



# ACU INVESTMENT STATEMENT

Dated 18 December 2015

## IMPORTANT INFORMATION

(The information in this section is required under the Securities Act 1978)

Investment decisions are very important. They often have long-term consequences. Read all documents carefully. Ask questions. Seek advice before committing yourself.

### Choosing an Investment

When deciding whether to invest, consider carefully the answers to the following questions that can be found on the pages noted below:

- *What sort of investment is this?*
- *Who is involved in providing it for me?*
- *How much do I pay?*
- *What are the charges?*
- *What returns will I get?*
- *What are my risks?*
- *Can the investment be altered?*
- *How do I cash in my investment?*
- *Who do I contact with inquiries about my investment?*
- *Is there anyone to whom I can complain if I have problems with the investment?*
- *What other information can I obtain about this investment?*

In addition to the information in this document, important information can be found in the current registered prospectus for the investment. You are entitled to a copy of that prospectus on request.

### The Financial Markets Authority Regulates Conduct in Financial Markets

The Financial Markets Authority regulates conduct in New Zealand's financial markets. The Financial Markets Authority's main objective is to promote and facilitate the development of fair, efficient, and transparent financial markets. For more information about investing, go to <http://www.fma.govt.nz>.

### Financial advisers can help you make investment decisions

Using a financial adviser cannot prevent you from losing money, but it should be able to help you make better investment decisions. Financial advisers are regulated by the Financial Markets Authority to varying levels, depending on the type of adviser and the nature of the services they provide. Some financial advisers are only allowed to provide advice on a limited range of products.

When seeking or receiving financial advice, you should check:

- the type of adviser you are dealing with:
- the services the adviser can provide you with:
- the products the adviser can advise you on.

A financial adviser who provides you with personalised financial adviser services may be required to give you a disclosure statement covering these and other matters. You should ask your adviser about how he or she is paid and any conflicts of interest he or she may have.

Financial advisers must have a complaints process in place and they, or the financial services provider they work for, must belong to a dispute resolution scheme if they provide services to retail clients. So if there is a dispute over an investment, you can ask someone independent to resolve it.

Most financial advisers, or the financial services provider they work for, must also be registered on the financial service providers

register. You can search for information about registered financial service providers at <http://www.fspr.govt.nz>.

You can also complain to the Financial Markets Authority if you have concerns about the behaviour of a financial adviser.

### WHAT SORT OF INVESTMENT IS THIS?

#### Description of Securities

This Investment Statement details a secured offer of \$1.00 fully paid-up redeemable shares ("shares") in ACU ("Credit Union"). The shares are debt securities pursuant to the Securities Act 1978.

The offer is made to a section of the public, being:

- Those persons residing or working within the territory of the Te Tai Tokerau, Tamaki Makaurau, Hauraki Waikato, Waiariki, Te Tai Hauauru or Ikaroa Rawhiti electoral districts and the main centres of the Te Tai Tonga electorate.
- A charitable entity as defined by the Charities Act 2005;
- An incorporated society registered under the Incorporated Societies Act 1908.

Shareholders in the Credit Union are called "members".

#### Creditworthiness Not Rated

The creditworthiness of the Credit Union is not rated by a rating agency approved by the Reserve Bank of New Zealand under section 157J of the Reserve Bank of New Zealand Act 1989 (for further information refer to the paragraph headed "Credit Rating Exemption" in the registered prospectus).

#### Members and Voting

As a member your shareholding is held in one or more of the share accounts (described later in this Investment Statement) operated by the Credit Union and nominated by you.

The members have a degree of control over the strategic affairs of the Credit Union. At the annual general meeting, members vote on the appointment of directors and trustees and any amendment to the rules of the Credit Union ("Rules").

### WHO IS INVOLVED IN PROVIDING IT FOR ME?

#### The Credit Union

The issuer of the shares is ACU - Aotearoa Credit Union. The registered office of the Credit Union is at Unit B, 123 Ormiston Road, Botany Junction, Auckland 2016, Phone: (09) 277 8244, Fax: (09) 279 8596. Office hours: 9:00 am to 4:30 pm Monday to Friday.

The Credit Union also has branches in Clendon, Glen Innes, Otara, Papatoetoe, Wanganui, Whangarei, Mangere, Papakura, Hamilton and Te Kohao. Opening times and contact details for these branches can be found on the Credit Union's website [www.acu.co.nz](http://www.acu.co.nz).

