

NOTICE OF SPECIAL MEETING

You are invited to a Special Meeting of New Zealand Firefighters Credit Union (the **Credit Union**)

On: Wednesday 2 June 2021 at 2.00pm

At: Petone Working Men's Club – 47 Udy Street, Petone, Lower Hutt

BACKGROUND

The Credit Union and Credit Union Baywide have been in discussions regarding a transfer of engagements. The Credit Union proposes to transfer all of its engagements to Credit Union Baywide, and Credit Union Baywide proposes to accept the transfer pursuant to section 135(3) of the Friendly Societies and Credit Unions Act 1982 (the **Act**). Please ensure that you read the following notified motion together with the information attached to this Notice of Special Meeting.

Further details of the reason and background to this proposal are detailed below.

AGENDA

1. Opening statement by the Chair of the Board for the Credit Union
2. Apologies
3. Business of the Meeting
4. Close of Meeting

The business of the Special Meeting is to consider, and if thought fit to pass, the following Special Resolution:

Special Resolution:

That New Zealand Firefighters Credit Union (the Credit Union) transfers all its engagements to Credit Union Baywide, and to this end:

- *the Board of the Credit Union is authorised and directed to enter into all documentation necessary to effect the same, and*
- *the Supervisor for the Credit Union is authorised to take all such steps as may be necessary to effect the transfer of engagements of the Credit Union to Credit Union Baywide, including releasing its security over the assets of the Credit Union.*

Transfer of Engagements to Credit Union Baywide

The Special Resolution regarding the transfer of engagements will be passed, if it is approved by not less than 75% of those members that are for the time being entitled to vote and who vote on the matter.

BOARD RECOMMENDATION

The Board has considered the effects of the proposed transfer of engagements to Credit Union Baywide very carefully and recommends unanimously to members that they vote in favour of the Special Resolution.

REASONS FOR THE PROPOSED TRANSFER OF ENGAGEMENTS

Our annual compliance and audit requirements have been increasing in complexity and cost in the past six years. We are a small Credit Union and whilst we have done our best to continue operating as New Zealand Firefighters Credit Union, that is no longer a financially viable option. The Board actively sought out a potential arrangement with other similar organisations to share this burden and reduce future costs and time on compliance and audit so we can focus on our core business of helping our members. The Board determined that a transfer of engagements with another Credit Union was a viable option.

The Credit Union operates in accordance with the Trust Deed (**Trust Deed**) entered into between the Credit Union and Covenant Trustee Services Limited (**Supervisor**) and its Rules (**Rules**), both as amended and replaced from time to time, which are registered in accordance with the Act.

The Credit Union is in breach of its undertakings under the Trust Deed:

- to lodge audited financial statements for the year to 30 June 2020; and
- to maintain a capital ratio in excess of 10%,

(each an **Event**).

Specifically, in regard to the first Event, the Credit Union was required to complete its audited financial statements for the year ended 30 June 2020 by 31 December 2020 and lodge those statements on the Disclose Register (sections 460, 461D and 461H of the Financial Markets Conduct Act 2013 and section 127(3)(b) of the Friendly Societies and Credit Unions Act 1982). However, the Credit Union has failed to comply with these requirements and as a result has breached clause 7.1(f) of the Trust Deed.

On 5 January 2021 the Supervisor provided the Credit Union with notice pursuant to the Trust Deed requiring it to remedy the breach by completing, auditing, and lodging its audited financial statements by 26 January 2021.

The Credit Union was unable to comply with that notice and on 29 January was advised by the Supervisor that an Event of Default (as that term is defined in the Trust Deed) had occurred under Clause 10.1(c) of the Trust Deed.

In regard to the second Event, the Credit Union is required to ensure its capital ratio is not less than 10% under the Trust Deed, and in accordance with regulations made under the Non-Bank Deposit Takers Act 2013 (**NBDT Act**). The Credit Union has failed to maintain a capital ratio in excess of 10% since at least 31 December 2020. As of February 2021, the capital ratio was 9.11%. The Credit Union is therefore in breach of clause 7.2 of the Trust Deed and the NBDT Act. It is expected that the Credit Union will continue to be in breach of the capital ratio minimum.

