

## **Product Disclosure Statement**

Offer of First Ranking Debt Instruments in Mutual Credit Finance Limited

Mutual Credit Finance Limited

Date: 22 June 2017

This is a replacement Product Disclosure Statement which replaces the Product Disclosure Statement dated 22 September 2016.

This document gives you important information about this investment to help you decide whether you want to invest. There is other useful information about this offer on <https://www.companiesoffice.govt.nz/disclose>. Mutual Credit Finance Limited has prepared this document in accordance with the Financial Markets Conduct Act 2013. You can also seek advice from a financial adviser to help you make an investment decision.



## Section 1: Key information summary

### What is this?

This is an offer of First Ranking Debt Instruments. The First Ranking Debt Instruments are debt securities issued by MCF. You give MCF money, and in return MCF promises to pay you interest and repay the money at the end of the term. If MCF runs into financial trouble, you might lose some or all of the money you invested.

### About MCF

MCF is a Non-Bank Deposit Taker who provides loans to selected borrowers in a range of industry sectors. To fund its lending activities, MCF offers debt securities to the public. On occasions, MCF arranges a lending syndicate to provide the loan and manages the administration of the loan. You should also read Section 4 (*MCF and what it does*) of this PDS.

### Key terms of the offer

Description of the debt securities	First Ranking Debt Instruments (being interest bearing investments). The First Ranking Debt Instruments are secured by a security interest over MCF's assets.
Term and maturity date of the debt securities	MCF offers terms of 12, 18, 24, 36, 48 and 60 months. But, you may request a different term. MCF's approval is required to the term of each investment.  Further information is available in Section 2 (Terms of the offer).
Basis for Ascertaining the Interest Rate	Interest rates are set by MCF at its discretion after considering prevailing market conditions, cost of funds and average lending rates. Interest rates are fixed for the term of your investment except on-call account interest rates can be altered.  MCF's current interest rates are available by telephoning MCF on 03 943 7447 or on MCF's website <a href="http://www.mcf.co.nz">www.mcf.co.nz</a> .  Further information is available below and in Section 2 (Terms of the offer).
Offer opening and closing dates	The offer opened on 29 September 2016 and is a continuous offer. There is no closing date.
Interest payment dates	MCF will pay interest on a quarterly basis on the last business day of March, June, September and December each year and on the maturity date of the investment. You may request payment of interest on different dates, with MCF's agreement.  Further information is available in Section 2

	(Terms of the offer).
Charges payable by you	The only charge or fee you will be required to pay in respect of the First Ranking Debt Instruments is an early repayment fee, if you request early repayment.  Further information is available in Section 2 (Terms of the offer).
Minimum and maximum subscription amount	The minimum subscription amount is \$5,000.00. The maximum subscription amount is \$2,000,000.00. You may request to subscribe to amounts outside of the maximum and minimum subscription amounts. MCF's approval is required to the amount of each application.

### **No guarantee**

These First Ranking Debt Instruments are not guaranteed by MCF or any other person. MCF is solely responsible for the repayment of the First Ranking Debt Instruments.

### **How you can get your money out early**

MCF may, in its discretion, allow you to withdraw your investment early if it considers exceptional circumstances exist such as extreme financial hardship, emergency, death or other similar circumstances. If MCF agrees to an early withdrawal, an early repayment charge may apply.

For further details about how this charge will be determined, see Section 2 (Terms of the offer).

Otherwise, investments in First Ranking Debt Instruments are for a fixed term which cannot be altered by you or MCF except as permitted or required by the Trust Deed.

You may transfer or sell the First Ranking Debt Instruments. MCF does not charge a fee for the registration of transfers. But, MCF does not intend to quote these First Ranking Debt Instruments on a market licensed in New Zealand and there is no other established market for trading them. This means that you may not be able to sell your First Ranking Debt Instruments before the end of their term.

### **How First Ranking Debt Instruments rank for repayment**

If MCF goes into liquidation, you will be repaid **after** repayment of any:

- prior charges permitted under the Trust Deed;
- amounts owed to the Supervisor; and
- amounts owed to statutorily preferred creditors.

You will be repaid **at the same time** as other First Ranking Debt Instruments, and Variable Secured Debt Instruments issued by MCF.

You will be repaid **ahead** of any Second Ranking Debt Instruments, unsecured debt instruments and subordinated debt instruments issued by MCF and any unsecured creditors of MCF.

You should also read Section 2 (Terms of the offer).

### **What assets are these First Ranking Debt Instruments secured against?**

The First Ranking Debt Instruments are secured by a security interest over all of MCF's assets in favour of the Supervisor for the benefit of the Debt Instrument Holders. MCF's principal assets are its finance receivables.

You should also read Section 4 (Key features of First Ranking Debt Instruments).

### **Where you can find MCF's financial information**

The financial position and performance of MCF are essential to an assessment of MCF's ability to meet its obligations under the First Ranking Debt Instruments. You should also read Section 6 (MCF's financial information).

### **Key risks affecting this investment**

Investments in debt securities have risks. A key risk is that MCF does not meet its commitments to repay you or pay you interest (credit risk). Section 7 (Risks of investing) discusses the main factors that give rise to the risk. You should consider if the credit risk of these debt securities is suitable for you.

The interest rate for these First Ranking Debt Instruments should also reflect the degree of credit risk. In general, higher returns are demanded by investors from businesses with higher risk of defaulting on their commitments. You need to decide whether the offer is fair. MCF considers that the most significant risk factors are:

#### *Liquidity risk*

This is the risk that MCF may not be able to meet its payment obligations when they fall due. This is a significant risk to MCF due to its relatively small size and MCF is required to manage its cash out flows and inflows closely to ensure these align.

