



**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS  
SMARTPAY HOLDINGS LIMITED**

Notice is hereby given that a Special Meeting of Shareholders of SmartPay Holdings Limited ("SmartPay" or "the Company") will be held at The Spencer on Byron Hotel, 9-17 Byron Avenue, Takapuna, Auckland on Friday, 24<sup>th</sup> February 2012 commencing at 2.00pm.

**ITEMS OF BUSINESS**

- A. Chairman's welcome and introduction.
- B. Ordinary resolutions.

To consider and, if thought fit, to pass the following ordinary resolutions:

**Issue of Options to Haymaker**

1. *That the Company be authorised to issue to Haymaker Investments Pty Ltd as trustee for The Haymaker Trust:*
  - (a) *10 million options to acquire ordinary shares in the Company, exercisable at \$0.20 per share on or before 31 March 2017 (the "March 2017 Incentive Options"); and*
  - (b) *10 million options to acquire ordinary shares in the Company, exercisable at \$0.30 per share on or before 31 March 2018 (the "March 2018 Incentive Options").*

*(See Explanatory Note 1)*

**Ratification of Issue of Shares – Haymaker Placement**

2. *That the issue of 10 million shares in the Company at \$0.10 per share to Haymaker Investments Pty Ltd as trustee for The Haymaker Trust be approved and ratified.*

*(See Explanatory Note 2)*

**Ratification of Issue of Options – Haymaker Placement**

3. *That the issue to Haymaker Investments Pty Ltd as trustee for The Haymaker Trust of 10 million options to acquire ordinary shares in the Company, exercisable at \$0.15 per share on or before 31 December 2014 be approved and ratified.*

*(See Explanatory Note 3)*

**Ratification of Issue of Convertible Notes**

4. *That the issue to the Trustees of the Pakihi Pension Scheme of \$1,000,000 of convertible notes convertible into ordinary shares in the Company at \$0.15 per share be approved and ratified.*

*(See Explanatory Note 4)*

## **Approval of Issue of Convertible Notes**

5. *That the Company be authorised to issue to the Trustees of the Pakihi Pension Scheme \$1,000,000 of convertible notes convertible into ordinary shares in the Company at \$0.10 per share.*

*(See Explanatory Note 5)*

## **Approval of Issue of Shares – AJ & MR Thorpe Family Trust**

6. *That the Company be authorised to issue 2,500,000 shares in the Company at \$0.10 per share to the trustees of the AJ & MR Thorpe Family Trust.*

*(See Explanatory Note 6)*

## **Approval of Issue of Shares – Galileo Investments Trustee Limited**

7. *That the Company be authorised to issue 10,000,000 shares in the Company at \$0.10 per share to Galileo Investments Trustee Limited.*

*(See Explanatory Note 7)*

## **Approval of Issue of Shares – Australian Investors**

8. *That the Company be authorised to issue shares in the Company at \$0.10 per share to the following private investors in consideration for aggregate subscription proceeds of \$400,000 Australian Dollars:*

- (a) Haydalex as Trustee for Haydalex Super – \$100,000 Australian Dollars;*
- (b) Maxim Capital Pty Ltd - \$75,000 Australian Dollars;*
- (c) GLT Baker and J A Baker as Trustees for Family 4 Superannuation - \$75,000 Australian Dollars;*
- (d) J L Fallick - \$50,000 Australian Dollars;*
- (e) Kizogo Pty Ltd as Trustee for the Bergan Executive Retirement Fund.*

*(See Explanatory Note 8)*

## **ORDINARY RESOLUTIONS**

An ordinary resolution is a resolution passed by a simple majority of more than 50% of votes of shareholders who are entitled to vote on the resolution and who exercise their right to vote.

## **SHAREHOLDERS ENTITLED TO ATTEND AND VOTE**

Pursuant to section 125 of the Companies Act 1993, the Board has determined that, for the purposes of voting at the Special Meeting, only those persons whose names are recorded in the share register of the Company on as at 5.00 pm (New Zealand time) on 21<sup>st</sup> February 2012, being a day which is not more than 20 working days before the Special Meeting will be entitled to exercise the right to vote at the meeting.

## **VOTING RESTRICTIONS**

Certain persons who will or may benefit from certain resolutions are disqualified from voting by the NZSX Listing Rules.

### **Resolution 1**

Neither Active Capital Partners Pty Ltd, Haymaker Investments Pty Ltd nor any director or shareholder of either of them, nor any associated person of any of the foregoing may vote on resolution 1.

### **Resolution 2**

Neither Haymaker Investments Pty Ltd nor any director or shareholder of Haymaker Investments Pty Ltd, nor any associated person of any of the foregoing may vote on resolution 2.

### **Resolution 3**

Neither Haymaker Investments Pty Ltd nor any director or shareholder of Haymaker Investments Pty Ltd, nor any associated person of any of the foregoing may vote on resolution 3.

### **Resolution 4**

The subscribers for the convertible notes, being the Trustees of the Pakihi Pension Scheme and its directors, shareholders and associated persons may not vote on resolution 4.