The Supervisor has indicated that this secondary breach pertaining to the capital ratio has resulted in a further Event of Review (as that term is defined in the Trust Deed) and Event of Default under Clauses 10.1(c) and 10.1(j) of the Trust Deed.

The Supervisor has the power to appoint a Receiver to the Credit Union at any time after an Event of Default has occurred.

Further details are set out in the current Product Disclosure Statement available on the Disclose Register <https://disclose-register.companiesoffice.govt.nz/>.

If the transfer of engagements is unsuccessful, then the Board would need to consider its options including potentially seeking an alternative transfer of engagements, or the Supervisor may exercise its power to appoint a Receiver.

For further information, please refer to the attached letter "*Proposal to Transfer Engagements to Credit Union Baywide*" and to the "*Frequently Asked Questions (FAQs)*". This is also available on our website at firefighters.co.nz

FURTHER IMPORTANT INFORMATION

Please refer to Schedule 1 for further information regarding the Special Resolution.

VOTING

- The Special Resolution regarding the transfer of engagements will be passed if it is approved by not less than 75% of those members that are for the time being entitled to vote and who vote on the matter.
- For joint accounts, the first named person on the account shall be eligible to vote.
- Only eligible members aged 16 or older as at Tuesday 1 June 2021 may vote.
- In the case of an equality of votes then the Chair shall be entitled to a casting as well as a deliberative vote.

The Rules of the Credit Union provide that each member may vote by being present in person at the Special Meeting, by proxy or by postal vote.

PROXY

Where a member appoints a proxy, that proxy is entitled to attend and be heard at a meeting of members as if the proxy were the member. A proxy need not be a member. A proxy must be appointed by notice in writing, in the form enclosed with this Notice. The proxy form must be signed by the member. Proxy forms must be received no later than 24 hours prior to commencement of the meeting and should be hand delivered to a branch or sent by post, fax, courier or email, to:

5 Britannia Street, Petone, Wellington
PO Box 33097, Wellington Mail Centre, Lower Hutt, 5045
(04) 5687860
nzfcu@firefighters.co.nz

If the written notice appointing a proxy is signed under a power of attorney, a copy of the power of attorney (unless already deposited with the Credit Union) and a signed certificate of non-revocation of the power of attorney must accompany the notice.

POSTAL VOTES

A postal vote shall be valid if it is received by the Credit Union no later than 4.00pm on Tuesday, 1 June 2021, being the business day before the date of the Special Meeting. A Scrutineer will be appointed to act at the Special Meeting, who shall ensure the inclusion of the postal vote in the voting tally.

Members may return postal votes either:

- by mail, if posted to the Credit Union to ensure that it reaches the Credit Union not later than 4:00pm on Tuesday, 1 June 2021; or
- by hand, to a suitable voting box at the branch no later than 4.00pm on Tuesday, 1 June 2021

QUORUM

The Rules of the Credit Union requires 15 members or their proxies to be present to constitute a quorum at the Special Meeting. If no quorum is present, an adjournment may be taken to a date not less than seven, or more than 17 days, thereafter. The members present at any date to which the Special Meeting is so adjourned shall constitute a quorum regardless of the number present. At least five days before the adjourned meeting, the secretary of the Credit Union will cause notice to be given to each member.

Transfer of Engagements Process

The proposed transfer of engagements involves the transfer of the Credit Union's assets and liabilities to Credit Union Baywide. In consideration of this transfer, Credit Union Baywide will undertake to meet the obligations of the Credit Union to the Credit Union's members and creditors.

