

DAVID JONES LIMITED ABN 75 000 074 573

RESET PREFERENCE SHARES TERMS AND CONDITIONS

David Jones Limited

Reset Preference Share Terms and Conditions

Defined terms are set out in clause 9 below.

References to clauses and paragraphs in the text below are clauses and paragraphs of these terms and conditions.

1 Issue price and allotment date

- (a) The issue price of each Reset Preference Share (**RPS**) will be \$100 (**Issue Price**).
- (b) The Allotment Date is expected to be on or around 1 July 2002.

2 Quotation

The Company will apply for official quotation of the RPS and all Converted RPS and additional Ordinary Shares issued under clause 6.6 on ASX.

3 Dividends

3.1 Calculation of Dividend

- (a) Subject to clauses 3.2 and 3.7, the Holder of each RPS is entitled to a Dividend in respect of each Dividend Period (**Dividend Entitlement**) calculated in accordance with the following formula:

$$\text{Dividend Entitlement} = (N \times \text{Dividend Rate} \times \text{Issue Price}) / 365$$

where:

N is the number of days in that Dividend Period; and

Dividend Rate (expressed as a percentage) is:

- (1) for the period to the first Reset Date, the greater of:
 - (A) 8%; and
 - (B) the sum of the Swap Rate on the Allotment Date and a margin of 200 basis points, expressed as a percentage; and
 - (2) for the period from the first Reset Date until and including the next Reset Date, and thereafter from each Reset Date until and including the next Reset Date, a rate expressed as a percentage per annum specified in accordance with clause 7 (which, for the avoidance of doubt, may be a rate calculated by reference to a formula specified by the Company).
- (b) If any Dividend is not franked to 100% under Part IIIAA of the Tax Act (or any provisions that revise or replace that Part), the Dividend will be increased by an additional amount calculated in accordance with the following formula:

$$UD \times t / (1 - t)$$

where:

UD is the unfranked portion of the Dividend; and

t is the Australian corporate tax rate applicable at that time to the franking account of the Company from which that Dividend will be franked, expressed as a decimal.

3.2 Payment of Dividend

The payment of a Dividend is subject to:

- (a) the Directors, at their discretion, declaring the Dividend to be payable or otherwise resolving to pay the Dividend; and
- (b) there being no impediment under the Corporations Act or any other Law to the Company paying the Dividend.

3.3 Payment in arrears

Subject to this clause 3 and clause 7.1(e), the Dividend in respect of a Dividend Period will be payable in arrears on:

- (a) 1 August 2002 and thereafter on each 1 February and 1 August until the RPS is Converted or Repurchased; and
- (b) subject to clauses 6.5(d)(1) and 6.5(e)(3)(C), the Conversion Date in respect of that RPS.

3.4 Non-cumulative Dividends

The entitlement of a Holder to the payment of a Dividend is non cumulative. If, because of the provisions of clause 3.2, a Dividend is not paid in respect of a Dividend Period or the Dividend paid in respect of a Dividend Period is less than the Dividend Entitlement for that Dividend Period, the Holder has no claim in respect of the Dividend Entitlement, or the balance of that Dividend Entitlement, for that Dividend Period.

3.5 Withholding obligations

The Company will be entitled to deduct from any Dividend payable to a Holder the amount of any withholding or other tax, duty or levy required by Law to be deducted from it. Where any such deduction is made:

- (a) the Company will pay the amount required to be deducted to the relevant revenue or collection authority within the time allowed for such payment;
- (b) the Holder will be paid the balance of the Dividend after allowance for the payment referred to in paragraph (a) above; and
- (c) upon compliance by the Company with paragraphs (a) and (b) above, the Holder will be deemed to have been duly paid the Dividend by the Company.

3.6 Rounding

For the purposes of calculating a Holder's aggregate Dividend Entitlement, any fraction of a cent will be disregarded.

3.7 Record Date

A Dividend is only payable to those persons registered as Holders at 5.00 pm (Sydney time) on the relevant Record Date in respect of each Dividend, or in the case of a Dividend payable under clause 3.3(b) (subject to clauses 6.5(d)(1) and 6.5(e)(3)(C)), to the Holders whose RPS have that Conversion Date.

4 Ranking and participation

4.1 Ranking

RPS rank equally amongst themselves in all respects and are subordinated in right of:

- (a) return of capital (subject to these Terms, not exceeding the Issue Price); and
- (b) payment of any Dividends declared or resolved to be paid but unpaid, to all creditors of the Company.