#### The Directors

The directors of the Credit Union are Wyn Osborne, Diana Puketapu, Frances Smiler-Edwards, Lucy Steel, Poutoa Papali'i and John Walters and Bailey Mackey.

The directors of the Credit Union may change. The names of the current directors may be obtained from the Credit Union by calling the number set out above.

#### The Prudential Supervisor

The Credit Union has appointed Corporate Trust Limited trading as Foundation Corporate Trust ("Prudential Supervisor") to act as trustee for the purposes of the Securities Act 1978. The Credit Union and Prudential Supervisor have entered into a trust deed to record their respective rights and obligations ("Trust Deed").

The contact details of the Prudential Supervisor are: Level 6, Crombie Lockwood Centre, 191 Queen Street, Auckland, Ph: (09) 302 0638 Fax: (09) 302 1037.

The Prudential Supervisor does not guarantee the repayment of the shares or the payment of returns thereon.

### **Activities of the Credit Union**

The Credit Union is a financial co-operative registered as a credit union under the Friendly Societies and Credit Unions Act 1982 ("Act"). The objectives of the Credit Union are essentially the promotion of thrift amongst its members by the accumulation of their savings, the use and control of the members' savings for their mutual benefit and the training and education of the members in the wise use of money and in the management of their financial affairs.

The Credit Union's primary activity since its registration in 1990 has been to provide a co-operative savings facility for members, through the issue of shares, to form a loan fund and to make loans to members from that fund.

The Credit Union is not a registered bank in terms of the Reserve Bank of New Zealand Act 1989.

### **Loans to Members**

The Credit Union makes loans from the share capital of the Credit Union to its members. The availability of loans is dependent upon the availability of funds from the Credit Union's share capital at any particular time.

The Credit Union's ability to lend is governed by its Rules, the Trust Deed and the policies of the directors. These may from time to time specify the maximum amount that may be loaned, the maximum term of loans or the lending to assets ratio to be observed by the Credit Union.

A loan application form is available from the Credit Union. The board of the Credit Union ("Board") reserves the right to decline any application for a loan without giving any reason. Please contact the Credit Union for further details of the Credit Union's terms and conditions of lending.

### **HOW MUCH DO I PAY?**

#### **Moneys Payable by Subscribers**

You must pay for your shares in the Credit Union.

The shares have a fixed issue value of \$1 and cannot be allotted to you until fully paid-up in cash. Payments for shares not in whole dollar amounts are credited to your account and are deemed to be an advanced payment on a subscription for an additional share.

#### **Minimum and Maximum Shareholding**

You must hold at least ten fully paid-up shares in the Credit Union and your shareholding cannot exceed such amount as is set by the directors from time to time, being at the date of this Investment Statement \$250,000, unless the directors in their discretion allow additional amounts on a "one off" basis.

#### **Application and Payment for Shares**

Your initial application to subscribe for shares must be made on the Credit Union's standard membership application form, which is available from the Credit Union. The membership application form also governs further subscriptions for shares by you.

We require new investors to produce evidence of identity and other documentation in order for us to comply with our obligations under the Anti-Money Laundering and Countering Financing of Terrorism Act 2009.

You must deliver your membership application form, and payment for your initial subscription to the Credit Union. You will be required to provide proof of identification to the Credit Union at the time you become a member.

The Credit Union reserves the right to accept or decline any application without giving any reason for its decision.

The application form also governs subsequent subscriptions for shares by you, once your application has been accepted.

The Credit Union may accept subscription payments in cash, by personal or bank cheque, direct credit, automatic payment or payroll deduction. Work and Income New Zealand and a number

of local businesses may, by prior agreement, deduct share subscriptions directly from your salary, wage or benefit upon request and direct credit the payment to your share account(s) with the Credit Union.

### **WHAT ARE THE CHARGES?**

#### **Types of Fees and Charges**

In addition to the cost of the shares, you will be required to pay account fees and charges. The types of fees and charges and the amount of those fees and charges that may be payable by you at the date of this Investment Statement are:

We may change the terms and conditions of Share accounts at any time. We will give you 14 days' notice of any changes. However if the change is to protect you or the security of our systems then no prior notice will be given to you. Rates of return may change at any time without notice.