### **Resolution 5**

The subscribers for the convertible notes, being the Trustees of the Pakihi Pension Scheme and its directors, shareholders and associated persons may not vote on resolution 5.

### **Resolution 6**

The subscribers for the shares, being the trustees of the AJ & MR Thorpe Family Trust, and their respective directors, shareholders and associated persons may not vote on resolution 6.

### **Resolution 7**

The subscribers for the shares, being Galileo Investments Trustee Limited, and its directors, shareholders and associated persons may not vote on resolution 7.

### **Resolution 8**

The subscribers for the shares, being Haydalex Super, Maxim Capital Pty Ltd, GLT Baker and JA Baker as Trustees for Family 4 Superannuation, J L Fallick and Kizogo Pty Ltd as Trustee for the Bergan Executive Retirement Fund, and their respective directors, shareholders and associated persons may not vote on resolution 8.

## **PROXIES**

Any person who is entitled to attend and vote at the Special Meeting may appoint another person as his or her proxy to attend and vote instead of him or her. A proxy need not be a shareholder of the Company. You may appoint the "Chairman of the Meeting" as your proxy if you wish. A proxy form accompanies this Notice of Meeting.

Proxy Forms must be lodged at the offices of the Company's share registry, Computershare Investor Services Limited, Level 2, 159 Hurstmere Road, Takapuna, Auckland (Private Bag 92-119, Auckland 1142), not less than 48 hours before the commencement of the Meeting, being no later than 2.00pm (New Zealand time) on 22<sup>nd</sup> February 2012.

## EXPLANATORY NOTES

<p><b>Explanatory Note 1:</b> <b>Issue of Options to Haymaker Investments Pty Ltd</b></p>	<p>In accordance with NZSX Listing Rule 7.3.1(a), a listed company may not issue any equity securities unless either the precise terms and conditions of the issue of those equity securities have been approved by an ordinary resolution of shareholders who hold the class of equity securities to be issued, or the issue is made in accordance with one of the modes of issue provided in NZSX Listing Rules 7.3.4 to 7.3.11.</p> <p>Under Resolution 1 the shareholders of the Company are being asked to approve the issue of 20,000,000 options to Haymaker Investments Pty Ltd as trustee for The Haymaker Trust (“Haymaker”) with each such option entitling the holder to subscribe for one fully paid ordinary share in the Company. 10,000,000 of the options are exercisable at \$0.20 per share on or before 5.00pm on 31 March 2017 and 10,000,000 are exercisable at \$0.30 per share on or before 5.00pm on 31 March 2018. The options to be issued to Haymaker will be equity securities for the purposes of the NZSX Listing Rules and as such the issue of the options is subject to approval by shareholders of the Company by ordinary resolution.</p> <p>Haymaker Investments Pty Ltd is a company in which Mr Bradley Gerdis, the Chief Executive Officer of the Smartpay Group, is a director and shareholder, and The Haymaker Trust is a trust of which Mr Bradley Gerdis is a discretionary beneficiary.</p> <p>On 19 December 2011 SmartPay Australia Pty Ltd, the Company, Active Capital Partners Pty Ltd (“Active Capital”) (a company of which Bradley Gerdis is the sole shareholder and director) and Bradley Gerdis entered into a management consultancy agreement pursuant to which Active Capital provides services to the SmartPay group and, in particular, pursuant to which Mr Bradley Gerdis acts as the Chief Executive Officer of the SmartPay group of companies (“the Consultancy Contract”). Under the terms of the Consultancy Contract Active Capital is to benefit from a long term incentive in the form of the issue of the 20 million options referred to above. Active Capital has nominated Haymaker as the recipient of the 20 million options which are the subject of Resolution 1.</p> <p>Haymaker holds 10 million ordinary shares in the Company and 10 million options to acquire ordinary shares in the Company. The ratification of the issue of these shares and options to Haymaker is the subject of Resolutions 2 and 3 and further details in relation to the issue of these shares and options is set out in Explanatory Notes 2 and 3 below.</p> <p>The material terms of the Consultancy Contract are as follows:</p> <ul style="list-style-type: none"><li>• Bradley Gerdis is to initially act as Chief Executive Officer of the Smartpay group and will transition to Managing Director of the Smartpay group on the earlier of the date on which Smartpay is listed on the ASX or 1 July 2012 (or such earlier date as the Company and Active Capital may agree);</li><li>• Active Capital is to be paid an annual fee of AUD\$272,500 (plus GST) in equal monthly installments for the period in which Bradley Gerdis acts as Chief Executive Officer of the Smartpay group, with such fee increasing to AUD\$381,500 (plus GST) once Bradley Gerdis assumes the role of Managing Director of the Smartpay group;</li><li>• Active Capital may be paid a short term incentive of between 25% and 50% of the annual base fee payable. Payment of the short term incentive is at the entire discretion of the Smartpay board. No short term incentive will be paid with respect to the financial year ending 31 March 2012;</li><li>• Active Capital is entitled to a long term incentive bonus in the form of share options (or payment in lieu of options) as described below. The issue of these options is the subject of Resolution 1. Active Capital has nominated Haymaker as the recipient of these options;</li><li>• The Consultancy Contract can be terminated by Smartpay Australia Pty Ltd in certain events including if Active Capital or Bradley Gerdis is guilty of serious or</li></ul>
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willful misconduct or gross negligence in the performance of their duties, materially neglects or materially fails or refuses to perform their duties or is unable to perform their duties for more than 3 months in any 12 month period;

- The Consultancy Contract can be terminated by either party on 12 weeks' notice. If Smartpay Australia Pty Ltd elects to terminate the Consultancy Contract on such notice it must pay a termination fee equivalent to 6 months' of the annual fee then payable to Active Capital under the Consultancy Agreement;
- If Smartpay suffers a change of control event Active Capital will be entitled to be paid 100% of the short term incentive in the year in which the change of control event occurs.