4.2 Priority of Dividends

- (a) If:
 - (1) a Dividend Entitlement; or
 - (2) a dividend entitlement on any other shares in the Company which rank equally with the RPS as to dividends,has not been, or is not able to be, paid in full, any Dividends and any dividends payable on those other shares must be paid pro rata.
- (b) Until Conversion or Repurchase, the RPS rank in priority to Ordinary Shares for the payment of Dividends.

4.3 Unpaid Dividends

- (a) If the Company fails to pay a Dividend in full within 30 Business Days after a Dividend Payment Date, the Company may not, without first obtaining the approval of a Special Resolution of the Holders or paying a Shortfall Dividend, thereafter pay any dividends on or return any capital on any Ordinary Shares unless and until the Company has paid 2 consecutive Dividends in respect of the RPS, or if there are no longer any RPS on issue, for a period of 12 months after the last Dividend Payment Date in respect of which the Company failed to pay a Dividend.
- (b) Without derogating from clauses 3.2 and 3.4, the directors may, in their absolute discretion, declare and the Company may pay a Shortfall Dividend from time to time.

4.4 Return of capital on a winding up

Until Conversion, if there is a return of capital on a winding-up of the Company, Holders will be entitled to receive out of the assets of the Company available for distribution to holders of shares, in respect of each RPS held, a cash payment equal to the sum of:

- (a) the amount of any Dividend Entitlement calculated on a daily basis (assuming a 365 day year) throughout the period from and including the preceding Dividend Payment Date to the date of commencement of the winding-up; and
- (b) the Issue Price,

before any return of capital is made to holders of Ordinary Shares or any other class of shares ranking behind the RPS.

4.5 Shortfall on winding up

If, upon a return of capital on a winding up, there are insufficient funds to pay in full the amounts referred to in clause 4.4 and the amounts payable in respect of any other shares in the Company ranking as to such distribution equally with the RPS on a winding-up, the Holders of the RPS and the holders of any such other shares will share in any distribution of assets of the Company in proportion to the amounts to which they are entitled respectively.

4.6 Participation in surplus assets and profits

- (a) The RPS do not confer on their Holders any further right to participate in the surplus assets of the Company on a winding-up, or in the property or profits of the Company beyond the rights set out in these Terms.
- (b) The RPS do not confer any entitlement to participate in the David Jones shareholder discount plan.

4.7 Further preference share issues

- (a) Until all the RPS have been Converted or Repurchased, the Company must not, without approval of a Special Resolution, issue shares ranking in priority to the RPS as to dividends or return of capital on winding up.
- (b) The Company may issue further RPS or other securities ranking equally with or behind RPS as to dividend or return of capital on winding up without the approval of a Special Resolution.

5 Voting Rights

- (a) Holders have the same rights as Ordinary Shareholders to receive accounts, reports and notices of meetings of the Company and to attend any general meeting of the Company. However, Holders are not entitled to speak or vote at such meetings except in the following circumstances:
 - (1) if at the time of the meeting, a Dividend has been declared and the relevant Dividend Payment Date has passed but the Dividend has not been paid in full;

- (2) on a proposal:
 - (A) to reduce the share capital of the Company;
 - (B) that affects the rights attaching to the RPS;
 - (C) to wind up the Company; or
 - (D) for the disposal of the whole of the property, business and undertaking of the Company;
 - (3) on a resolution to approve the terms of a buy back agreement; or
 - (4) during the winding up of the Company;
- in which case a Holder has the same rights of attendance and as to voting for each RPS as are conferred on the holder of an Ordinary Share.
- (b) At a general meeting of the Company, where Holders are entitled to vote pursuant to clause 5(a), Holders are entitled:
 - (1) on a show of hands, to exercise one vote; and
 - (2) on a poll, to one vote for each fully paid RPS.

6 Conversion

6.1 General

- (a) RPS will Convert into Ordinary Shares in accordance with this clause 6.
- (b) The taking effect of the rights of a RPS under clause 6.6(a) and the allotment of additional shares under clause 6.6(d) is, for the purposes of these Terms, together termed **Conversion** and **Convert** has a corresponding meaning.

6.2 Conversion Date

The Conversion Date in respect of a RPS, if an election is made to Convert that RPS under:

- (a) clause 6.3(a)(1) or 6.4(a)(1), is the Reset Date immediately following the giving of the notice;
- (b) clause 6.3(a)(3), is 21 Business Days after the notice is given to the Company;
- (c) clause 6.4(a)(2), 6.4(a)(3) or 6.4(a)(4) or 6.4(b), is 10 Business Days after the Company Conversion Notice is given; and
- (d) clause 6.3(a)(2), is 15 Business Days after the Holder Conversion Notice is given.