In addition to the member approval sought to be obtained at the Special Meeting of the Credit Union:

- Pursuant to the requirements of the Trust Deed of the Credit Union, the consent of the Supervisor will be required to effect the transfer of engagement, and also for the discharge of the security created by the Trust Deed. The Credit Union is engaging with the Supervisor for the purpose of obtaining this consent.
- Under the Rules of Credit Union Baywide, the Board of Credit Union Baywide will need to approve the transfer of engagements by way of a resolution passed by not less than 75% of its directors voting in favour. This will be considered by the Board of Credit Union Baywide soon after the Special Meeting of the Credit Union.

If the Special Resolution is passed by the members of the Credit Union approving the transfer of engagements, and the other conditions above are satisfied, then the Special Resolution will be filed with the Registrar of Friendly Societies and Credit Unions (**Registrar**) pursuant to sections 135C(1) and 82(3) of the Act. Under section 82(4) of the Act, a period of six weeks is then allowed for objections.

If a member feels that the procedure for deciding on the transfer of engagements has not been consistent with the Act or the Rules, or if any person feels that they would be adversely affected to a substantial extent by the transfer of engagements then they may object in writing to the Registrar, Private Bag 92061, Victoria Street West, Auckland 1142. Any objection should be clearly stated and should describe what remedy is being sought.

The Special Resolution shall not take effect until the expiry of the objection period of six weeks, or other such period as prescribed by the Act.

Where the Special Resolution is registered by the Registrar, members will receive separate confirmation once it becomes effective.

Schedule 1 – Important Information

Financial Information and Interests

Important information required pursuant to section 135A(2) of the FSCU Act, including the financial position and other information of the Credit Union and Credit Union Baywide, is provided below.

| | Credit Union Baywide (CUB) | New Zealand Firefighters Credit Union (NZFCU) |
|---|--|---|
| Financial Position – audited (except for NZFCU)* | | |
| Date | 30/06/2020 | |
| Total Equity | \$57,513,000 | \$1,108,709 |
| Total Assets | \$513,801,000 | \$14,675,395 |
| Total Liability | \$456,288,000 | \$13,566,686 |
| Capital Ratio^ | 10.39% | 10.20% |
| Number of Members (as at accounts date above) | | |
| | 67,410 | 2,373 |
| Financial Position – unaudited | | |
| Date | 31/12/2020 | |
| Total Equity | \$58,462,000 | \$1,076,785 |
| Total Assets | \$500,813,000 | \$15,057,898 |
| Total Liability | \$442,351,000 | \$13,981,113 |
| Capital Ratio^ | 10.17% | 9.71% |
| Interests of Officers | | |
| | None of the officers of NZFCU nor CUB have any interest in the transfers of engagements, other than retaining their existing membership and associated rights (if any), and in certain cases, holding board seats for specified periods (and receiving the associated director fees) with the merged entity. | |
| Compensation and Payments | | |
| Compensation or Consideration to Officers | No compensation or consideration is to be paid to the Officers of NZFCU or CUB. | |
| Payments to Members | No payments are to be made to any Members of NZFCU or CUB. | |

*NZFCU's year-end financial information for 30/06/2020 and 31/12/2020 has been taken from unaudited accounts prepared on a realisation basis. This is because NZFCU's financial statements for

the year ended 2020 have not been audited, which is in breach of the requirement for its financial statements to be audited and signed within 3 months of balance date. As this financial information has not been audited it may be subject to change.

^

The capital ratio is a measure of the extent to which an entity is able to absorb losses without becoming insolvent. The lower the capital ratio, the fewer financial assets the entity holds relative to its financial exposure. The Reserve Bank of New Zealand require a Credit Union's Trust Deed to set a minimum capital ratio. For CUB this minimum capital ratio is 8%, for NZFCU it is 10%.

Further information about New Zealand Firefighters Credit Union and Credit Union Baywide (including the most recent Product Disclosure Statements, audited accounts and key financial ratios) may be obtained online by accessing the Disclose Register at www.disclose-register.companiesoffice.govt.nz