The Board of the Company considers that the total remuneration payable to Active Capital under the Consultancy Contract (comprising cash and options as outlined above and below) is in line with the market and that the Consultancy Contract has been entered into on an arm's length, commercial basis.

As referred to above, the Consultancy Contract provides a long-term performance incentive to Active Capital through the issue of options by the Company to Active Capital (or its nominee, being Haymaker). Active Capital's option entitlement is as follows:

- (a) 10 million share options with each option entitling the holder to subscribe for one ordinary fully paid share in the Company for \$NZ0.20 per share from the Vesting Date (as referred to below) to 5.00pm on 31 March 2017 (the "March 2017 Incentive Options"); and
- (b) 10 million share options with each option entitling the holder to subscribe for one ordinary fully paid share in the Company for \$NZ0.30 per share from the Vesting Date (as referred to below) to 5.00pm on 31 March 2018 (the "March 2018 Incentive Options").

The March 2017 Incentive Options and the March 2018 Options are referred to in this Explanatory Note 1 as the "Options". If all of the March 2017 Incentive Options are exercised the Optionholder will be required to pay \$2 million to the Company (being 10 million Options at an exercise price of \$0.20) and if all of the March 2018 Incentive Options are exercised the Optionholder will be required to pay \$3 million to the Company (being 10 million Options at an exercise price of \$0.30).

The issue of the Options to Haymaker (being Active Capital's nominee) is subject to the issue of the Options being approved by the Company's shareholders by ordinary resolution under NZSX Listing Rule 7.3.1(a).

#### ***Terms of the Options***

The terms of the Options will be as follows:

- (a) the March 2017 Incentive Options vest on the Vesting Date if the Consultancy Contract is still in force on such date. The Vesting Date for the March 2017 Incentive Options is 1 April 2013 or earlier if the Company is subject to a takeover offer, a change of control or a merger by way of scheme of arrangement;
- (b) the March 2018 Incentive Options vest on the Vesting Date if the Consultancy Contract is still in force on such date. The Vesting Date for the March 2018 Incentive Options is 1 April 2014 or earlier if the Company is subject to a takeover offer, a change of control or a merger by way of scheme of arrangement;
- (c) subject to (d), (e) and (f) below, the Options will be exercisable at any time from the relevant Vesting Date through to the relevant Expiry Date (being 31 March 2017 for the March 2017 Incentive Options and 31 March 2018 for the March 2018 Incentive Options);
- (d) the Options will automatically lapse:
  - (i) if they are not exercised before the relevant Expiry Date;

	<p>(ii) if the Consultancy Contract is terminated by Smartpay Australia Pty Ltd for a Termination Reason (including if Active Capital or Bradley Gerdis is guilty of serious or willful misconduct or gross negligence in the performance of their duties, materially neglects or materially fails or refuses to perform their duties or is unable to perform their duties for more than 3 months in any 12 month period);</p> <p>(iii) within 3 months of the Consultancy Contract being terminated by Active Capital;</p> <p>(e) if the Consultancy Contract is terminated by Smartpay Australia Pty Ltd other than for a Termination Reason then the Options shall automatically vest and be exercisable at any time on or before the relevant Expiry Date;</p> <p>(f) no Options may be exercised if the exercise of such Options would result in a person and their associates holding or controlling, in aggregate, more than 19.99% of the voting rights in the Company. "Associates", "holding or controlling" and "voting rights" have the meanings given to them in the New Zealand Takeovers Code. However, this limitation shall not apply to the extent that the issue of the resultant shares upon the exercise of the Options is approved by the Company's shareholders in accordance with the relevant provisions of the New Zealand Takeovers Code;</p> <p>(g) the Options will be issued for nil cash consideration and in part consideration for the services to be provided by Active Capital and Bradley Gerdis under the Consultancy Contract;</p> <p>(h) the exercise price will be payable in full at the time of exercise of an Option;</p> <p>(i) the Options will be non-transferrable other than to (i) a spouse of Bradley Gerdis; (ii) the trustee(s) of a trust in which Bradley Gerdis is a beneficiary; (iii) the trustee of a superannuation fund of which Bradley Gerdis is a beneficiary; or (iv) a company, all of the shares in which are owned by Bradley Gerdis and/or one or more of the persons at (i) to (iii);</p> <p>(j) the Options may be transferred to a third party in addition to those specified in (i) above if:</p> <p>(i) the Options have vested and are currently exercisable at the time of such transfer; and</p> <p>(ii) the transferee is irrevocably and unconditionally required under the terms of the transfer to exercise all of the Options transferred within 5 business days of the transfer taking place;</p> <p>(k) the shares issued upon exercise of the Options will rank equally with existing ordinary shares in the Company from the date of issue;</p> <p>(l) if the Company makes a bonus issue of shares prior to the expiry of the exercise of the Options, the number of securities over which an Option may be exercised shall be increased by the number of securities which the holder of the Option would have received if that Option had been exercised before the record date for the bonus issue;</p> <p>(m) if there is a pro rata issue (other than a bonus issue) to the holders of shares, the exercise price of each Option will be adjusted in accordance with the formula set out in NZSX Listing Rule 8.1.7 (or the equivalent provision of the ASX Listing Rules, if applicable);</p> <p>(n) if, prior to the expiry or exercise of the relevant Options, there is a reconstruction (including consolidation, subdivision, reduction or return) of the issued capital of the Company, other than a bonus issue or a pro-rata issue of the kind referred to in (l) or (m), then the number of shares over which an Option is exercisable or the exercise price of those Options, or both, shall be recalculated (as appropriate) by the board of the Company in its absolute discretion, having regard to the NZSX</p>
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Listing Rules and ASX Listing Rules, in a manner which will not result in any benefit being conferred on the holders of the Options which are not conferred on shareholders as a whole and which will not result in the Optionholder being adversely affected.