6.3 Holder Conversion

- (a) Subject to this clause 6, a Holder may require the Company to Convert all or some of the RPS by giving a Holder Conversion Notice to the Company:

- (1) at least 21 Business Days (but no more than 6 months) before a Reset Date;
 - (2) up to 20 Business Days after the publication of a Trigger Event Notice under paragraph (d); or
 - (3) at any other time (**Minimum Conversion Number Notice**).
- (b) To be valid, a Holder Conversion Notice must indicate under which paragraph the Holder is giving notice and must apply to a minimum of the lesser of:
- (1) 20 RPS; and
 - (2) the number of RPS registered in the name of the Holder who issues the Holder Conversion Notice.
- (c) **Trigger Event** means the occurrence of any of the following:
- (1) a Dividend is not paid in full, other than for reasons set out in clause 3.2, by the Business Day which is 20 Business Days after the relevant Dividend Payment Date;
 - (2) the Company resolves in general meeting to be wound up;
 - (3) a provisional liquidator is appointed to the Company;
 - (4) a Court makes an order to wind-up the Company (other than to effect a solvent reconstruction);
 - (5) an administrator of the Company is appointed under the Corporations Act;
 - (6) the Company executes a deed of company arrangement;
 - (7) a takeover bid (as defined in the Corporations Act) or any type of equivalent offer made under any successor sections of the Corporations Act relating to takeovers is made to acquire all or some of the Ordinary Shares and the bid is, or becomes, unconditional and:
 - (A) the bidder has at any time during the offer period, a relevant interest in more than 50% of the Ordinary Shares on issue; or
 - (B) the Directors recommend that shareholders accept the bid;
 - (8) the Court approves a scheme of arrangement under Part 5.1 of the Corporations Act or any successor sections of the Corporations Act relating to schemes of arrangement, which, when implemented, will result in a person having a relevant interest in more than 50% of the Ordinary Shares;
 - (9) the Ordinary Shares or the RPS are suspended from trading on ASX for more than 20 consecutive Business Days; or
 - (10) the Company enters into an agreement to sell all or substantially all of its business undertaking or assets (other than to effect a solvent re-construction or where, after the sale, the Company will retain a beneficial or economic interest in at least 50% of the business undertaking or assets sold).

- (d) The Company must notify Holders of the occurrence of a Trigger Event by publishing a Trigger Event Notice as soon as practicable after becoming aware of that occurrence.

6.4 Company Conversion

- (a) The Company may Convert all or some of the RPS by giving Holders a Company Conversion Notice:
- (1) at least 15 Business Days (but no more than 6 months) before a Reset Date;
 - (2) if the Directors resolve on reasonable grounds (having obtained an opinion from reputable legal counsel or tax adviser) that a change in any taxation Law, interpretation or ruling issued by any relevant governmental body has occurred (or is announced) and that change may have a material adverse effect on the ability of the Company to frank Dividends or may materially increase the payments, costs and expenses (including additional Dividend payments) incurred by the Company in relation to the RPS;
 - (3) not later than 20 Business Days after the Company lodges with ASIC a draft explanatory statement for a scheme of arrangement that the Company proposes to enter into under Part 5.1 of the Corporations Act or any successor sections of the Corporations Act relating to schemes of arrangement, or announces any other form of proposed capital reconstruction, which if approved and implemented will result in a person having a relevant interest in more than 50% of Ordinary Shares; or
 - (4) not later than 20 Business Days after the Company has published a notice under clause 6.3(d) in relation to a takeover or scheme of arrangement described in clause 6.3(c)(7) or 6.3(c)(8).
- (b) The Company may Convert all (but not some) of the RPS by giving Holders a Company Conversion Notice (**Remainder Conversion Notice**) not more than 30 Business Days after:
- (1) a Reset Date; or
 - (2) the expiry of the period of 30 Business Days after publication of a Trigger Event Notice under clause 6.3(d),
- if the aggregate Issue Price of the RPS:
- (3) in the case of a Company Conversion Notice given under subparagraph (1), which remain on issue at the Reset Date; or
 - (4) in the case of a Company Conversion Notice given under subparagraph (2), which would remain on issue if all the RPS in respect of which valid Holder Conversion Notices have been received by the Company at the time the Company Conversion Notice is issued were Converted,
- is less than \$30 million. In that event, the date of Conversion will be the date specified in the notice, which must be at least 10 Business Days after the date of the Company Conversion Notice.

