



AOTEAROA CREDIT UNION

Investment Statement

25 February 2010

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:

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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.

Engaging An Investment Adviser

An investment adviser must give you a written statement that contains information about the adviser and his or her ability to give advice. You are strongly encouraged to read that document and consider the information in it when deciding whether or not to engage an adviser.

Tell the adviser what the purpose of your investment is. This is important because different investments are suitable for different purposes, and carry different levels of risk.

The written statement should contain important information about the adviser, including:

- relevant experience and qualifications, and whether dispute resolution facilities are available to you; and

- what types of investments the adviser gives advice about; and
- whether the advice is limited to investments offered by 1 or more particular financial institutions; and
- information that may be relevant to the adviser's character, including certain criminal convictions, bankruptcy, any adverse findings by a court against the adviser in a professional capacity, and whether the adviser has been expelled from, or prohibited from joining, a professional body; and
- any relationships likely to give rise to a conflict of interest.

The adviser must also tell you about fees and remuneration before giving you advice about an investment. The information about fees and remuneration must include:

- the nature and level of the fees you will be charged for receiving the advice; and
- whether the adviser will or may receive a commission or other benefit from advising you.

An investment adviser commits an offence if he or she does not provide you with the information required.

What Sort Of Investment Is This?

Description Of The Securities

This Investment Statement details an offer of \$1 fully paid-up redeemable shares ("shares") in Aotearoa Credit Union ("Credit Union"). The shares are treated as debt securities for the purposes of 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 Makarau, Hauraki Waikato, Wairariki, 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.

You must come within this section of the public in order to be eligible to subscribe for shares in the Credit Union.

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.

Members And Voting

Shareholders in the Credit Union are termed "members". As a member, your shareholding is held in one or more of the share accounts operated by the Credit Union and nominated by you. The share accounts are described later in this Investment Statement.

As a member you have a degree of control over the strategic affairs of the Credit Union. At the annual general meeting, members vote on the appointment of the directors and trustees of the Credit Union, authorise annual directors' fees and

any amendment to the Credit Union Rules ("Rules").

On every matter determined by a vote of members of the Credit Union, each member is entitled to vote. However, each member has one vote only, irrespective of the number of shares held by that member or as to whether the shares are held jointly with any other person. Members who are charitable entities or incorporated societies are entitled to appoint a representative to vote on their behalf.

WHO IS INVOLVED IN PROVIDING IT FOR ME?

The Credit Union

The issuer of the shares is the Credit Union. The Credit Union's contact details are as follows:

- **Registered Office**
Aotearoa Credit Union
9-11 St George Street
PO Box 200-175
Papatoetoe, Auckland
- **Clendon Branch**
Shop D7, Clendon Shopping Centre
Cnr Roscommon and Palmer Roads, Clendon
Ph: (09) 269 6226 Fax: (09) 269 6003
Hours: 9.00 am to 4.30 pm Monday to Friday
- **Hamilton Branch**
4/960 Victoria St, Hamilton
Ph: (07) 839 3933 Fax: (07) 839 6482
Hours: 9.00am to 4.00pm Mon to Fri
- **Glen Innes Branch**
21 Mayfair Place, Glen Innes Shopping Centre,
Glen Innes, Auckland
Ph: (09) 521 7217 Fax: (09) 521 7084
Hours: 9.00 am to 4.30 pm Monday to Friday
- **Otahuhu Branch**
4/507 Great South Road, Otahuhu
Ph: (09) 270 6297 Fax: (09) 276 1306
Hours: 9.00 am to 4.30 pm Monday to Friday
- **Otara Branch**
Shop 5, Kew Centre, Kew Lane, Otara
Ph: (09) 265 0046 Fax: (09) 265 0040
Hours: 9.00 am to 4.30 pm Monday to Friday
9.00 am to 12.00 noon Saturday
- **Papatoetoe Branch**
9-11 St George Street, Papatoetoe, Auckland
Ph: (09) 277 8244 Fax: (09) 279 8228
Hours: 9.00 am to 4.30 pm Monday to Friday
10.00 am to 1.00 pm Saturday
- **Wanganui Branch**
147 Victoria Avenue, Wanganui
Ph: (06) 345 6045 Fax: (06) 345 6045
Hours: 9.00 am to 4.30 pm Monday to Friday
- **Mangere Branch**
Shop 4, 18 The Concourse,
Mangere Town Centre
Ph: (09) 257 4453 Fax: (09) 257 5176
Hours: 9.00 am to 4.30 pm Monday to Friday
- **Papakura Branch**
16 Broadway, Papakura
Ph: (09) 296 2405 Fax: (09) 296 2403
Hours: 9.00 am to 4.30 pm Monday to Friday