It is important to note the Options are only exercisable from the applicable Vesting Date and that they will lapse (within the applicable time periods referred to in (d) above) if the Consultancy Contract is terminated by the Company for a Termination Reason or if the Consultancy Contract is terminated by Active Capital. On this basis, the Board of the Company considers that the number and terms of the Options forming part of the long-term incentive for Active Capital under the Consultancy Contract are fair and are in the interests of the Company as they will act as an incentive to Active Capital and Bradley Gerdis to further improve the Company's share price for the benefit of the Company and its shareholders.

The 10 million March 2017 Incentive Options and 10 million March 2018 Incentive Options to be issued under Resolution 1 (if approved) represent approximately 11.8% of the total equity securities (both ordinary shares and options) in the Company currently in issue. If all of the Options are exercised in due course the Company will receive an additional \$5 million of paid up share capital.

The Company is seeking approval of shareholders to issue 10 million March 2017 Incentive Options and 10 million March 2018 Incentive Options to Haymaker (being the nominee specified by Active Capital).

***Payment in lieu of Options***

The Consultancy Contract sets out a formula for determining cash payments to be made to Active Capital if the issue of the Options is not approved by the shareholders by ordinary resolution. The Consultancy Contract provides that if for any reason the March 2017 Incentive Options are not issued, then the Company shall be required to make a cash payment to Active Capital in part consideration for the services provided by Active Capital with such cash payment being calculated in accordance with, and being subject to, the following terms:

- (a) The New Zealand dollar cash payment to be made in lieu of the issue of the March 2017 Incentive Options ("March 2017 Cash Payment") shall be calculated as follows:

$$\text{March 2017 Cash Payment} = (X - Y) \times Z$$

Where:

X = the volume weighted average sale price of all the Company's shares traded on the ASX and the NZX over the 20 trading days immediately prior to the date on which Active Capital issues a March 2017 Call Notice in accordance with (b) below (with such volume weighted average price being calculated in New Zealand dollars and the volume weighted average price of any trades taking place on the ASX being converted into New Zealand dollars at the AUD/NZD exchange rate published on the Reserve Bank of Australia website at 4pm (Sydney time) on the day on which the relevant trades occurred), provided that all trades made by Active Capital and its associates or related parties shall be excluded from such volume weighted average sale price calculations;

Y = NZ\$0.20, being the Exercise Price of the March 2017 Incentive Options;

Z = 10,000,000 (being the number of March 2017 Incentive Options which were to be issued)

Provided that if a bonus issue, share consolidation or the like occur prior to Active Capital making a call for the March 2017 Cash Payment, X, Y, Z and/or the amount of the March 2017 Cash Payment shall be subject to adjustment by the Company (acting reasonably) to ensure that both the Company and Active Capital are placed in as near as possible to the same position as they would have been in had the