6.5 Election by company

(a) Where:

- (1) the Company receives a Holder Conversion Notice, the Company may elect, at any time up to 3 Business Days before the Conversion Date; or
- (2) the Company is entitled to issue a Remainder Conversion Notice or a Company Conversion Notice in respect of a takeover or scheme of arrangement under clause 6.4(a)(3) or 6.4(a)(4), the Company may instead elect,

subject to all necessary approvals being obtained, either:

- (3) to Repurchase some or all of the RPS which were the subject of that Holder Conversion Notice or Company Conversion Notice, by giving a Repurchase Notice to the relevant Holders, in which case the number or proportion of RPS specified in the Repurchase Notice will be Repurchased rather than Converted on the Conversion Date, and the remainder of the RPS the subject of the relevant Holder Conversion Notice, Remainder Conversion Notice or other Company Conversion Notice will be Converted on the Conversion Date; or
- (4) where the Company has received a Holder Conversion Notice, that the RPS which were the subject of that notice be offered to the Resale Agent, in which case any RPS in respect of which the Resale Agent accepts the offer will not be Converted on the Conversion Date.

(b) If the Company makes an election under clause 6.5(a)(3), the Company must pay to each Holder whose RPS are being Repurchased on the Repurchase Date the Repurchase Amount for each RPS which is Repurchased, calculated as follows:

- (1) where the RPS being Repurchased were the subject of a Minimum Conversion Number Notice:

Minimum Conversion Number x VWAP on the Conversion Date; or

- (2) in any other case:

Conversion Number x VWAP on the Conversion Date.

(c) If the Company receives more than one Holder Conversion Notice (other than any Minimum Conversion Number Notices) on the same date or gives more than one Holder Conversion Notice on the same date, and the Company elects to Repurchase some only of the RPS which are the subject of those notices, the Repurchase must be undertaken in respect of the same proportion of the RPS referred to in each of the Holder Conversion Notices or each of the Company Conversion Notices, as the case may be, of that date.

(d) For the purpose of this clause 6.5, each Holder is taken to irrevocably offer to sell any or all of its RPS to the Company, which the Company may accept, if permitted by Law, by serving a Repurchase Notice which

specifies that the RPS will be bought back, provided that the Company may only accept the offer if:

- (1) the buy-back is structured so that the Holder will receive the Dividend to which it is entitled under clause 3.3(b) (or an equivalent Dividend, whether or not the payment of that Dividend occurs on the Conversion Date); and
 - (2) the Company is otherwise entitled to serve a Repurchase Notice under these Terms.
- (e) Where the Company makes an election under paragraph 6.5(a)(4):
- (1) The Company will communicate an irrevocable offer in writing (**Resale Offer**) to the Resale Agent as agent for the Holder as soon as practicable and no later than 2 Business Days before the Conversion Date, for sale of the RPS the subject of the notice at the following price per RPS:
 - (A) where the RPS being offered for sale were the subject of a Holder Minimum Conversion Number Notice:

Minimum Conversion Number x VWAP on the Conversion Date plus the amount of the Dividend (if any) which would be payable to the Holder if the RPS were Converted on the Conversion Date; or
 - (B) in any other case:

Conversion Number x VWAP on the Conversion Date plus the amount of the Dividend (if any) which would be payable to the Holder if the RPS were Converted on the Conversion Date.
 - (2) The Resale Agent may, but is not bound to, accept the offer (either as principal or agent) in respect of some or all of the RPS by giving written notice of acceptance to the Company, which must include the number of RPS in respect of which the offer is being accepted, not later than a date for acceptance specified in the Resale Offer which must be no later than 4.00pm on the Business Day before the Conversion Date.
 - (3) If the Resale Agent purchases or arranges the purchase of any RPS which are the subject of a Resale Notice:
 - (A) the Resale Agent must pay the price to the Company on bare trust for the relevant Holder no later than 5.00pm on the Business Day before the Conversion Date;
 - (B) the Company must forward the price to the Holder of the relevant RPS as soon as practicable after receiving it;
 - (C) no Dividend will be payable under clause 3.3(b) in respect of those RPS on that Conversion Date, but those RPS will be entitled to future Dividends in the same way as other RPS until they are actually Converted; and
 - (D) those RPS will not Convert on the relevant Conversion Date and those RPS will carry the same rights as they would

have carried if the Holder Conversion Notice had never been issued.