- **Porirua Branch**

18 Hartham Place, Porirua

Opens late March 2010

Hours (when open): 9.00 am to 4.30 pm
Mon to Fri

- **Botany Junction Head Office**

Unit B, 123 Ormiston Road, Botany Junction,
Manukau City

Ph:(09) 250 2491 Fax: (09) 279 8596

The Prudential Supervisor

The Credit Union has appointed Perpetual Trust Limited ("*Prudential Supervisor*") to act as trustee for the purpose of the Securities Act 1978. The Prudential Supervisor's contact details are as follows:

- Perpetual Trust Limited
Level 6, AMP Chambers, 187 Featherston St
PO Box 3845, Wellington
Ph: (04) 470 9600 Fax: (04) 470 9623

The Credit Union and Prudential Supervisor have entered into a trust deed dated 18 October 2001, as supplemented and amended by a PPSA covering deed in relation to the trust deed dated 31 October 2002, ("*Trust Deed*") to record the Prudential Supervisor's appointment and the parties' respective rights and obligations. The Trust Deed has been registered with the Registrar of Companies.

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

Activities Of The Credit Union

The Credit Union is a not-for-profit financial co-operative registered as a credit union under the Friendly Societies and Credit Unions Act 1982 ("*the Act*"). The objects 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 over the past five years has been to provide a co-operative savings facility for members, through the issue of shares, to form a loan fund. On 1 October 2008, Aotearoa Credit Union accepted a transfer of engagements from the Clerical & Industrial Credit Union.

Loans to Members

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

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

All applications for loans must be made on the form prescribed by the board of the Credit Union from time to time. You will be required to detail in the application form the purpose for which the loan is desired, the security offered (if any) and such other information as the Credit Union may require. You can obtain a loan application form from any of the Credit Union's branch offices.

For further details of the Credit Union's terms and conditions of lending, please contact the Credit Union.

The board of the Credit Union reserves the right to decline any application for a loan without giving any reason.

HOW MUCH DO I PAY?

Moneys Payable By You

The shares are of a fixed amount, being \$1, and cannot be allotted to you until fully paid up in cash. However, 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.

Your shares will rank equally with all other members' shares issued by the Credit Union.

Minimum And Maximum Shareholding

You must hold at least ten fully paid up shares in the Credit Union. You cannot hold or claim any interest in the shares of the Credit Union exceeding \$250,000.

Application And Payments For Shares

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

You must deliver your membership application form, payment for your initial share subscription and evidence of identification in person to any one of the Credit Union's branch offices.

The Credit Union will only accept your application if you meet the Credit Union's membership criteria specified in the Rules and on page 1 of this Investment Statement. Further, the Credit Union reserves the right to accept or decline your application without giving any reason for its decision.

Once you have become a member of the Credit Union, all payments received by the Credit Union from you or for your account will be deemed to be an application by you to subscribe for additional shares in the amount of the payment received.

The Credit Union may accept subscription payments in cash, by personal or bank cheque, direct credit, automatic payment, salary or wage deduction or as otherwise agreed in writing by the Credit Union.

Work and Income New Zealand ("WINZ") and a number of local businesses will deduct a member's share subscriptions directly from his or her salary, wage or benefit (as the case may be) upon request and direct credit the payment to the member's share account with Credit Union. This arrangement

may be put in place by the Credit Union if you so request and WINZ or the relevant business agrees.

WHAT ARE THE CHARGES?

Types And Amount Of Fees And Charges

In addition to the cost of shares, you may be required to pay account and membership fees and charges.