	<p>March 2017 Incentive Options been issued;</p> <p>(b) Active Capital can make a call on the Company to make the March 2017 Cash Payment during any period in which the March 2017 Incentive Options would have been able to be exercised in accordance with their terms, had they been issued. A call can be made by Active Capital issuing a call notice in writing to the Company (“March 2017 Call Notice”). In summary:</p> <p>(i) Active Capital will not be able to make a call on the Company to make the March 2017 Cash Payment, and the Company shall have no obligation to make such payment:</p> <p>(A) Prior to the date on which the March 2017 Incentive Options (if they had been issued) would have vested in accordance with their terms; or</p> <p>(B) After the date on which the March 2017 Incentive Options (if they had been issued) would have lapsed in accordance with their terms; and</p> <p>(ii) Active Capital’s right to call on the Company to make the March 2017 Cash Payment, and the Company’s obligation to make such payment to Active Capital, shall end on the date that the March 2017 Incentive Options (if they had been issued) would have lapsed in accordance with their terms;</p> <p>(c) Active Capital can only make one call for the March 2017 Cash Payment;</p> <p>(d) Notwithstanding (a) above, the March 2017 Cash Payment shall be subject to a maximum cap of NZ\$2,500,000;</p> <p>(e) Subject to the foregoing, the Company shall pay the March 2017 Cash Payment to Active Capital on or before the date falling 30 days after the date of the March 2017 Call Notice.</p> <p>In addition to the foregoing, the Consultancy Contract provides that if for any reason the March 2018 Incentive Options are not issued, then the Company shall be required to make an additional cash payment to Active Capital with respect to the March 2018 Incentive Options in part consideration for the services provided by Active Capital. The terms of the payment to be made by the Company to Active Capital if the March 2018 Incentive Options are not approved and issued are identical in all material respects to the March 2017 Cash Payment as set out above.</p> <p><b><i>Independent Report</i></b></p> <p>The Company commissioned Simmons Corporate Finance to prepare a report to shareholders on the options the subject of Resolution 1 and the shares and options the subject of Resolutions 2 and 3. The Board refers shareholders to such report, a copy of which accompanies this Notice of Meeting. Whilst the report prepared by Simmons Corporate Finance should be read in its entirety, section 2 of the report contains a summary of Simmons Corporate Finance’s principal findings and opinion regarding the grant of the Options under the Consultancy Contract. It is important to note that the report prepared by Simmons Corporate Finance is not an Appraisal Report under the NZSX Listing Rules, but rather a report commissioned by the Company to assist the Company’s shareholders to make an informed decision regarding whether or not to vote in favour of Resolutions 1, 2 and 3.</p>
<p><b>Explanatory Note 2: Ratification of Issue of Shares – Haymaker Placement</b></p>	<p>NZSX Listing Rule 7.3.5 permits companies listed on the NZSX to issue equity securities without obtaining shareholder approval where the total number of equity securities issued and all other equity securities of the same class issued pursuant to that Rule during the 12 month period preceding the date of issue (or the period from the date of issue if shorter) does not exceed 20% of the total number of equity securities on issue at the commencement of that period.</p> <p>NZSX Listing Rule 7.3.5 also allows companies listed on the NZSX to renew this capacity to issue securities within the 20% limit, when it has been used, by obtaining subsequent shareholder ratification of issues which have already been made.</p>

	<p>Under a subscription agreement entered into between the Company and Haymaker Investments Pty Ltd as trustee for The Haymaker Trust (a trust of which Bradley Gerdis is a beneficiary) (“Haymaker”) dated 19 December 2011 (the “Subscription Agreement”), Haymaker agreed to subscribe for 10 million fully paid ordinary shares in the capital of the Company at \$0.10 per share for an aggregate consideration of \$1,000,000. In part consideration for agreeing to subscribe for the shares Haymaker was granted 10 million options with each option entitling the holder to subscribe for one fully paid ordinary share in the capital of the Company for 15 cents on or before 31 December 2014. The ratification of the issue of these options is the subject of Resolution 3 and further information relating to these options is set out in Explanatory Note 3 below.</p> <p>The issue price of 10 cents per share represented a premium of approximately 5.4% to the 20 day VWAP of the Company’s ordinary shares as at 16 December 2011 (being the trading day immediately prior to the announcement of the issue).</p> <p>The \$1,000,000 subscription proceeds received from Haymaker for the 10 million shares will be applied by the Company for general working capital purposes and for debt repayment.</p> <p>The 10 million shares in respect of which ratification is sought represent approximately 5.9% of the total equity securities (both ordinary shares and options) in the Company currently in issue.</p> <p>If this resolution is not approved by shareholders, the Company will not be able to issue more equity securities than it is currently permitted to under the NZSX Listing Rules.</p> <p><b>Independent Report</b></p> <p>As referred to in Explanatory Note 1, the Company commissioned Simmons Corporate Finance to prepare a report to shareholders on the issue of the shares to Haymaker the subject of Resolution 2. The Board refers shareholders to such report, a copy of which accompanies this Notice of Meeting. Whilst the report prepared by Simmons Corporate Finance should be read in its entirety, section 3 of the report contains a summary of Simmons Corporate Finance’s principal findings and opinion regarding the issue of the 10 million shares to Haymaker under the Subscription Agreement.</p>
<p><b>Explanatory Note 3: Ratification of Issue of Options – Haymaker Placement</b></p>	<p>Ratification is sought under NZSX Listing Rule 7.3.5 (described above in Explanatory Note 2) which imposes restrictions on the issue of equity securities without shareholder approval in any 12 month period. The Company wishes to ratify the issue of certain options by the Company so that it may issue further equity securities under NZSX Listing Rule 7.3.5 in the future.</p> <p>Under the Subscription Agreement referred to in Explanatory Note 2 above Haymaker was issued 10 million options with each such option entitling the holder to subscribe for one fully paid ordinary share in the Company at \$0.15 per share on or before 31 December 2014. The key terms of the options are as follows:</p> <ul style="list-style-type: none"> <li>(a) the options vest on 1 January 2013 (“the Vesting Date”) if the Consultancy Contract (as referred to in Explanatory Note 1 above) is still in force on such date, or earlier if the Company is subject to a takeover offer, a change of control or a merger by way of scheme of arrangement;</li> <li>(b) subject to the matters set out in paragraphs (d), (e) and (f) under the heading “Terms of the Options” in Explanatory Note 1, the options will be exercisable at any time from the Vesting Date through to 31 December 2014 (“the Expiry Date”);</li> <li>(c) the options will be issued for nil consideration and in part consideration for Haymaker subscribing for 10 million shares in the Company;</li> <li>(d) paragraphs (d) to (f) and (h) to (n) under the heading “Terms of the Options” in Explanatory Note 1 also apply to the options the subject of Resolution 3.</li> </ul> <p>It is important to note the options are only exercisable from the Vesting Date and that they will lapse (within the applicable time periods) if the Consultancy Contract is terminated by</p>

