. The decision as to whether to participate is one for each Existing Lombard Shareholder to consider based on your circumstances.

If the Buy Back takes place, Lombard will make an offer to acquire all of the Existing Lombard Shares held by persons who are Existing Lombard Shareholders on the Entitlement Date and who, on the Buy Back Offer Date, continue to hold the Existing Lombard Shares which they held on the Entitlement Date. Existing Lombard Shareholders are not under any obligation to accept the offer. The Buy Back will be priced at NZ\$0.01196 per Existing Lombard Share – which is equivalent to the exchange price for the New Lombard Shares to be received by the ACIL Shareholders under the Takeover Offer.

The Entitlement Date predates the allotment of New Lombard Shares, and New Lombard Shareholders will have no ability to participate in the Buy Back.

All Existing Lombard Shares acquired in this manner will be cancelled. As a result, any Existing Lombard Shareholders who sell all of their shares under the Buy Back will no longer have any interest

in Lombard or the ACIL business acquired by Lombard. The Buy Back will not affect any holding of FOL shares.

The Board seeks your approval for the Buy Back.

For the purposes of Listing Rule 7.6.5, your approval of this Resolution is sought by way of Ordinary Resolution.

The Buy Back is proposed to occur only if all other parts of the Proposal are completed or have taken place. This means that, at the time the Buy Back is to take place, Lombard will be incorporated under, and will be required to comply with, the Corporations Act.

Section 257D(1) of the Corporations Act requires the Buy Back to be approved by either:

- (a) a special resolution passed at a general meeting of the Company with no votes being cast in favour of the resolution by any person whose shares are proposed to be bought back or by their associates; or
- (b) a resolution agreed to by all ordinary shareholders.

Accordingly, if this Resolution is approved by Ordinary Resolution of the Existing Lombard Shareholders, the Company will also be required under the Corporations Act to seek shareholder approval by way of Special Resolution at a meeting of the New Lombard Shareholders (**New Lombard Shareholders Meeting**). No Existing Lombard Shareholders will be permitted to vote at the New Lombard Shareholders Meeting, as required by the Corporations Act. The decision to seek approval of the New Lombard Shareholders by way of Special Resolution will satisfy the requirements of both the Listing Rules and the Corporations Act.

The terms of issue of the New Lombard Shares will provide that each holder must vote in favour of the Buy Back. Accordingly, the outcome of the New Lombard Shareholders Meeting is a mere formality but the meeting itself is still required by the Listing Rules and the Corporations Act.

After the Buy Back is approved at the New Lombard Shareholders Meeting, Lombard will make an offer to acquire (for the same share price as the valuation of Lombard Shares under the Takeover Offer, being NZ\$0.01196 per Existing Lombard Share), and cancel, all Existing Lombard Shares which are held by the Existing Lombard Shareholders on the Entitlement Date and continue to be held by them on the Buy Back Offer Date. As a result, any current Lombard Shareholders who sell all of their shares via the Buy Back will no longer have any interest in Lombard or the ACIL business acquired by Lombard.

Resolution 5 is conditional on all other Resolutions in this Notice of Meeting being approved.

**If all other Resolutions in this Notice of Meeting are not approved by the required majority of Existing Lombard Shareholders, the Buy Back will not be put to New Lombard Shareholders for approval and the Proposal will not proceed.**

### **Explanatory Note 6 – Director Appointment**

Wayne Robert Miller has been nominated by an Existing Lombard Shareholder to be appointed as a director of the Company from the date the Defeating Condition is satisfied. Details of Mr Miller's experience and qualifications are set out below.

ANZIF (FELLOW), Dip Fin Serv (Ins. Brok). Chartered Insurance Professional, Qualified Practicing Insurance Broker.

Mr Miller is the founder and managing director of ACIL. Prior to this his other corporate experience was as co-founding executive director of Medepartner Limited, where he was instrumental in raising seed and mezzanine capital, product development and implementation of an innovative "first to market" product. Medepartner Limited achieved ASX listing through a reverse takeover of Konekt

Limited (ASX code: KKT).

Mr Miller has 29 years' experience in the insurance industry including executive positions for several major international insurance and insurance broking companies. Insurance company experience includes underwriting and claims practical experience, and culminated in senior national responsibilities for underwriting. Mr Miller's insurance broking and risk management experience include development, design and implementation of risk management and insurance programs across a broad range of clients and industries, and specialist corporate/mining insurance in Australia and internationally.