*\*The Board and the Staff of the Credit Union are exempt from these fees/charges. All other fees and charges are charged at current rate.*

When the Credit Union incurs charges from any other organisation when acting on your behalf; by way of legal fees, or fees associated with the registration of securities, or some other charge or fee which is specific to you, the Credit Union may pass such costs on to you.

If your total share balance is \$5,000 or more, then the Credit Union will waive the cost of transaction fees, account monthly maintenance fees and telephone banking fees while the total balance of the accounts exceeds \$5,000. The S6 Loan Provider account is excluded. You will be liable for all loan fees and charges, third party costs including the cost of replacement EFTPOS/ATM cards and any costs applicable to the delinquency and/or dishonouring of transactions.

The levying of these fees and charges helps the Credit Union to cover its costs and maximise its returns to you and all other members of the Credit Union.

The amount of the fees and charges that may be payable by you is dependent on the operating costs and profitability of the Credit Union, the timing of your application, which share account(s) you operate and how frequently you conduct transactions from your share accounts. The types and amount of fees and charges payable by you may vary from those specified above. To confirm the types and amount of fees and charges payable by you at the date of your subscription please contact the Credit Union.

#### Alteration of Fees and Charges

The Credit Union reserves the right at its absolute discretion to vary the types and level of any fees and charges payable by members from time to time. You will be provided with notice of any such change, which may be by way of inclusion in the Credit Union's newsletter and ACU's website [www.acu.nz](http://www.acu.nz)

#### WHAT RETURNS WILL I GET?

##### Returns

Your shareholding must be held in one or more of the share accounts operated by the Credit Union. You must nominate in writing which share account(s) your shareholding is to be held in. Each share account may offer differing terms and conditions as to any return, minimum shareholding and the timing of repayment.

While the return attributable to a share account cannot be quantified in this Investment Statement and so no amount of return is promised. The term and amount of investment, together with current market conditions, generally determine any return payable.

The methods of withdrawal for each share account are detailed in the paragraph headed "Withdrawals" under the heading "How do I cash in my investment" on page 6.

##### Rate of Return

The rate of return on your shares is dependent on the type of share account in which your shares are placed, the terms and conditions of that account, the rate of return currently offered on that account, the minimum amount of shares required to be held in that account, the term of the investment and the timing of repayment. Rates of return for each share account are set throughout the year according to market conditions.

Brief details of the share accounts operated by the Credit Union as at the date of this Investment Statement, are generally set out below.

#### Debit Card Fees (per transaction)

*ATM withdrawal/enquiry-non ACU	\$2.00
*ATM withdrawal/enquiry-ACU	\$0.50
International ATM withdrawal	\$7.00
International ATM enquiry	\$0.80
*EFTPOS	\$0.50
International EFTPOS withdrawal	\$0.80
ACCESSCARD Maestro overseas transaction (%of overseas transaction amount)	2.5%
*Card issue	FREE
*Card replacement	\$15.00
*PIN replacement	\$5.00

#### Access Debit MasterCard

New or replacement card fee \$10.00/card

Administration fee	\$5.00	six
		monthly
Foreign currency fee	2.25%	of
		\$NZ
		amount
Disputed transaction	\$50.00	

There may be additional merchants and/or ATM charges fees which should be bought to the attention of the card user at the time of sale.

#### Counter/Administrative Fees (per transaction)

Cheque withdrawal over counter	\$5.00
Transfer between accounts over the counter	\$3.00
Stopped cheques	\$25.00
Special Answer	\$32.00
Inter credit union withdrawal	\$10.00
*Automatic Payment or Direct Debit setup or alteration or cancellation	\$5.00
Automatic Payment or Direct Debit transaction	\$0.50
Dishonoured Automatic Payment	\$15.00
Dishonored Direct Debit	\$25.00
Split Payment Loading and Alterations	FREE
Traces and voucher searches	\$13.00
ACCESSTXT All Mobile Networks	\$1.00
Credicare/Tangihanga Claim - Maximum of	\$2.00
Faxing at members request	\$5.00
Mobile APP Access	FREE
Mobile APP Transfers	\$0.50
Statement 6 Monthly Generated	FREE
Additional Statements	\$5.00
Statement search	\$50.00