- (4) If the Resale Agent accepts the offer in respect of some only of the RPS which are offered to it, and the RPS the subject of the offer are owned by more than one Holder, the offer will be taken to be accepted in respect of each Holder's RPS pro rata to their respective holdings which are the subject of the offer.

6.6 Conversion and additional Ordinary Shares

- (a) A RPS confers all of the rights attaching to one fully paid Ordinary Share but these rights do not take effect until they are Converted. Until such time, RPS have the rights set out in these Terms. At the time when the RPS are Converted:
- (1) all other rights or restrictions conferred on that RPS under these Terms will no longer have effect (except for rights relating to a Dividend which is due but has not been paid on or before the date of Conversion which will subsist); and
 - (2) that RPS will rank equally with all other fully paid Ordinary Shares then on issue and the Company will issue a statement that the holder of those shares holds a share so ranking.
- (b) Conversion does not constitute cancellation, redemption or termination of a RPS or an issue, allotment or creation of a new share (other than the additional Ordinary Shares allotted under clause 6.6(d)).
- (c) If the Company gives a Company Conversion Notice in respect of a RPS or a Holder gives a Holder Conversion Notice in respect of a RPS, and the RPS is not Repurchased or resold under clause 6.5, that RPS will Convert into one Ordinary Share on the relevant Conversion Date.
- (d) Upon the taking effect of the rights of a RPS under clause 6.6(a), each RPS will entitle the Holder to be allotted an additional number of Ordinary Shares equal to one less than the Conversion Number, where, subject to clause 6.6(e) below, the Conversion Number is an amount calculated in accordance with the following formula:

$$\text{Conversion Number} = \text{Issue Price} / \text{VWAP}(1 - \text{CD})$$

where

CD means until and including the first Reset Date, the Conversion discount of 5% and thereafter from each Reset Date until and including the next Reset Date, the rate specified in accordance with clause 7.1(d) (**Conversion Discount**); and

VWAP means the VWAP on the Conversion Date.

- (e) The Conversion Number shall not be less than the Minimum Conversion Number nor greater than the Maximum Conversion Number, where, subject to clauses 6.7 to 6.11 and 7.1(b):

Minimum Conversion Number means 70.1754; and

Maximum Conversion Number means 1052.6316

and in the case of Conversion pursuant to a Minimum Conversion Number Notice, will be the Minimum Conversion Number.

- (f) Where the total number of additional Ordinary Shares to be allotted on Conversion to a Holder on a Conversion Date includes a fraction, that number will be rounded down to the next whole number.

6.7 Adjustments for bonus and rights issues

- (a) Subject to paragraphs (b) and (c) below, if the Company makes a pro rata bonus issue or a rights issue of Ordinary Shares to holders of Ordinary Shares generally, the Minimum Conversion Number and Maximum Conversion Number shall be adjusted immediately in accordance with the following formula:

$$CN = CN_o \times P \times \left[\frac{(RD + RN)}{(RD \times P) + (RN \times A)} \right]$$

where:

CN means the Minimum Conversion Number and Maximum Conversion Number respectively applying immediately after the application of this formula;

CN_o means the Minimum Conversion Number and Maximum Conversion Number respectively applying immediately prior to the application of this formula;

P means the VWAP during the period from the first Business Day after the announcement of the bonus or rights issue to ASX up to and including the last Business Day of trading cum rights or bonus issue;

A means the subscription or unit price per Ordinary Share for the rights issue and is zero in the case of a bonus issue;

RN means the number of Ordinary Shares issued pursuant to the rights or bonus issue; and

RD means the number of Ordinary Shares on issue immediately prior to the allotment of new Ordinary Shares pursuant to the rights or bonus issue.

- (b) No adjustment to the Minimum Conversion Number or Maximum Conversion Number shall occur if A exceeds P.
- (c) Paragraph (a) does not apply to Ordinary Shares issued as part of a bonus share plan, employee or executive share plan, executive option plan, share top up plan or a dividend reinvestment plan.

6.8 Adjustments for off-market buy-backs

- (a) Subject to paragraph (b) below, if the Company undertakes an off market buy-back of Ordinary Shares, the Minimum Conversion Number and Maximum Conversion Number shall be adjusted immediately in accordance with the following formula:

$$CN = CN_o \times P \times \left[\frac{(BD - BN)}{(BD \times P) - (BN \times A)} \right]$$

where:

CN means the Minimum Conversion Number and Maximum Conversion Number respectively applying immediately after the application of this formula;

CNo means the Minimum Conversion Number and Maximum Conversion Number respectively applying immediately prior to the application of this formula;

P means the VWAP during the 20 Business Days prior to the announcement of the buy-back;

A means the buy-back price per Ordinary Share;

BN means the number of Ordinary Shares bought back ; and

BD means the number of Ordinary Shares on issue immediately prior to the buy-back.