Mr Miller has experience in "start up" company development, acquisitions and management in the insurance industry sector.

If elected the Board considers the Mr Miller would not be an independent director for the purposes of the Listing Rules.

### **Explanatory Note 7 – Director Appointment**

Anne-Marie Syme has been nominated by an Existing Lombard Shareholder to be appointed as a director of the Company from the date the Defeating Condition is satisfied. Details of Ms Syme's experience and qualifications are set out below.

Ms Syme has extensive corporate management and business development experience within the banking and finance sectors and currently works in director and executive capacities with several companies and organisations throughout Australia. Ms Syme has extensive mortgage broking expertise having founded innovative company Loansafe and is a founding shareholder and executive chairman of FAST (Financial Systems and Technology) which is one of the largest mortgage aggregators in Australia.

If elected the Board considers that Ms Syme would be an independent director for the purposes of the Listing Rules.

### **Explanatory Note 8 – Director Appointment**

Mark Stephen Shelton has been nominated by an Existing Lombard Shareholder to be appointed as a director of the Company from the date the Defeating Condition is satisfied. Details of Mr Shelton's experience and qualifications are set out below.

(B. Bus, ASCPA), registered Taxation Agent.

Mr Shelton has extensive experience in executive, financial management and company secretarial roles, including as non-executive director & company secretary of Medepartner Limited which achieved ASX listing through a reverse listing of Konekt Limited (ASX code: KKT).

He is presently the chief executive officer of premier regional airline carrier Skywest Airlines Limited and finance director of ASX / AIM board listed company Skywest Airlines Limited. Prior to this he was chief financial officer and company secretary of Community Newspaper Group Limited, a role he has held since November 1990. Mr Shelton has been instrumental in Community Newspaper Group Limited's acquisitions of many community papers in Western Australia.

Mr Shelton brings media industry and airline industry experience as well as strong leadership, people management and team building skills.

If elected the Board considers the Mr Shelton would not be an independent director for the purposes of the Listing Rules.

## **Explanatory Note 9 – Director Appointment**

Trevor Hilton Jacobs has been nominated by an Existing Lombard Shareholder to be appointed as a director of the Company from the date the Defeating Condition is satisfied. Details of Mr Jacobs' experience and qualifications are set out below.

Honours Bachelor of Accounting Science (Hons BCompt), CPA, MAICD

Mr Jacobs has been with ACIL since its inception and is its chief financial officer and company secretary. He is responsible for due diligence investigations on acquisitions, finance, compliance and information technology. He commenced his career with chartered accounting firm Deloitte in South Africa where he rose to audit manager before embarking on a career in commerce. He has performed the roles of Chief Financial Officer and Company Secretary for medium to large companies for the past 14 years, including 3 years as a partner and director of a large consulting firm in the construction and engineering industry. He also has experience with quality control systems and human resources.

If elected the Board considers the Mr Jacobs would not be an independent director for the purposes of the Listing Rules.

## **Explanatory Note 10 – Placement of New Shares**

The Company proposes to offer and, to the extent that such offers are accepted, allot Ordinary Shares by way of private placement at an aggregate value of such Ordinary Shares of no more than NZ \$10,000,000 (**Placement Shares**) to such persons as the Board sees fit.

The Placement Shares will be offered and issued at an issue price of no less than NZ\$0.009 per Placement Share, which equates to a 25% discount on the price attributed to Ordinary Shares under the Takeover Offer and the Buy Back. The discount set out above is the maximum that will be offered. The Board will endeavour to obtain the best price for the Placement Shares that is in the best interest of shareholders. However, the Company requires the flexibility to offer such a discount if it deems it is in the best interests of the Company and its shareholders to do so.

If Resolution 10 is passed, the maximum number of Placement Shares Lombard will be permitted to issue under Resolution 10 is 1,111,111,111 Placement Shares. If Placement Shares are issued at the minimum allowable price and the maximum number set out above are issued, those Placement Shares would represent 42.49% of the Ordinary Shares on issue at that time. As a result, holders of Existing Lombard Shares and New Lombard Shareholders will have their interest in Lombard diluted.

None of the current Directors, or any Associated Person of the current Directors, will be permitted to subscribe for the Placement Shares.

The purpose of issuing the Placement Shares is to raise capital to recapitalise ACIL's business to:

- fund existing payment obligations resulting from ACIL's previous acquisitions, some of which are currently due on 31 March 2010;
- reduce the extent to which ACIL makes use of its overdraft facility for the purpose of reducing debt levels, which in turn will improve ACIL's debt to equity ratio;
- pay costs associated with implementing the reverse listing and completing the capital raising contemplated by Resolutions 10 and 11; and
- funding working capital.