#### Account Fee

Base Fee - Membership Fee (per week)	\$1.25
Early Christmas Club Withdrawal	\$10.00
Withdrawal from Loan Provider (prior to 14 day notice)	\$10.00

#### Lending Fees

Loan application fee within shares	\$40.00
Loan application fee -Express loans	\$60.00
Loan application fee - Secured Loan Car/other	\$100.00
Loan application fee - Unsecured	\$99.00
Loan application - Unsecured Loan	\$99.00
Overdraft Application Fee	\$25 - \$50
Overdraft Weekly Management Fee	\$10.00
Credit Check Fee	\$10.00
PPSR Individual Person Search Fee	\$5.00
Auto Check Plus Search Fee	\$20.00
Motor Check Vehicle Search Fee	\$5.00
Redbook Valuation Search Fee	\$5.00
Driver License Check Fee	\$5.00
PPSR Registration Fee - Vehicle/Bike/Boat/Caravan	\$60.00

#### Debt Collection

Instruction fee	per invoice
Debtor trace - successful/unsuccessful	per invoice
Debt recovery field visit	per invoice
Repossession/per attempt	per invoice
1 <sup>st</sup> Delinquent Letter	\$20.00
Subsequent Delinquent Letters	\$50.00
Penalty Interest	10%

The Board reserves the right to vary any or all of the matters specified above, which may affect the rate of return you receive on your shares. You will be provided with notice of any such variation, which may be by way of inclusion in the Credit Union's newsletter.

#### **Profitability of Credit Union**

Your rate of return is also dependent on the profitability of the Credit Union. Please see the risk disclosures under the heading "What are my Risks" for further details.

#### **Term Shares**

Shares in a term share account will earn a return at the rate specified by the Credit Union upon subscription. At the date of this Investment Statement the Credit Union offers rates of return based on current market rates on term share accounts. The minimum amount of shares that must be held in a term share account is \$500. Terms of 1, 3, 6, 9, 12, 18 and 24 months are available.

Your return is calculated and paid either monthly, quarterly, 6 monthly, annually or upon Maturity, at your option. The return may be paid to another share or bank account. The 1, 3, and 6 month investments can have interest compounded monthly, quarterly or at maturity. **(9, 12, 18 and 24 month investments are our above market rate specials so do not have the compounding interest option)**

If you instruct the Credit Union to automatically reinvest the moneys when they mature, the reinvested funds will earn the return applicable at the time of reinvestment. You will receive a notice of reinvestment.

#### **Withholding tax**

Under current New Zealand tax legislation, we must deduct resident withholding tax ("RWT") from all interest paid or credited to any person resident in New Zealand. If you hold a valid certificate of exemption and provide a copy to us then we will not need to deduct RWT.

<b>Your income</b>	<b>RWT rate</b>
\$0 - \$14,000	10.5%
\$14,001 - \$48,000	17.5%
\$48,001 - \$70,000	30%
\$70,001 and over	33%

#### **On Call Accounts**

The following on call share accounts are offered by the Credit Union: Access Account, Junior Saver Account and Serious Saver Account.

The minimum shareholding for these share accounts is \$10.

Junior Saver and Serious Saver accounts returns are tiered and payable monthly.

The Access Account is a transactional account and no returns are payable in respect of it.

While on call shares are usually available to be withdrawn at call, the Act provides for a 60-day notice period for withdrawal.

#### **Notice of Withdrawal Account**

The Credit Union offers one notice of withdrawal share account, being the S6 Loan Provider Account. The minimum shareholding for this account is \$10.

At the date of this Investment Statement the rate of return for this account is 1% p.a on the MMB. Returns are paid annually.

Withdrawals may be made on 14 days' notice. If required earlier, a \$10 withdrawal fee applies.

#### **Special Share Accounts**

The Credit Union offers a Christmas Club account. The minimum shareholding for this account is \$10.

The rate of return on the Christmas Club Account is set immediately prior to maturity, according to market conditions. At

the date of this Investment Statement, the return on the Christmas Club account is 5.00% p.a.

Returns on the Christmas Club Account are paid upon a withdrawal request being made between the period 1 December and 31 January. Early withdrawals incur a \$10 withdrawal fee.