	<p>the Company for a Termination Reason or if the Consultancy Contract is terminated by Active Capital.</p> <p>The 10 million options in respect of which ratification is sought represents approximately 5.9% of the total equity securities (both ordinary shares and options) in the Company currently in issue.</p> <p>If this resolution is not approved by shareholders, the Company will not be able to issue more shares than it is currently permitted to under the NZSX Listing Rules.</p> <p><b>Independent Report</b></p> <p>As referred to in Explanatory Note 1, the Company commissioned Simmons Corporate Finance to prepare a report to shareholders on the issue of the options to Haymaker the subject of Resolution 3. The Board refers shareholders to such report, a copy of which accompanies this Notice of Meeting. Whilst the report prepared by Simmons Corporate Finance should be read in its entirety, section 4 of the report contains a summary of Simmons Corporate Finance’s principal findings and opinion regarding the issue of the 10 million options to Haymaker under the Subscription Agreement.</p>
<p><b>Explanatory Note 4: Ratification of Issue of Convertible Notes</b></p>	<p>Ratification is sought under NZSX Listing Rule 7.3.5 (described above in Explanatory Note 2) which imposes restrictions on the issue of equity securities without shareholder approval in any 12 month period. The Company wishes to ratify the issue of certain convertible notes by the Company so that it may issue further equity securities under NZSX Listing Rule 7.3.5 in the future.</p> <p>Pursuant to a Convertible Note Subscription Agreement between the Company (as issuer) and the Trustees of the Pakihi Pension Scheme (as subscriber) dated 30 November 2011 (as amended on 21 December 2011) (the “Convertible Note Agreement”), the Pakihi Pension Scheme committed to subscribe for:</p> <ul style="list-style-type: none"> <li>(a) 1,000,000 convertible notes at \$1.00 each on 6 December 2011; and</li> <li>(b) 1,000,000 convertible notes at \$1.00 each on or before 10 January 2012.</li> </ul> <p>The 1,000,000 convertible notes referred to at (a) above were issued on 6 December 2011. Approval for the issue of the convertible notes referred to at (b) above is the subject of Resolution 5.</p> <p>The Pakihi Pension Scheme already holds 2,000,000 \$1.00 convertible notes in the Company which were issued pursuant to a convertible note subscription agreement dated 15 December 2010 (as amended on 14 February 2011 and 9 March 2011) (“the Existing Convertible Note Agreement”). If all of the convertible notes issued to Pakihi under the Existing Convertible Note Agreement and the convertible notes issued to Pakihi on 6 December 2011 as referred to at (a) above were converted into shares, Pakihi would be issued a total of 20 million shares in the Company (being approximately 11.8% of the total equity securities (both ordinary shares and options) in the Company currently in issue).</p> <p>The material terms of the convertible notes referred to at (a) above are as follows:</p> <ul style="list-style-type: none"> <li>(a) each note accrues interest at 10% per annum (payable monthly in arrear);</li> <li>(b) if not redeemed or converted earlier, the notes must be redeemed in full by the Company on 15 February 2013;</li> <li>(c) each note is convertible at the option of the holder into fully paid ordinary shares in the Company at a conversion price of \$0.15 per share. If the holder exercises the conversion option with respect to all of the 1,000,000 notes the subject of Resolution 4, the holder will be issued 6,666,667 fully paid ordinary shares in the Company.</li> </ul> <p>The \$1,000,000 of subscription proceeds received by the Company for the issue of the convertibles notes issued to Pakihi on 6 December 2011 were applied by the Company in redemption of the redeemable preference shares issued by Smartpay Investments Limited and for the general working capital purposes of the Smartpay group.</p>