The Placement Shares may be offered and issued at any time up to 12 months after the date Resolution 10 is passed.

The Placement Shares will rank equally with all other Ordinary Shares as to voting rights and rights to dividends and distributions.

## Explanatory Note 11 – Redeemable Convertible Preference Share Issue

The Company proposes that, if the Takeover Offer is successful, the Company (or a wholly-owned subsidiary of the Company, with the relevant issuer of the RCPS being referred to in this Explanatory Note 11 as the **Issuer**) will offer and, if such offers are accepted, allot up to 10 million RCPS (**Initial Allocation**), with the possibility at the Board's discretion of accepting oversubscriptions for up to 5 million RCPS, at an issue price of NZ\$1 per RCPS (**Issue Price**). If the Issuer is a wholly-owned subsidiary of Lombard, Lombard will act as guarantor of the subsidiary's obligations in respect of the RCPS. Further details are set out under the heading "Guarantee" below.

The purpose of issuing the RCPS is to raise capital to recapitalise ACIL's business to:

- fund existing payment obligations resulting from ACIL's previous acquisitions, some of which are currently due on 31 March 2010;
- reduce the extent to which ACIL makes use of its overdraft facility for the purpose of reducing debt levels, which in turn will improve ACIL's debt to equity ratio;
- pay costs associated with implementing the reverse listing and completing the capital raising contemplated by Resolutions 9 and 10; and
- funding working capital.

The terms of the RCPS (further details of which are set out below) will provide that, on the date the RCPS are redeemed, the Issuer may opt to convert the RCPS into Ordinary Shares in Lombard. Accordingly, for the purposes of Listing Rule 7.3.1(a), approval of Resolution 11 for the issue of the RCPS, and the issue of the Ordinary Shares that would be required to be issued by Lombard on the conversion of the RCPS, is sought by way of an Ordinary Resolution.

If Resolutions 10 and 11 are approved, and the Company raises the NZ\$10 million sought through the proposed private placements described in Explanatory Note 10, the Issuer will not proceed with the issue of RCPS. If the Company raises less than the NZ\$10 million through the proposed private placements then the Board may, at its discretion proceed with the offer of RCPS. In that case, the maximum number of RCPS to be offered will be the number required to make up the shortfall in the funds that are not raised under the private placement. However, the Board will retain the right to accept oversubscriptions for up to a further 5 million RCPS.

Both Existing Lombard Shareholders and New Lombard Shareholders will be permitted to apply to subscribe for RCPS. However, applications for RCPS will be treated on a 'first come, first served' basis. As a result there is no guarantee that Existing Lombard Shareholders or New Lombard Shareholders will be successful in their applications for RCPS.

The RCPS will be offered and issued on the following key terms.

**Minimum amount to be raised:** The minimum amount to be raised under the offer of RCPS is NZ \$500,000. If applications for the minimum amount to be raised under the offer of RCPS are not received by the closing date (the closing date being no later than 10 March 2011), the issue of the RCPS will not proceed.

**Initial term:** The RCPS are intended to be allotted on a monthly basis after the minimum subscription requirement is reached (with the first such allotment date being the **Initial Allotment Date**, and all subsequent allotment dates being **Allotment Dates**). The initial term of each RCPS is up to 18 months from the Initial Allotment Date (**Initial Term**). This means that:

- RCPS issued on the Initial Allotment Date will have an Initial Term of up to 18 months; and
- the Initial Term of RCPS issued after the Initial Allotment Date will be shorter than 18 months (or such lesser term as the Issuer decides). The term for such RCPS will be 18 months less the period of time between the Initial Allotment Date and the Allotment Date of the RCPS in question.

**Extension of Term:** The term of the RCPS can be extended (at the option of the Issuer) for one further term of 6 months after the expiry of the Initial Term (**Extended Term**). If the Issuer opts to extend the term, the preferential fixed dividend payable on the RCPS will be reset for the Extended Term (as set out under the heading “Preferential fixed dividend rate” below).