The types of fees and charges and the current amount of those fees and charges that may be payable by you at the date of this Investment Statement are:

Debit Card Fees (per transaction):

ATM withdrawal/enquiry-non ACU	\$2.00
ATM withdrawal/enquiry-ACU	\$1.00

International ATM withdrawal	\$7.00
International ATM enquiry	\$0.80
EFTPOS	\$0.50
International EFTPOS withdrawal	\$0.80
ACCESSCARD Maestro overseas transaction	
Fee based on overseas transaction amount	2.5%
Card issue	\$5.00
Card replacement	\$15.00
PIN replacement	\$5.00

Counter/Administrative Fees (per transaction)

Cash withdrawal over counter	\$3.00
Transfer between accounts over the counter	\$3.00
Stopped cheques	\$25.00
Special Answer	\$20.00
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 Direct Debit	\$25.00
Traces and voucher searches	\$13.00
ACCESSTXT (027 & 025 Mobile Phones)	\$1.00
ACCESSTXT (021 Mobile Phones)	\$1.00
Credicare claim – maximum of	\$2.00
Faxing at member's request	\$5.00
Statement search	\$50.00

Account Fee

Account fee (per month or part month)	\$2.50
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Lending Fees

Loan application fee within shares	\$20.00
Loan application fee – Emergency loans	\$35.00
Loan application – above share loan	\$40.00

Debt Collection

Instruction fee	per invoice
Debtor trace – successful/unsuccessful	per invoice
Debt recovery field visit	per invoice
Repossession/per attempt	per invoice
Delinquent loan letters and subsequent letters	\$20.00

If your total share balance is \$3,000 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 \$3,000.

You will still 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.

If the Credit Union incurs charges from any other organisation when acting on your behalf, for example, 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

The levying of the 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.

Not all of the share accounts offered by the Credit Union are subject to all of the fees and charges specified above. To confirm the types and amount of fees and charges payable by you in respect of any share account, please contact the Credit Union.

Alteration Of Fees And Charges

The Credit Union reserves the right, at its absolute discretion, to vary the types, conditions or rate of any fees and charges payable by members from time to time. The Credit Union will provide members with notice of any variation and this notice may be by way of inclusion in the Credit Union's newsletter.

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 offers differing terms and conditions as to return, the minimum amount of shares required to be purchased and the timing of payments.

Rate Of Return

The rate of return on your shares is dependent on the type of share account in which the 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.

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

The board of the Credit Union reserves the right to vary any or all of the matters specified above, which may affect the rate of return on your shares. The Credit Union will provide members with notice of any variation and this notice 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 on page 6 for further details.

The amount of any surplus available for distribution to members (by way of return on the share accounts) is subject to the Credit Union's obligation to maintain a general reserve and a minimum equity position. Briefly, the Act requires

the Credit Union to maintain a general reserve at 5% of the total tangible assets of the Credit Union. The general reserve cannot be utilised for the payment of returns. The Trust Deed requires that the Credit Union must not permit its total equity to fall below 8% of its total assets.

On Call Share Accounts

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

The minimum shareholding for each of these on call share accounts is \$10.00.

Withdrawals may be made from each of these on call share accounts on demand.

Shares in on call share accounts may, subject to the Credit Union's rights to vary the rate of return and the timing of payments, receive a monthly return from the profits of the Credit Union. As at the date of this Investment Statement, the return on the on call share accounts is calculated on the minimum monthly balance of the relevant share account as follows:

- **Junior Savers Account**
 - 2.00% per annum ("p.a.") on balances up to \$499
 - 3.00% p.a. on balances from \$500 to \$999
 - 4.00% p.a. on balances over \$1,000
- **Serious Saver Account**
 - 2.00% p.a. on balances up to \$499
 - 3.00% p.a. on balances from \$500 to \$999
 - 4.00% p.a. on balances over \$1,000

The rates of return are set throughout the year according to the market conditions, and are dependent on the profitability of the Credit Union, as described under the heading "What Are My Risks?" on page 6.

All returns are paid at month end, unless varied by the Credit Union.

The Access Account is a transactional account and, as such, no return is paid on it.

Please contact the Credit Union for further details about the on call share accounts.