The Credit Union also offers a "Golden Years" package. This package comprises the following benefits:

- Exemption from EFTPOS/ATM transaction fees;
- One free EFTPOS/ATM card (\$5 replacement fee);
- Exemption from transaction fees and account monthly maintenance fee; and
- Free telephone banking service
- Members will still be liable for all other fees and charges, as referred to in this Investment Statement.

To benefit from the Golden Years package, you must be receiving National Superannuation payments, all of which must be credited to Credit Union accounts.

The Credit Union has also recently introduced a Home Deposit Account. The minimum shareholding for this account is \$10.

The rate of return on this account is tiered and based on the balance held. The interest rate ranges from 2.50% to 4.00% and is calculated on the MMB, with interest being credited at the end of each month. One withdrawal per year is permitted and a \$10 withdrawal fee applies. If a member requires more than one withdrawal the account may be closed and transferred to a S1 Access Account or the S2 Serious Saver.

#### **Confirmation of Share Accounts**

To confirm the share accounts offered by the Credit Union at the date of your subscription, the terms and conditions of those share accounts and the rates of return offered on the same please contact the Credit Union.

#### **Statement of Shareholding**

The Credit Union will on request, and not less than every 6 months during your membership (at no charge), forward you a statement of your accounts with the Credit Union. You may also check your shareholding with the Credit Union by phone, home banking, Mobile APP or cellular TXT service. You must register to use the TXT service. You must obtain a log-in identification and password from the Credit Union to use the automated telephone service.

#### **Payment of Returns**

Returns payable on your shares will be credited to your share account(s) at such intervals as disclosed above or otherwise provided in the terms and conditions of the relevant share account.

#### **Withholding Tax**

The Credit Union will deduct resident withholding tax from the gross return payable to you, unless it receives a copy of a valid certificate of exemption.

#### **Obligation to Pay Returns**

The Credit Union is, subject to the terms of the share account, legally obliged to pay the returns on your share accounts to you.

#### **Residual Surplus**

On a winding up of the Credit Union, you will receive no more than \$1 per share held by you plus any returns owed.

#### **WHAT ARE MY RISKS?**

##### **Risks**

Risk is an integral part of investing. No undertaking is made to members or prospective members about returns on their shares. If the risk factors set out below materially and adversely affect the Credit Union it is possible that members may lose some or all of the money they invested, they may not receive returns on their shares or that the value of each share may fall below \$1.00.

##### **• Risks Specific to the Credit Union's Activities**

The Credit Union's principal activity involves the provision of loan finance to its members. Loans vary in size and are general spread over a wide membership base. Loans are usually secured only by members' savings. In addition, a number of the loans are unsecured.

The Credit Union's lending activities give rise to the credit risk, liquidity risk and interest risk referred to below.

#### • **Liquidity Risk**

Liquidity risk is the risk of the Credit Union not having sufficient cash to meet obligations to members. This risk requires the Credit Union to manage the maturity of loans and balance this with the repayment of members' shares.

It is the policy of the Board of Directors that the Credit Union maintains adequate cash reserves and committed credit facilities to meet members' withdrawal demands when requested. The financial statements show a liquidity deficiency in relation to members' deposits payable within one month and monetary assets receivable during that time period (i.e. the amount payable to members exceeds the available liquid assets). The Credit Union is unable to reliably estimate the expected maturity of members' deposits as they are regularly rolled over.

The Credit Union aims to manage liquidity risk by:

- > Continuously monitoring forecast and actual daily cash flows.
- > Reviewing the maturity profiles of financial assets and liabilities.
- > Maintaining adequate reserves, liquidity support facilities and reserve borrowing facilities.

The Credit Union's policy is to maintain at least 10% of its total assets as liquid assets capable of being converted to cash within 7 days.

In addition, the Credit Union also has the discretion to defer payment of shares for up to 60 days.

#### • **Credit Risk**

Credit risk is the risk of members or parties with which the Credit Union has invested funds not repaying their loans or investments or debtors not making interest payments on the due date.

The Credit Union has established policies or procedures in this area specifically to cover the following:

- > Credit assessment and approval of loans and facilities covering acceptable risk assessment and security requirements.
- > Limits of exposure over the value to individual borrowers, non-mortgage secured loans and concentrations to geographic and industry groups considered at high risk of default.
- > Reassessing and review of credit exposures on loans and facilities.
- > Establishing appropriate provisions to recognise the impairment of loans.
- > Debt recovery procedures.