- (b) No adjustment to the Minimum Conversion Number or Maximum Conversion Number shall occur if P exceeds A.

6.9 Adjustments for return of capital

If the Company makes a return of capital to holders of Ordinary Shares (other than by way of a share buyback) the Minimum Conversion Number and Maximum Conversion Number shall be adjusted in accordance with the following formula:

$$CN = CN_o \times \frac{P}{(P - C)}$$

where:

CN means the Minimum Conversion Number and Maximum Conversion Number respectively applying immediately after the application of this formula;

CNo means the Minimum Conversion Number and Maximum Conversion Number respectively applying immediately prior to the application of this formula;

P means the VWAP during the period from the first Business Day after the announcement of the return of capital to ASX up to and including the last Business Day of trading *cum* the return of capital; and

C means the amount of the cash and/or the value (as reasonably determined by the Directors) of any other property distributed to holders of Ordinary Shares per Ordinary Share (or such lesser amount such that the difference between P and C is greater than zero).

6.10 Adjustment for capital reconstruction

If at any time the Ordinary Shares are reconstructed, consolidated, divided or reclassified (other than by way of a bonus issue, which is dealt with under clause 6.7) into a lesser or greater number of securities, the RPS must, in accordance with the ASX Listing Rules (as they apply to the Company), be reconstructed, consolidated, divided or reclassified by the Directors on the same basis and the

Issue Price (for the purpose of calculating the Dividends on the RPS) and the Conversion Number shall be adjusted by the Directors as appropriate.

6.11 Discretion in adjustment of Conversion mechanism

Where:

- (a) any of the adjustment provisions set out in clauses 6.7 to 6.10 or the number of additional Ordinary Shares to be allotted on Conversion of the RPS, is not, in the reasonable opinion of the Directors, appropriate in any particular circumstances (including for the reason that more than one adjustment provision applies to a particular occurrence); or
- (b) the Company makes a distribution other than by way of dividend in the ordinary course of business in a way which does not, in the reasonable opinion of the Directors, result in an appropriate adjustment to the Minimum Conversion Number or Maximum Conversion Number; or
- (c) any other event occurs in relation to the Company that may have a diluting or concentrative effect on the value of the Ordinary Shares,

and the Directors determine that any such occurrence would, in the reasonable opinion of the Directors, affect the relative values of the RPS and the Ordinary Shares, the Directors may:

- (d) make such alterations to the Issue Price, the Minimum Conversion Number, Maximum Conversion Number or Conversion Discount as the Directors reasonably consider appropriate or necessary to maintain that relativity; or
- (e) extend an entitlement to the Holders to participate in such distribution based upon the number of Ordinary Shares to which those Holders would have been entitled if their RPS had been Converted on a date nominated by the Directors and adapting the formula in clause 6.6(d) as the Directors reasonably considers appropriate to maintain the relativity.

6.12 Notices

- (a) Holder Conversion Notices, Company Conversion Notices and Repurchase Notices, once given, are irrevocable.
- (b) A Holder Conversion Notice must be accompanied by evidence of title reasonably acceptable to the Company for the RPS being Converted and is not taken to be a valid notice unless and until such evidence is received by the Company.
- (c) A form of Holder Conversion Notice which may be used by Holders must be made available by the Company upon request.
- (d) Where the Company has received a valid Holder Conversion Notice in respect of all or some of a Holder's RPS, any Company Conversion Notice issued subsequently by the Company will not apply to any of that Holder's RPS which were subject to the Holder Conversion Notice.
- (e) Where the Company has issued a valid Company Conversion Notice to a Holder in respect of all or some of that Holder's RPS, any Holder Conversion Notice given by that Holder which is received subsequently by

the Company will not be valid to the extent that it relates to RPS which were the subject of the Company Conversion Notice.