Notice Of Withdrawal Account

The Loan Provider Account is the only notice of withdrawal account offered by the Credit Union at the date of this Investment Statement.

There is a minimum shareholding of \$10.00 for this account.

Withdrawals may only be made from this account on 14 days' notice.

Shares in this account may, subject to the Credit Union's right to vary the rate of return, receive a return from the profits of the Credit Union. At the date of this Investment Statement, the return on the Loan Provider Account is 2.00% p.a. on the minimum monthly balance. All returns are paid annually, unless varied by the Credit Union.

Please contact the Credit Union for further details about the notice of withdrawal account.

Term Share Account

Shares in a term share account will earn a return at the rate specified by the Credit Union upon subscription. This rate of return will generally be comparable to the rates offered for term deposits by other saving institutions.

At the date of this Investment Statement the minimum amount of shares that must be held in a term share account is \$500 and 1, 3, 6, 9, 12 and 24 month terms are offered.

At the date of this Investment Statement, the return on the term share accounts is calculated based on the period of investment as follows:

1 Month:	3.50% p.a.
3 Months:	4.00% p.a.
6 Months:	5.25% p.a.
9 Months:	5.00% p.a.
12 Months:	6.50% p.a.
24 Months:	5.00% p.a.

Your return is calculated and paid either monthly, quarterly or at the end of the term investment, at your option. The return may be compounded to the principal or paid to another share or bank account.

Please contact the Credit Union for further details about the term share accounts.

Special Share Accounts

The Credit Union offers the following special share accounts: Christmas Club Account, and Golden Years package.

The minimum shareholding for the Christmas Club Account is \$10.00. There is no minimum shareholding for the Golden Years Package.

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 calculated at 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.

The Golden Years Package is a package comprising 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 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.

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

Please contact the Credit Union for further details about the special share accounts. The Credit Union intends to cease operating one or more of the special share accounts. Further details will be

provided to members with these accounts in due course.

Confirmation Of Share Accounts And Returns

To confirm the share accounts offered by the Credit Union at the date of your subscription 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 the period of membership, forward you a statement of your share account(s) with the Credit Union. You may use the Credit Union's automated telephone service, or cellular phone text messaging service, to establish the balance of your share accounts. A member must obtain a log-in identification and password from the Credit Union before using the automated telephone service for the first time. To use the automated telephone service, you should call 0800 240 200 to register with the Credit Union for the use of the cellular phone text service. These automated balance services are generally available twenty-four hours a day, seven days a week.

Maturity

Shares placed in term share accounts and special share accounts will mature on the expiry of their invested term, as described above. With term share accounts you may instruct the Credit Union to automatically reinvest the shares when they mature. The reinvested shares will earn the return applicable at the time of reinvestment to the share account nominated. You will receive a notice of reinvestment.

Payment Of Returns

Returns payable on your shares will be credited to your share account(s) at such intervals as are provided in the terms and conditions of the relevant share account(s), as those may be amended by the Credit Union.

Obligations To Pay Returns

The Credit Union is, subject to the terms of your share account(s) and the Act, legally obliged to pay the returns on your share account(s) to you, when due.

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.

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.

New Zealand Deposit Guarantee Scheme

The Credit Union has a guarantee under the New Zealand deposit guarantee scheme.

The Crown made an offer to the Credit Union to enter into a revised deed of guarantee, to apply from 1 January 2010. However, the board of the Credit Union is of the view that the Credit Union is financially sound and has decided not to enter into the revised deed of guarantee.

This means that investments with the Credit Union as at 31 December 2009 will be covered under the existing guarantee scheme, in the event of a default by the Credit Union occurring prior to 12 October 2010. However, investments made on and from 1 January 2010 will not be covered by any Crown Guarantee.

The following information is available, free of charge and at all reasonable times, on the internet site maintained by, or on behalf of, the Treasury, at www.treasury.govt.nz:

- Further information about the deposit guarantee scheme; and
- The most recent audited statement of financial position of the Crown.

WHAT ARE MY RISKS?