	<p>The Company's obligations to the trustees of the Pakihi Pension Scheme under the Convertible Note Agreement and the Existing Convertible Note Agreement are guaranteed by each of SmartPay New Zealand Limited, SmartPay Technologies Limited, Net Pay Limited, Software International Limited, Smartpay Transactions Limited, Retail Radio Limited, FIVO Limited, Merchant IP Services Limited and Sampro Limited and each such entity has executed a general security agreement pursuant to which it has granted the trustees of the Pakihi Pension Scheme a joint first-ranking security interest in all of its assets and undertakings as security for its obligations to the trustees of the Pakihi Pension Scheme under the guarantee.</p> <p>The 1,000,000 convertible notes (constituting 6,666,667 equity securities, based on a conversion price of \$0.15) in respect of which ratification is sought represents approximately 3.9% of the total equity securities (both ordinary shares and options) in the Company currently in issue.</p> <p>If this resolution is not approved by shareholders, the Company will not be able to issue more equity securities than it is currently permitted to under the NZSX Listing Rules.</p>
<p><b>Explanatory Note 5: Approval of Issue of Convertible Notes</b></p>	<p>This resolution is being put before shareholders under NZSX Listing Rule 7.3.1, which Rule entitles the Company to issue securities if the terms and conditions of the issue are approved by an ordinary resolution of the Company's shareholders.</p> <p>Under the Convertible Note Agreement referred to in Explanatory Note 4 above, the Pakihi Pension Scheme has agreed to subscribe for a further 1,000,000 convertible notes at \$1.00 each. The issue of the additional 1,000,000 convertible notes is subject to approval by the Company's shareholders by ordinary resolution. The Pakihi Pension Scheme has already advanced the aggregate subscription proceeds of \$1,000,000 to the Company and this amount is currently secured against the existing security afforded to the Pakihi Pension Scheme as referred to in Explanatory Note 4 above. If the issue of the additional 1,000,000 convertible notes is not approved by the Company's shareholders the Pakihi Pension Scheme can demand repayment of the \$1 million and the Company will be required to make such repayment within 30 days of demand being made.</p> <p>The additional 1,000,000 convertible notes that have been subscribed by the Pakihi Pension Scheme (and the issue of which is the subject of Resolution 5) will be issued on the same terms as those described in Explanatory Note 4 above except that the conversion price will be 10 cents per share (as opposed to 15 cents per share for the convertible notes in respect of which ratification is sought under Resolution 4). If the issue of the 1,000,000 additional convertible notes is approved and the convertible notes are converted into shares in the Company in accordance with their terms the Pakihi Pension Scheme will receive an additional 10 million shares in the Company, representing approximately 5.9% of the total equity securities (both ordinary shares and options) in the Company currently on issue.</p> <p>If this resolution is not approved by shareholders, the Company will, if it is able, proceed to issue the convertible notes under the 20% limit under NZSX Listing Rule 7.3.5 if one or more of the other resolutions put to the Special Meeting with respect to the ratification of prior issues of equity securities are approved. If the Company is not able to issue the convertible notes under the 20% limit and the Pakihi Pension Scheme demands repayment of the \$1,000,000 subscription proceeds, the Company will need to repay the \$1,000,000 within 30 days of demand for repayment being made.</p>
<p><b>Explanatory Note 6: Approval of Issue of Shares to AJ &amp; MR Family Trust</b></p>	<p>This resolution is being put before shareholders under NZSX Listing Rule 7.3.1, which Rule entitles the Company to issue securities if the terms and conditions of the issue are approved by an ordinary resolution of the Company's shareholders.</p> <p>On 21 December 2011 the Company entered into a subscription agreement with the Trustees of the AJ &amp; MR Thorpe Family Trust to issue 2,500,000 fully paid shares in the capital of the Company at 10 cents per share to raise aggregate subscription proceeds of \$250,000. The subscription and issue of the shares under the subscription agreement is conditional on the issue of the shares being approved by the Company's shareholders by</p>

	<p>ordinary resolution.</p> <p>If the issue of the shares is approved it is intended that the subscription proceeds will be applied towards debt repayment.</p> <p>The issue price of 10 cents per share represented a premium of approximately 5.4% to the 20 day VWAP of the Company's ordinary shares as at 20 December 2011 (being the trading day immediately prior to the announcement of the issue).</p> <p>The 2,500,000 shares in respect of which approval is sought represents approximately 1.5% of the total equity securities (both ordinary shares and options) in the Company currently on issue.</p> <p>If this resolution is not approved by shareholders, the Company will not be able to issue the shares and will not receive the aggregate subscription proceeds of \$250,000. The Company will therefore have to investigate alternative (and in the view of the directors, less desirable) means of raising the necessary funds required to meet upcoming debt repayments.</p>
<p><b>Explanatory Note 7: Approval of Issue of Shares to Galileo Investments Trustee Limited</b></p>	<p>This resolution is being put before shareholders under NZSX Listing Rule 7.3.1, which Rule entitles the Company to issue securities if the terms and conditions of the issue are approved by an ordinary resolution of the Company's shareholders.</p> <p>On 21 December 2011 the Company entered into a subscription agreement with Galileo Investments Trustee Limited to issue 10,000,000 fully paid shares in the capital of the Company at 10 cents per share to raise aggregate subscription proceeds of \$1,000,000. The subscription and issue of the shares under the subscription agreement is conditional on the issue of the shares being approved by the Company's shareholders by ordinary resolution.</p> <p>If the issue of the shares is approved it is intended that the subscription proceeds will be applied towards debt repayment.</p> <p>The issue price of 10 cents per share represented a premium of approximately 5.4% to the 20 day VWAP of the Company's ordinary shares as at 20 December 2011 (being the trading day immediately prior to the announcement of the issue).</p> <p>The 10,000,000 shares in respect of which approval is sought represents approximately 5.9% of the total equity securities (both ordinary shares and options) in the Company currently on issue.</p> <p>If this resolution is not approved by shareholders, the Company will not be able to issue the shares and will not receive the aggregate subscription proceeds of \$1,000,000. The Company will therefore have to investigate alternative (and in the view of the directors, less desirable) means of raising the necessary funds required to meet upcoming debt repayments.</p>
<p><b>Explanatory Note 8: Approval of Issue of Shares to Australian Investors</b></p>	<p>This resolution is being put before shareholders under NZSX Listing Rule 7.3.1, which Rule entitles the Company to issue securities if the terms and conditions of the issue are approved by an ordinary resolution of the Company's shareholders.</p> <p>On or about 21 December 2011 the Company entered into subscription agreements with the following Australian based investors to issue shares at 10 cents per share for aggregate consideration of AUD\$400,000:</p> <ul style="list-style-type: none"> <li>(a) Haydalex as Trustee for Haydalex Super – \$100,000 Australian Dollars;</li> <li>(b) Maxim Capital Pty Ltd - \$75,000 Australian Dollars;</li> <li>(c) GLT Baker and J A Baker as Trustees for Family 4 Superannuation - \$75,000 Australian Dollars;</li> <li>(d) J L Fallick - \$50,000 Australian Dollars;</li> </ul>