- (f) Where, as a result of paragraph 6.12(d) or 6.12(e), a notice relates to some only of a Holder's RPS, the Directors may apply such adjustments if any as the Directors reasonably consider necessary to reflect the fact that the relevant notice will apply to a lesser holding of RPS.
- (g) Where a notice is received by the Company from a Holder on the same day that the Company issues a notice to the Holder, the Company will be taken to have given notice first.
- (h) A notice is taken to be issued by the Company for the purposes of these Terms when it is mailed in a prepaid envelope to an address, or sent to a fax number or electronic address, permitted by the Company's constitution, irrespective of when it is actually received by the Holder. This paragraph 6.12(h) does not limit the means by which the Company may serve notices upon the Holder.
- (i) A Holder Conversion Notice is taken to be received by the Company if it is received at the Company's nominated share registry.

7 Reset of terms

7.1 Resetting of terms

If there remain any RPS on issue on a relevant Reset Date, the Company may change:

- (a) the Dividend Rate applying from the relevant Reset Date until and including the next Reset Date;
- (b) the Minimum Conversion Number and Maximum Conversion Number applying from the relevant Reset Date until and including the next Reset Date (subject to the operation of any or all of clauses 6.7 to 6.11);
- (c) the next Reset Date;
- (d) the Conversion Discount; and
- (e) timing of Dividend payment.

7.2 Notification

To be effective, notice of any change under clause 7.1 must be given to the remaining Holders no later than 30 Business Days immediately preceding the relevant Reset Date. If the Company fails to notify the Holders of the matters set out in clause 7.1, the Company will be deemed to have served a notice under clause 6.4(a) Converting all of the RPS, and the Conversion Date will be the Reset Date.

8 Amendments to Terms

Subject to complying with all applicable Laws, the Company may without the authority, assent or approval of Holders amend or add to these Terms if such amendment or addition is, in the opinion of the Company:

- (a) of a formal, minor or technical nature;
- (b) made to correct a manifest error; or
- (c) not likely (taken as a whole and in conjunction with all other modifications, if any, to be made contemporaneously with that modification) to be materially prejudicial to the interests of the Holders.

9 Definitions and interpretation

9.1 Interpretation

- (a) Unless the context otherwise requires, if there is any inconsistency between the provisions of these Terms and the Constitution, then, to the maximum extent permitted by Law, the provisions of these Terms will prevail.
- (b) If a calculation is required under these Terms, unless the contrary intention is expressed, the calculation will be performed to four decimal places.
- (c) Where, under these Terms, the day on or by which any thing is to be done is not a Business Day, that thing must be done on or by the following Business Day.
- (d) Definitions and interpretation under the Constitution will also apply to these Terms.

9.2 Definitions

In these Terms:

Allotment Date means the date that the RPS are allotted to RPS applicants;

ASX means the Australian Stock Exchange Limited;

Business Day has the meaning given to it in the Listing Rules;

Business Rules means the Business Rules of the ASX from time to time;

Company means David Jones Limited (ACN 000 074 573);

Company Conversion Notice means a notice (including a Remainder Conversion Notice requiring Conversion of a specified number or proportion of RPS and complying with clause 6.12 given by the Company to a Holder under clause 6.4(a) or 6.4(b);

Constitution means the constitution of the Company;

Conversion has the meaning given to it in clause 6.1;

Conversion Date has the meaning given to it in clause 6.2, even if the relevant RPS is not actually Converted on that date;

Conversion Discount has the meaning given to it in clause 6.6(d);

Conversion Number has the meaning given to it in clause 6.6(d);

Corporations Act means the Corporations Act 2001 (Cth);

Directors means the directors of the Company from time to time;

Dividend means a dividend in respect of a RPS;

Dividend Entitlement has the meaning given to it in clause 3.1(a);

Dividend Payment Date means each date on which a Dividend is payable in accordance with clause 3.3 whether or not a Dividend is paid on that date;

Dividend Period means, in respect of a RPS:

- (a) the period from (and including) the date of allotment of the RPS until but not including the first Dividend Payment Date;
- (b) thereafter the period from (and including) each Dividend Payment Date until but not including the first to occur of:
 - (1) the next Dividend Payment Date; or
 - (2) the Conversion Date of that RPS, unless that RPS was not actually Converted on that Conversion Date;

Holder means a holder of RPS;

Holder Conversion Notice means a notice requiring Conversion of a specified number of RPS and complying with clause 6.12 given by a RPS holder to the Company under clause 6.3(a);

Issue Price has the meaning given to it in clause 1(a);

Law means any applicable legal requirement, whether at common law (including at equity) or under any statute, regulation, proclamation, ordinance or by-law from time to time;

Listing Rules means the Listing Rules of the ASX from time to time with any modification or waivers granted to the Company by the ASX;