Risks

The principal risks of the money paid by you not being recovered in full, your not receiving the returns described under the heading "*What Returns Will I Get?*" or being required to pay more money in respect of the shares than disclosed under the heading "*How Much Do I Pay?*" or "*Consequences Of Insolvency*" are as follows:

- **Market Conditions**

Like all savings and/or loan institutions, the Credit Union will be affected by the state of the New Zealand and international economies. Economic slowdowns or recessions will likely have a negative impact on the potential and existing members' saving and borrowing habits, with a consequential flow-on-effect for the growth and profitability of the Credit Union. In particular, if there is an economic slowdown and a high number of the Credit Union's members become unemployed or otherwise unable to meet their loan repayment obligations, this may affect the profitability and solvency of the Credit Union.

- **Compliance Risk**

Compliance risk is the risk of legislative or regulatory changes impacting on the Credit Union. If the Credit Union had to make changes to comply with new legislation this would be likely to increase the Credit Union's compliance costs, which could affect the Credit Union's profitability and the returns payable to members. In particular, the Credit Union will be impacted upon by minimum capital requirements to be introduced in 2010.

- **Government Policy Risks**

Policies and decisions of the Government and other local or national regulatory bodies may also impact on the members' saving and borrowing habits with a consequential flow-on effect for the growth and profitability of the Credit Union and returns paid to members.

A significant number of the Credit Union's members receive income assistance from the Government. There is the risk that should the Government decide to substantially reduce the level of assistance payments, the affected members would be unable to meet their loan repayment obligations to the Credit Union.

However, this risk is limited due to the large number of members included in the Credit Union's loan portfolio and the relatively small average borrowing.

- **Liquidity Risk**

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

In this context, loans to members are repayable on demand and the Credit Union has the right to require a sixty-day notice period for the repayment of members' shares held at call.

- **Competition Risk**

Under the Act the Credit Union is restricted as to the persons it may accept as members. This restriction is called the Credit Union's common bond and is described under the heading "*What Sort Of Investment Is This?*" on page 1. With a common bond centred around a specific geographical area the Credit Union is competing with banks, finance companies and other financial institutions operating in the wider national savings and loans market. This restriction on membership may affect the Credit Union's profitability and the returns payable to members.

- **Member Returns**

The rate of return on members' shares is dependent on annual surpluses being earned through the ongoing profitability of the Credit Union. The rate of return on the shares is therefore dependent on the ability of the board of the Credit Union and senior management to prudently manage the Credit Union and generate an operating surplus for its members. The payment of a return is not guaranteed by the Credit Union.

- **Credit Risk**

The Credit Union relies on its members to repay their loans and to make interest payments on the due date. The Credit Union takes security over assets to secure most of the loans it makes using chattels and motor vehicles and the deposits that members hold with the Credit Union. 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 will make a loss on that loan. If this occurs in relation to a significant number of the Credit Union's loans the value of the interest and / or dividends payable to the members will fall. If this was substantial enough to cause the winding up of the Credit Union, then the value of members' shares will fall.

The Credit Union has a credit policy which is used to manage its exposure to credit risk. As part of this policy credit evaluations are made on members who wish to borrow money, limits

on exposures are set, and lending is subject to defined criteria and is monitored and controlled by prudent credit measures.

As at 31st December 2009 the Credit Union had \$1,050,000 invested through the New Zealand Association of Credit Unions' ("NZACU") central banking deposit scheme and \$352,688 of capital notes issued by the NZACU. These investments are permitted under the Trust Deed as investments in a "Prime Debtor". There are no trust arrangements governing such deposits. Accordingly, there is a concentration of credit risk with respect to investments by the Credit Union in the NZACU.

The Credit Union is in the process of finalising arrangements for a new business venture in Whangarei, whereby loans will be provided to customers of a local Whangarei department store, provided those customers first become members of the Credit Union. The Credit Union intends to appoint Profile Finance Limited ("PFL") to manage these loans. Loans made under this venture will be advanced through a bank account operated jointly by the Credit Union and PFL. As this account is not under the sole control of the Credit Union there is a credit risk on PFL in connection with funds in the account. As at the date of this Prospectus, the Credit Union is looking at ways to mitigate this risk.

Further details in relation to this venture are set out in the Credit Union's current registered prospectus.