Regular reviews of compliance with the above policies are conducted as part of the internal audit scope.

The Credit Union takes security over assets to secure some of the loans it makes. However, a majority of the loans are secured solely by members' share accounts. A smaller portion of the Credit Union's loans are unsecured. Other security includes mortgages, and motor vehicles, boats, motor cycles and caravans which have a depreciating security value.

If a member fails to repay a loan on the due date and the value of the secured asset is insufficient to cover the outstanding payments, or if the loan is unsecured, the Credit Union may make a loss on that loan. This may adversely affect the Credit Union's profitability.

#### • **Credit Worthiness Not Rated**

As the Credit Union is not rated there is no rating agency which has performed an independent analysis which would give investors' an independent view of the Credit Union. Equally, there is no ongoing monitoring of the Credit Union by any rating agency.

ACU is licensed, by the Reserve Bank, as a Non-Bank Deposit Taker under the Non-Bank Deposit Taker Act 2013.

We operate under a Trust Deed and are governed by the Friendly Societies and Credit Unions Act 1982.

#### • **Geographical Risk**

The Credit Union has a concentration in retail lending for members who are within the territory of the Te Tai Tokerau, Tamaki Makaurau, Hauraki-Waikato, Waiariki, Te Tai Hauauru or Ikaroa Rawhiti electoral districts and the main centres of the Te Tai Tonga electorate, as these areas comprise its common bond. If any of these areas were to suffer an economic downturn this may have an impact on the Credit Union's profitability.

#### • **Interest Risk**

There is a risk that future cash flows could fluctuate because of changes in market interest rates. Unexpected changes in market interest rates could decrease the Credit Union's profitability.

The risk is chiefly addressed by adjusting members' deposit interest rates.

#### • **Competition**

As the Credit Union is competing with banks and other financial institutions operating in the national savings and loans market, restrictions on membership (because of the Credit Union's common bond) may affect the Credit Union's profitability and the returns payable to members.

#### • **Regulatory Risk**

The Credit Union is required to comply with various legal obligations, and any material failure to comply with these could result in damage to the Credit Union's reputation and/or expose the Credit Union to financial and/or other penalties.

Any change to existing laws, or the introduction of new laws, could result in additional requirements being imposed on the Credit Union and/or result in increased costs for the Credit Union. Relevant and foreseeable law changes in the next one to two years include the Financial Markets Conduct Act 2013 which replaces the Securities Act 1978 and requires re-writing of the Credit Union's offer documents as a product disclosure statement. The Credit Union has been impacted by this change.

#### • **Compliance Risk**

Compliance risk is the risk of legislative or regulatory changes impacting on the Credit Union. Every time the Credit Union has to make changes to comply with new legislation this increases the Credit Union's compliance costs, which could affect the Credit Union's profitability and the returns payable to members.

The prospectus has further detail about this risk.

#### • **Government Policy Risk**

Policies and decisions of the Government and other local or national regulatory bodies are impacting on the Credit Union's

potential and existing membership and the members' saving and borrowing habits. There may be a consequential flow-on effect on the growth and profitability of the Credit Union.

A significant number of the Credit Union's members receive Government benefits. There is a risk that, if the Government decided to substantially reduce the level of benefit payments or reduce benefit entitlements, some members may be unable to meet their loan repayment obligations to the Credit Union.

#### • **General Market Risk**

The Credit Union may be affected by the state of the New Zealand and international economies. The current global economic slowdown and global recession are likely to have a negative impact on potential and existing members' saving and borrowing habits, which may have a consequential flow-on effect on the growth and profitability of the Credit Union.

#### • **Ranking of Security**

In December 2015 the Credit Union and the Prudential Supervisor entered into a deed amending and restating the Trust Deed. This was to align the Credit Union's Trust Deed to the industry standard. However, under the new Trust Deed the Credit Union may, with the consent of the Prudential Supervisor, grant a prior ranking charge in favour of The New Zealand Association of Credit Unions ("Co-op Money") to secure amounts from time to time owing to Co-op Money under the Transactional Banking Facilities. The level of priority can be up to 10% of the Credit Union's total tangible assets. If agreed, this would involve granting a general security agreement over all of the Credit Union's assets (including members' deposits). The charge granted in favour of Co-op Money, ranking ahead of the charge in favour of the Supervisor up to the priority level agreed to between Co-op Money and the Supervisor, would erode the members' equity margin, up to that priority level.