Maximum Conversion Number has the meaning given to it in clause 6.6(e);

Minimum Conversion Number has the meaning given to it in clause 6.6(e);

Ordinary Share means an ordinary share in the capital of the Company;

Record Date means, in relation to a Dividend, the date which is 11 Business Days before the Dividend Payment Date for that Dividend or such other date as required by ASX;

Repurchase means either the redemption, return of capital or buy-back (whichever is specified in the Repurchase Notice) by the Company of the RPS the subject of a Repurchase Notice;

Repurchase Amount means the sum, calculated in accordance with clause 6.5(b), which is paid to the Holder either as the consideration for a redemption, the capital return on a capital reduction or the buyback price on a buyback, as the case may be;

Repurchase Date means, in respect of a particular RPS, the date when that RPS is Repurchased;

Repurchase Notice means a notice given by the Company to a Holder that a specified number of RPS will be either (the Repurchase Notice must specify which,) redeemed by the Company, bought back by the Company or cancelled by the Company upon a return of capital to the Holder;

Resale Agent means an investment bank or licensed dealer nominated by the Company;

Resale Offer has the meaning given to it in clause 6.5(e)(1);

Reset Date means 1 August 2007 and thereafter the date specified by the Company under clause 7.1 of these Terms;

Shortfall Dividend means a Dividend equal to the difference between the aggregate Dividends declared in respect of the immediately preceding two half-yearly Dividend Periods and the aggregate Dividend Entitlement in respect of those two Dividend Periods;

Special Resolution means a resolution passed at a meeting of Holders by a majority of at least 75% of the votes cast by Holders present in person or by proxy and entitled to vote on the resolution;

Swap Rate means the swap rate expressed as a percentage per annum calculated as the average of the mid-point of the quoted average five year swap reference rates at three pre-determined times of Reuters page CMBE (or any page which replaces that page) on the relevant date;

Tax Act means the Income Tax Assessment Act 1936 (Cth);

Terms means these terms and conditions of issue of the RPS;

Trigger Event has the meaning given to it in clause 6.3(c);

Trigger Event Notice means a notice in a newspaper which is generally available in each Australian state and territory which specifies the particular Trigger Event;

VWAP means the daily volume weighted average sale price of Ordinary Shares sold on ASX during:

- (a) in the case of VWAP on the Conversion Date, the 20 Business Days preceding (and excluding) the Conversion Date;
- (b) in any other case, the period specified in these Terms,

excluding any transaction defined in the Business Rules as “special”, crossings prior to the commencement of normal trading, crossings during the after hours adjust phase and any overseas trades or exchange traded option exercises, subject to the following adjustments:

- (c) if the Company received a Holder Conversion Notice following a suspension of trading of the Ordinary Shares, the VWAP will instead be calculated during the 20 Business Days preceding the day when the Ordinary Shares were suspended;
- (d) subject to paragraph (c), if the Ordinary Shares were suspended during any part of the 20 Business Day period over which VWAP is calculated, any day on which the Ordinary Shares were suspended (for all or part of that day) will be excluded in counting the 20 preceding Business Days;

- (e) where, on some or all of the Business Days in the relevant period, Ordinary Shares have been quoted on ASX as *cum* dividend or *cum* any other distribution or entitlement which is not extended to the Holders, and the RPS will Convert into Ordinary Shares after the date those Ordinary Shares no longer carry that entitlement (**Ex Date**), then the VWAP on the Business Days on which those shares have been quoted *cum* dividend or *cum* entitlement shall be reduced by an amount (**Cum Value**) equal to:
- (1) in case of a dividend or other distribution, the amount of that dividend or distribution including, if the dividend is franked, the amount that would be included in the assessable income of a recipient of the dividend or distribution who is a natural person under the Tax Act;
 - (2) in the case of an entitlement which is traded on ASX on any of those Business Days, the volume weighted average price of all such entitlements sold on ASX during the relevant period on the Business Days on which those entitlements were traded; or
 - (3) in the case of an entitlement not traded on ASX during the relevant period, the value of the entitlement as reasonably determined by the Directors; and
- (f) where, on some or all of the Business Days in the relevant period, Ordinary Shares have been quoted *ex* dividend, *ex* distribution or *ex* entitlement, and the RPS will Convert into Ordinary Shares which would be entitled to receive the relevant dividend, distribution or entitlement, the VWAP on the Business Days on which those Ordinary Shares have been quoted *ex* dividend, *ex* distribution or *ex* entitlement shall be increased by the Cum Value.