- **Share Account Fees And Charges**

Members of the Credit Union are required to pay account and membership fees and charges. The fees and charges payable by members at the date of this Investment Statement are outlined under the heading "What Are The Charges?" on page 3 of this Investment Statement. These fees and charges are deducted from the member's share account and reduce the amount repayable to the member by the Credit Union.

- **Credit Rating Exemption**

From 1 March 2010, the Reserve Bank of New Zealand Act 1989 will require every deposit taker (unless otherwise exempted), including credit unions, to have a current rating of its creditworthiness given by an approved rating agency.

The Credit Union will not be required to obtain a credit rating as it will operate under the exemption contained in the Deposit Takers (Credit Ratings Minimum Threshold) Exemption Notice 2009. The creditworthiness of the Credit Union will therefore not be rated by an approved rating agency under the above Act. The Exemption Notice will apply to the Credit Union because it has liabilities of less than \$20 million and it would be unduly onerous and burdensome for the Credit Union to comply with the requirement to have a credit rating.

The exemption is conditional on the Credit Union providing to the Reserve Bank, annually prior to March in each year, a statement from the directors of the Credit Union that the Credit Union meets the requirements of the exemption and that the Credit Union will be operating on the basis of the exemption for that forthcoming year. Figures supporting the directors' statement must be attached to this statement.

- **Insolvency**

The Credit Union must remain solvent, that is, its assets must exceed its liabilities and it must be able to meet its debts as they fall due. Long-term profitability contributes towards solvency as this enables the Credit Union to maintain adequate reserves.

The Credit Union could become insolvent and/or 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 or otherwise, the Credit Union is for any reason unable to pay its debts as they fall due.

If the Credit Union fails to maintain adequate reserves, it may be suspended from trading by the Registrar of Friendly Societies and Credit Unions or the Prudential Supervisor.

Consequences Of Insolvency

Should the Credit Union ever become insolvent:

- You will not be required to pay any additional moneys other than those owing to the Credit Union under your shares (if any) and any outstanding loan balance;
- The Credit Union is legally obliged to reject all requests for withdrawals from your share accounts, and shall not be entitled to make any further loans; and
- A member's claim will rank equally with all other members' claims (including those who invest under a prior or later prospectus). Other claims by third parties may rank in priority to members' claims. Please see "Ranking Of Security" below.

Winding Up

On a dissolution or winding up of the Credit Union, members will receive no more than \$1.00 per share plus any returns owed. Members do not share in any surplus arising from the sale and distribution of the Credit Union's assets. Such assets will be applied in accordance with the Rules and paid to the NZACU or, alternatively, applied to charitable purposes in the event of a resolution being carried to that effect by the majority of members at the general meeting called to dissolve or wind up the Credit Union.

Ranking Of Security

Members' shares are secured to the extent permitted by law by a first ranking equitable assignment by way of security over the whole of the Credit Union's present and future undertaking, property, assets and revenues, including the proceeds received for the subscriptions of shares and unpaid share capital (if any). The equitable assignment by way of security has been granted in

favour of the Prudential Supervisor and is detailed in the Trust Deed.

The equitable assignment by way of security creates a security interest in the Credit Union's present and after-acquired personal property and the Prudential Supervisor has registered a financing statement under the Personal Property Securities Act 1999 in respect of the same.

If you have given notice of withdrawal of your shares prior to liquidation of the Credit Union, and except to the extent that the Credit Union has granted prior ranking securities, your claim will rank ahead of claims by any other creditors.

However, if at the time of liquidation you have not given a notice of withdrawal of your shares and the Prudential Supervisor has not exercised its powers under the Trust Deed to accelerate repayment of the moneys owing in respect of all members' shares, then you will be treated as a shareholder in the liquidation of the Credit Union and rank behind all secured and unsecured creditors.

At the date of this Investment Statement, there are no claims that rank in priority to or equally with members' claims, except for 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.

Additional Security

With the prior consent of the Prudential Supervisor the Credit Union may grant a security interest over or affecting all or any part of its assets, which may rank in priority to or equally with members claims. No such interests exist at the date of this Investment Statement.

CAN THE INVESTMENT BE ALTERED?