- **Insolvency** - The main risk to members investing in shares is that the Credit Union fails to remain solvent, that is, its assets cease to exceed its liabilities or it is unable to meet its debts as they fall due. The Credit Union could become insolvent and be wound up where a significant amount of the loans due for repayment remain unpaid for an extended period of time, or where as a result of the risks stated above or otherwise, the Credit Union is for any reason unable to pay its debts as they fall due.

Consequences of Insolvency - Should the Credit Union become insolvent:

- You will not be required to pay any additional moneys other than that already owing to the Credit Union;
- The Credit Union is legally obliged to reject all requests for withdrawals from your share accounts, and will not be entitled to make any further loans; and
- Your claim will rank equally with all other members' claims (including those who invest under a later prospectus).
- Some specific claims will rank ahead of member's claims, for example, employees' unpaid wages, insolvency costs and Prudential Supervisor's fees.
- You will not be entitled to participate in any residual surplus of the Credit Union upon winding up.

#### **Ranking of Security**

At the date of this Investment Statement, there are no claims that rank in priority to or equally with members' claims, except for the settlement bond set out in the "Transactional Banking Facilities" paragraph below and claims given priority by the Trust Deed or by law, for example any moneys owing to the Prudential Supervisor and any unpaid wages and taxation.

The repayment of moneys owing on all members' shares is secured by a first ranking security interest over the whole of the Credit Union's property and business. This security has been granted in favor of the Prudential Supervisor, which has

registered a financing statement under the Personal Property Securities Act 1999.

#### **Transactional Banking Facilities**

In December 2012 the Credit Union entered into various documents which allow the Credit Union to use the MasterCard brand and offer MasterCard services to its members. The Credit Union is required to lodge a settlement bond with the NZACU to cover any losses by the NZACU or Westpac in connection with the facilities. This settlement bond, if called, would rank in priority ahead of members' deposits. For further details of the settlement bond see the prospectus.

#### **Additional Security**

With the prior written consent of the Prudential Supervisor, the Credit Union may grant a security interest over or affecting all or any part of its assets, and any such security interest may take priority to the members' claims for withdrawals secured by the Trust Deed.

#### **CAN THE INVESTMENT BE ALTERED?**

##### **Alteration by Members**

You may alter the number of shares that you hold in the Credit Union or the type of share account in which you hold your shares, subject always to the particular terms and conditions of your share account(s).

You may be required to pay account charges when altering your investment. You should refer to "*What are the Charges?*" for a description of these charges. You cannot otherwise alter your investment.

##### **Alteration by the Credit Union**

The Credit Union reserves the right at its absolute discretion to vary the terms, conditions or rate of return of any share account from time to time. You will be provided with notice of any such alteration, which may be by way of inclusion in the Credit Union's newsletter. Any alteration of the rate of return will not apply to shares already placed in term share accounts.

##### **Trust Deed**

In the event the Credit Union breaches its obligations under the Trust Deed, the Prudential Supervisor may exercise its rights of enforcement, which may include appointing a receiver or requiring the immediate repayment of all moneys (including member's share subscriptions) secured under the equitable assignment by way of security.

#### **HOW DO I CASH IN MY INVESTMENT?**

##### **Cessation of Membership**

You may withdraw from membership of the Credit Union at any time. In such event all amounts paid on shares plus any returns owed will be paid to you as funds become available but only after deducting all amounts due from you to the Credit Union. The terms outlined under the heading "Withdrawals" below will apply to payments made to you as a withdrawing member.

##### **Minimum Shareholding**

You will cease to be a member of the Credit Union if you cease to hold at least ten fully paid-up shares in the Credit Union.

##### **Termination of Non Qualifying Member**

Should you cease to meet the membership criteria of the Credit Union you will be deemed to be a "non-qualifying member".

If the number of non-qualifying members exceeds 10% of the total membership of the Credit Union, the Board shall terminate the membership of as many non-qualifying members as is necessary to reduce the number to 10% of the total membership.