**Preferential fixed dividend rate:** The RCPS will be entitled to a preferential fixed dividend (**Preferential Fixed Dividend**), calculated as 9.95% per annum of the Issue Price (**Preferential Fixed Dividend Rate**). If the Issuer elects to extend the Initial Term by the Extended Term, the Preferential Fixed Dividend Rate will, for the Extended Term, be reset at 1% above the Preferential Fixed Dividend Rate. If any Preferential Fixed Dividends are not paid on the 25th day of each month, the due Preferential Fixed Dividend will compound until the next monthly distribution or such time as the Preferential Fixed Dividends can be paid. Any overdue Preferential Fixed Dividends will incur a fixed dividend rate 1% per annum above the Preferential Fixed Dividend Rate.

**Redemption:** The redemption date of the RCPS is the earlier of the expiration of the Initial Term (or, if applicable, the Extended Term) (**Proposed Redemption Date**) and the date of earlier redemption at the option of the Issuer (**Early Redemption Date**). Holders of RCPS will not have the right to request redemption earlier than the Proposed Redemption Date. The Issuer may redeem all or a proportion of each holder’s RCPS on an Early Redemption Date by giving one month’s notice to holders that the RCPS will be redeemed. The Issuer may give a notice of partial early redemption on more than one occasion. The redemption of the RCPS is subject to the Issuer’s right to convert the RCPS into Ordinary Shares as described under the heading “Conversion” below.

**Conversion:** The Issuer may elect to convert the RCPS into Ordinary Shares in Lombard on the Proposed Redemption Date, or an Early Redemption Date, by giving no less than one month’s notice to holders in writing. The Issuer may give notice of conversion in respect of all or a specified proportion of the RCPS held by a holder. The Issuer may give a notice of partial conversion of RCPS on more than one occasion. If the Issuer elects to convert RCPS into Ordinary Shares in Lombard:

- the Issuer will pay holders of RCPS:
  - a one off bonus payment of an amount equivalent to one month’s Preferential Fixed Dividend; and
  - all accrued but unpaid Preferential Fixed Dividends;
- the Ordinary Shares issued on the conversion of the RCPS will rank equally with existing Ordinary Shares, including as to voting rights and rights to dividends; and
- the number of Ordinary Shares to be issued will be calculated in accordance with the formula set out below.

$$S = \frac{IP}{MP}$$

where

- S** = the number of Ordinary Shares to be issued for each RCPS that the Issuer elects to convert into Ordinary Shares
- IP** = the Issue Price of an RCPS
- MP** = the volume weighted average price of the Ordinary Shares traded on the NZSX in the 20 trading day period preceding the Proposed Redemption Date or Early Redemption Date (as applicable), less 5%

**Rights of RCPS:** RCPS have the right to receive the Preferential Fixed Dividend. RCPS do not have:

- the right to receive any other dividends paid by the Issuer;
- the right to a share in the distribution of the surplus assets of the Issuer;
- the right to vote on shareholder resolutions in respect of the Issuer other than a resolution to liquidate the Issuer or to change the terms of the RCPS.

**Ranking of RCPS:** Each RCPS will rank equally with all other RCPS. Upon the liquidation of the Issuer, holders of RCPS:

- will have the right to be repaid the Issue Price and all accrued but unpaid Preferential Fixed Dividends; and
- in respect of such payments, will rank in priority to the holders of ordinary shares in the Issuer, but will rank behind all secured creditors of the Issuer.

**Date for payment of Issue Price:** Payment for the RCPS is to be made in full at the time of application for RCPS.

**Directors prohibited from acquiring RCPS:** The current Directors, and any Associated Person of the current Directors, are not permitted to acquire RCPS.

**Guarantee:** If the Issuer is a wholly-owned subsidiary of Lombard, Lombard will guarantee the obligations of the subsidiary under the RCPS. The guarantee will be an unsecured obligation. Claims of RCPS under the guarantee will rank in priority together with the unsecured creditors of the Company, but will rank ahead of holders of Ordinary Shares.

## GLOSSARY

In this document, capitalised terms have the following meanings.

**ACIL** means Australian Consolidated Insurance Limited, a company incorporated in Western Australia.

**ACIL Shares** means the 42,834,287 ordinary shares in ACIL on issue as at the date of this Notice of Meeting, and **ACIL Share** means one of the ACIL Shares.

**ACIL Shareholder** means a holder of an ACIL Share.

**Asset Sale Agreement** means the agreement proposed to be entered into by the Company and FOL, and a summary of the terms of which is included in Explanatory Note 3.

**Associated Person** has the meaning given to that term in Listing Rule 1.8.

**Average Market Price** means the volume weighted average market price of Ordinary Shares over the 5 business days (as that term is defined in Listing Rule 1.6.1) before the earlier of the day the issue of Placement Shares is made, or the date a proposal to issue Placement Shares is announced.