Alteration By You

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 terms and conditions of the relevant share account.

You may be required to pay account charges when altering your investment. You should refer to "*What Are The Charges?*" on page 3 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, timing of payments, rate of return or fees and charges of any share account from time to time. Any alteration of the rate of return will not apply to shares already placed in term share accounts.

The Credit Union will provide members with notice of any variation and this notice may be by way of inclusion in the Credit Union's newsletter.

Trust Deed

The terms, conditions or rate of return of any share account may also be altered by a change to the Trust Deed. Any change to the Trust Deed must be agreed upon by the Credit Union and Prudential Supervisor.

In the event that the Credit Union breaches its obligations under the Trust Deed, the Prudential Supervisor may exercise its rights of enforcement, which include, but are not limited to, giving directions, appointing a receiver or requiring the immediate repayment of all moneys (including members' 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 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 cannot become, or will cease to be, a member of the Credit Union if you do not hold at least ten fully paid up shares in the Credit Union.

Termination Of Non-Qualifying Member's Membership

Should you cease to meet the membership criteria of the Credit Union, or fail to operate at least one share account during any twelve-month period, you will be deemed to be a "*non-qualifying member*".

The number of non-qualifying members must not exceed 10% of the total membership of the Credit Union. In such event the board of the Credit Union will terminate the membership of as many non-qualifying members as is necessary to reduce the number to 10% of the total membership.

If your membership is terminated in this manner, you will be repaid your shares plus any returns owed, in accordance with the terms outlined under the heading "*Cessation Of Membership*".

Expulsion Of Member

You may be expelled from membership by a two-thirds majority vote of members present at a special general meeting duly called for that purpose. In such event, you will be repaid your shares plus any returns owed in accordance with the terms outlined under the heading "*Cessation Of Membership*".

Withdrawals

Subject to the provisions of the Act, you will operate your share account(s) in a similar manner to a bank account.

While shares are usually available to be withdrawn on call or on notice, as described on page 4, the Rules provide that a 60-day notice period for withdrawals may be required.

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, 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 share holding in the Credit Union to less than your total liability (including any contingent liability) to the Credit Union then:

- If you are a non-qualifying member, the withdrawal will not be permitted; and
- In any other case the withdrawal will be permitted only at the discretion of the board of the Credit Union.

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 for term share 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 of any shares held in term share or special share accounts. The Credit Union may exercise its discretion to repay the funds in whole or in part. In such case the return payable will be subject to adjustment in accordance with the terms of the share account and the charges itemised on Page 3.

Right To Sell Securities

Shares in the Credit Union are generally non-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 ENQUIRIES ABOUT MY INVESTMENT?

All staff and management of the Credit Union can assist with any questions about investing in shares in the Credit Union. The management of the Credit Union can be contacted at the Credit Union's head Office.

IS THERE ANYONE TO WHOM I CAN COMPLAIN IF I HAVE PROBLEMS WITH MY INVESTMENT?

Any complaint about your investment in the Credit Union should, in the first instance, be made to the manager of the Credit Union or, if you still have problems, the board of the Credit Union.

If after discussing your concerns with the manager and board of the Credit Union, you are still not satisfied, then you may contact either:

- The Prudential Supervisor; or
- The Registrar of Friendly Societies and Credit Unions, whose contact details are:
Companies Office
Ministry of Economic Development ("MED")
Level 18, ASB Building
135 Albert Street
Private Bag 92061

Auckland
Phone: 0508 266726
Facsimile: (09) 912 7787

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 Credit Union's current registered prospectus, the Trust Deed, and the Credit Union's most recent audited financial statements.

The documents can be requested from the Credit Union's branches. The documents can also be inspected during normal office hours at the Credit Union's branches.

Companies Office

The Rules, the Credit Union's current registered prospectus, and the Credit Union's audited financial statements are available on the Companies Office website at www.companies.govt.nz under "Search the Register>>Search Other Registers". The Companies Office will not charge a fee for accessing documents from the Credit Union's online file. The file number in relation to this file is 1802887.

Where relevant documents are not available on the website, a request for documents can be made (on payment of a fee) by contacting the MED Business Service Centre (toll free) on 0508 266 726.