(e) Kizogo Pty Ltd as Trustee for the Bergan Executive Retirement Fund - \$100,000 Australian Dollars.

The subscription and issue of the shares under the subscription agreements is conditional on the issue of the shares being approved by the Company's shareholders by ordinary resolution. As the subscription proceeds are denominated in Australian dollars the exact number of shares to be issued under these subscription agreements is not known. The subscription agreements provide for the AUD\$ subscription amount to be converted into New Zealand dollars at the average of the AUD/NZD exchange rates published on the Reserve Bank of Australia website over the three consecutive working days ending on the day on which the condition precedent to the issue of the shares (being approval by the Company's shareholders by ordinary resolution) is satisfied. The average of the AUD/NZD exchange rates as published on the Reserve Bank of Australia website over the three working days ending on 30 January 2012 was 1.2934 and if the shares were to be issued based on such exchange rate the Company would issue 5,173,733 shares in aggregate pursuant to the subscription agreements referred to above. The exact number of shares to be issued will, however, not be known until the day of the shareholders meeting.

If the issue of the shares is approved it is intended that the subscription proceeds will be applied towards debt repayment and the general working capital requirements of the Smartpay group.

The issue price of 10 cents per share represented a premium of approximately 5.4% to the 20 day VWAP of the Company's ordinary shares as at 20 December 2011 (being the trading day immediately prior to the announcement of the issue).

If this resolution is not approved by shareholders, the Company will not be able to issue the shares and will not receive the aggregate subscription proceeds of AUD\$400,000. The Company will therefore have to investigate alternative (and in the view of the directors, less desirable) means of raising the necessary funds required to meet upcoming debt repayments

**Explanatory Note 9:  
General**

(a) The total number of equity securities in respect of which ratification is sought under resolutions 2 to 4 is 26,666,667 being approximately 15.7% of the total equity securities currently on issue.

(b) By way of summary, the shares and options to be issued pursuant to the resolutions the subject of this Notice of Meeting are as follows:

Resolution	Recipient	Number of shares/options	Dilutionary impact(1)
Resolution 1	Haymaker Investments Pty Ltd as trustee for The Haymaker Trust	20 million options	11.8%
Resolution 5	Trustees of the Pakihi Pension Scheme	\$1,000,000 of convertible notes (convertible into 10,000,000 fully paid shares)	5.9%
Resolution 6	AJ & MR Thorpe Family Trust	2,500,000 shares	1.5%
Resolution 7	Galileo Investments Trustee Limited	10,000,000 shares	5.9%

	Resolution 8	<p>Haydalex as Trustee for Haydalex Super</p> <p>Maxim Capital Pty Ltd</p> <p>GLT Baker and J A Baker as Trustees for Family 4 Superannuation</p> <p>J L Fallick</p> <p>Kizogo Pty Ltd as Trustee for the Bergan Executive Retirement Fund.</p>	5,173,733 shares(2)	3.1%(2)	
<p>(1) The dilutionary impact is the percentage that the equity securities to be issued represent of all equity securities in the Company currently on issue.</p> <p>(2) The number of shares and dilutionary impact as stated are based on an AUD/NZD exchange rate of 1.2934, being the average of the AUD/NZD exchange rates as published on the Reserve Bank of Australia website over the three working days ending on 30 January 2012. The actual number of shares to be issued (and resultant dilutionary impact) will be calculated by reference to the average of the AUD/NZD exchange rates as published on the Reserve Bank of Australia website over the three working days prior to the date of the shareholders meeting.</p> <p>(c) This Notice of Meeting has been reviewed and approved by NZX Limited.</p>					