##### **Expulsion of Member**

You may be expelled from membership by a two-thirds majority vote of the members present at a special general meeting of members called for that purpose.

## **Withdrawals**

Subject to the provisions of the Act, you will operate your share account(s) in a similar manner to a bank account. While on call shares are usually available to be withdrawn at call, the Act provides for a 60-day notice period for withdrawal.

Methods of withdrawal available to you may include presenting signed withdrawal slips at one of the Credit Union's branch offices during their ordinary office hours, by using ACCESSCARD (a debit card) through the EFTPOS network system and at certain ATMs, by using the Access Debit Card through the eftpos network system and online purchases, the Mobile APP, direct debit, automatic payment, internet banking or cheque. The Credit Union will advise you what methods of withdrawal are available to you when you open a share account. The methods of withdrawal may differ for each share account.

If a withdrawal of shares would reduce your paid-up shareholding in the Credit Union to less than your total liability to the Credit Union then for a non-qualifying member, the withdrawal will not be permitted and in any other case the withdrawal will be permitted at the discretion of the Board.

The Credit Union is not entitled at law to consent to any withdrawals from your share account(s) where the Credit Union is unable to meet its debts as they fall due.

## **Early Repayment**

The policy of the Credit Union is to not make repayments prior to maturity on term or special share accounts.

In the event of financial hardship or extraordinary circumstances, you may make written application to the Credit Union for repayment prior to maturity. The Credit Union may exercise its discretion to repay the funds in whole or in part. In such case the return payable may be subject to adjustment in accordance with the terms of the share account. As at the date of this Investment Statement, the usual rate of return will be reduced by 2% in the event of an early repayment.

## **Right to Sell Securities**

Shares in the Credit Union are not generally transferable. However, you may nominate someone to receive your shareholding upon your death up to a maximum of \$2,000. Any such nomination must be in writing, signed by you and delivered or sent to the registered office of the Credit Union.

## **WHO DO I CONTACT WITH INQUIRIES ABOUT MY INVESTMENT?**

All staff and management of the Credit Union can assist with any questions about investing in shares in the Credit Union. Staff and management of the Credit Union can be contacted at the Credit Union's office during office hours.

The ACU investment line is 0800 442 860.

## **IS THERE ANYONE TO WHOM I CAN COMPLAIN IF I HAVE PROBLEMS WITH THE INVESTMENT?**

Any complaint about an investment should, in the first instance, be made to the Chief Executive of the Credit Union, and if you still have problems the Board. The manager, chief executive officer and the Board can be contacted at the address and on the number described in "The Credit Union" detailed on page 1.

If after discussing any concerns with the above persons, you are still not satisfied, you may contact the Prudential Supervisor (at the address shown at page 1 of this Investment Statement), the Registrar of Friendly Societies and Credit Unions or Financial Services Complaints Limited ("FSCL").

The Registrar's contact details are: Companies Office, Level 18, ASB Centre, 135 Albert Street, Private Bag 92061, Auckland 1141 Phone 0508 266726 Fax (09) 912 7787.

As a financial service provider registered under the Financial Service Providers (Registration and Dispute Resolution) Act 2008, the Credit Union is a member of an approved dispute resolution scheme. The scheme is operated by FSCL.

FSCL's contact details are: PO Box 5967, Lambton Quay, Wellington 6145, Phone: 0800 347257 or (04) 472FSCL (472 3725), Fax (04) 472 3727, Website: [www.fscl.org.nz](http://www.fscl.org.nz), Email: [info@fscl.org.nz](mailto:info@fscl.org.nz).

There is no ombudsman to whom complaints can be made.

## **WHAT OTHER INFORMATION CAN I OBTAIN ABOUT THIS INVESTMENT?**

### **Credit Union**

You can obtain further information about the share offer detailed in this Investment Statement, and the Credit Union, by requesting a copy of the Rules, the Trust Deed, the Credit Union's most recent registered prospectus and audited financial statements. A fee may apply. The documents can be requested from the Credit Union's office and can be inspected during office hours and on the Credit Union's web site.

### **Companies Office**

You can view the above documents, along with any material contracts listed in the prospectus, for free on the Companies Office website [www.business.govt.nz/companies](http://www.business.govt.nz/companies) under "search other registers". Copies may also be obtained by telephoning the Companies Office on the number above (a fee may apply).

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