**Board** means the board of directors of Lombard.

**Buy Back** means the buy back of Existing Lombard Shares as described in Explanatory Note 5.

**Buy Back Offer Date** means the date on which Lombard will offer to Buy Back Existing Lombard Shares from Existing Lombard Shareholders, being on or around 28 April 2010.

**Closing Date** means 12 April 2010.

**Companies Act** means the New Zealand *Companies Act 1993*.

**Company** or **Lombard** means Lombard Group Limited.

**Constitution** means the constitution of the Company.

**Corporations Act** means the Australian *Corporations Act 2001 (Cth.)*.

**Defeating Condition** means the condition that the Company receives acceptances from ACIL Shareholders under the Takeover Offer for 90% or more of the ACIL Shares (by number) by the Closing Date.

**Distribution** means the proposed distribution of FOL Shares by the Company to Existing Lombard Shareholders, as described in Explanatory Note 3.

**Divestment** means the proposed transfer of certain of Lombard's assets and liabilities to FOL in return for the FOL Shares, as described in Explanatory Note 3.

**Entitlement Date** means the date on which Existing Lombard Shareholders will receive an entitlement to participate in the Buy Back, being 5.00 pm (NZ time) on 11 March 2010.

**Existing Lombard Share** means an Ordinary Share on issue as at the date of this Notice of Meeting.

**Existing Lombard Shareholder** means a person who is the registered holder of an Existing Lombard Share.

**FOL** means First One Holdings Limited.

**FOL Shares** means the 23,406,435 ordinary shares in FOL to be issued to Lombard as part of the Divestment.

**Independent Appraisal Report** means the independent appraisal report prepared for Lombard by dVT Consulting Pty Limited which accompanies the Profile.

**Listing Rules** means the NZSX Listing Rules as prepared and published by NZX Limited.

**Migration** means the proposed migration of Lombard's place of incorporation from New Zealand to Australia, as described in Explanatory Note 4.

**New Lombard Shares** means the Ordinary Shares to be issued to New Lombard Shareholders in consideration for ACIL Shares under the Takeover Offer.

**New Lombard Shareholders** means the ACIL Shareholders who receive New Lombard Shares under the Takeover Offer.

**New Lombard Shareholders Meeting** means the special meeting of New Lombard Shareholders to approve the Buy Back, as described in Explanatory Note 5.

**Notice of Meeting** means this notice of special meeting of shareholders of the Company.

**Offer Period** means the period between the Opening Date and the Closing Date.

**Opening Date** means the first date the Takeover Offer is open for acceptance, being 11 March 2010.

**Ordinary Resolution** means a resolution that is approved by a simple majority of the votes of those Existing Lombard Shareholders entitled to vote and voting on the resolution.

**Ordinary Shares** means an ordinary share issued by Lombard.

**Placement Shares** has the meaning given to that term in Explanatory Note 10.

**Profile** means the profile document that accompanies this Notice of Meeting.

**Proposal** means the Takeover Offer, Share Issue, Divestment, Distribution, Migration and Buy Back, each as described in this Notice of Meeting.

**Proxy Form** means the proxy form enclosed with this Notice of Meeting.

**RCPS** means the redeemable convertible preference shares, as described in Explanatory Note 9.

**Resolutions** means the resolutions to be considered and voted upon by Existing Lombard Shareholders at the Special Meeting, as set out in this Notice of Meeting.

**Share Issue** means the proposed issue of (in aggregate) 1,480,246,656 New Lombard Shares to ACIL Shareholders under the Takeover Offer.

**Shareholder Documents** means this Notice of Meeting, the Proxy Form, the Profile and the Independent Appraisal Report.

**Special Meeting** means the meeting of Existing Lombard Shareholders to consider and vote on the Resolutions, notice of which is included in this Notice of Meeting.

**Special Resolution** means a resolution approved by a majority of 75% or more of the votes of the Existing Lombard Shareholders entitled to vote and voting on the resolution.

**Takeover Offer** means the proposed offer by the Company to acquire all the ACIL Shares from ACIL Shareholders by offering 34.55752 New Lombard Shares for each ACIL Share, as described in Explanatory Note 2.

**Takeovers Code** means the Takeovers Code Approval Order 2000 CSR 2000/210.

**Working Day** has the meaning attributed to that term in section 2(1) of the Companies Act.