#### *Reinvestment risk*

This is the risk that MCF maybe unable to attract new investors or get existing investors to reinvest in Debt Instruments. MCF is reliant on existing investors reinvesting and on attracting new investors to replace matured investments withdrawn and fund future lending opportunities.

#### *Credit risk*

This is the risk that Borrowers will not repay their loans from MCF on the due date or the security taken maybe inadequate to enable full loan recovery. This could result in a financial loss for MCF and impact on its ability to repay First Ranking Debt Instruments as they mature or provide new loans.

#### *Borrower/Guarantor Group Concentration Risk*

MCF's loan portfolio contains a number of client groups where MCF's exposure is more than 10% of shareholders equity. Due to the relatively small size of MCF's loan portfolio,

impairment of any client group may have a significant impact on MCF's ability to meet its liabilities as they fall due.

*Geographical exposure risk*

MCF's business is concentrated in the Canterbury region. MCF predominantly loans money to borrowers based in Canterbury and issues First Ranking Debt Instruments to investors based in Canterbury. This increases MCF's exposure to the Canterbury economy.

*Industry concentration risk*

This is the risk of lending predominantly to persons in the same or similar industries. This increases MCF's exposure to a possible downturn in the industry concerned and a decline in the value of assets used in that industry. MCF's largest area of lending is to clients in the property investment or development industry meaning that a downturn in the property market or values is a significant risk to MCF.

*Reliance on key staff*

Due to its small size and low staff numbers, MCF is reliant on its key staff. Should a number of staff be lost in a short space of time, there is a risk that operations could be impacted until suitable replacements are identified.

This summary does not cover all of the risks of investing in First Ranking Debt Instruments. You should also read Section 7 of the PDS (Risks of investing).

**No credit rating**

MCF is exempt from the requirement to have its creditworthiness assessed by an approved rating agency. MCF is not rated because it is operating under an exemption granted pursuant to the Non-bank Deposit Taker (Credit Ratings Minimum Threshold) Exemption Notice 2016 which exempts MCF from the requirement under the Non-bank Deposit Takers Act 2013 to have a credit rating. The exemption applies because:

- MCF's liabilities are less than \$20 million, making it unduly onerous for MCF to comply with the requirement to have a credit rating; and
- MCF maintains a capital ratio of at least 10%.

This exemption means that MCF has not received an independent opinion of its capability and willingness to repay its debt from an approved source.

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## Section 2: Terms of the offer

Description of the First Ranking Debt Instruments	The First Ranking Debt Instruments give you the right to be repaid your subscription amount plus interest.
Term of First Ranking Debt Instruments	MCF offers terms of 12, 18, 24, 36, 48 and 60 months. But, you may request a different term. Any application to invest in MCF is subject to MCF's approval.
Maturity of your investment	<p>Prior to your investment maturing at the end of the term selected by you, MCF will advise you of the maturity date of your investment and give you the option to either have your investment repaid or reinvested.</p> <p>If you choose to have your investment repaid, MCF will, on the investment maturity date and on return of the original First Ranking Debt Instrument Certificate, repay your subscription amount and all unpaid interest accrued to that date.</p> <p>If you choose to reinvest for a further period, MCF will provide you with a copy of the current PDS and ask you to sign a reinvestment form and to decide on a term, rate of interest (from those applying at the time of reinvestment) and interest payment option.</p> <p>If you do not advise MCF prior to your investment's maturity whether you wish to be repaid or reinvest, your investment will continue to have the same status as the First Ranking Debt Instrument that has matured except that MCF will hold the investment on its then current on-call interest rate until MCF receives your instructions.</p>
Interest rate	<p>Your return from investing in First Ranking Debt Instruments will be the interest payable by MCF on the First Ranking Debt Instruments. The interest rate at the beginning of your investment is fixed for the period of your investment.</p> <p>Details of the current interest rates are available by telephoning MCF on 03 943 7447 or on MCF's website <a href="http://www.mcf.co.nz">www.mcf.co.nz</a>.</p> <p>MCF may alter interest rates on offer from time to time. Any alteration in interest rates will not apply to First Ranking Debt</p>

	<p>Instruments accepted before the change is made.</p> <p>If your application is lodged on or after the date that a change is made, MCF will promptly advise you of the change. Unless you confirm your application within 14 days, MCF will refund your subscription moneys in full with interest, calculated at MCF's current on-call rate.</p>
Interest payment dates	<p>MCF will pay interest on a quarterly basis on the last business day of March, June, September and December each year and on the maturity date of the investment. You may request payment of interest on different dates, but this is subject to acceptance by MCF at its discretion.</p> <p>You can elect on the Application Form whether interest will be paid to you or compounded on the investment on the interest payment dates. If you elect interest to be paid to you, MCF will pay you by either direct credit or cheque, depending on your instructions on the Application Form.</p> <p>If MCF receives investments within 7 business days prior to the above interest payment dates, MCF will pay you interest to that date (which will either be credited to you or paid to you as determined by you) on the next interest payment date.</p> <p>MCF will provide you with an interest statement for your interest at the end of every quarter. MCF will also provide you with an interest statement on the maturity of the investment.</p>
Repayment of principal	<p>If you do not elect to reinvest at the maturity of your investment, MCF will pay the subscription amount of the First Ranking Debt Instrument to you at the end of your selected term on return of the original First Ranking Debt Instrument Certificate.</p>
Minimum and maximum subscription amount	<p>The minimum subscription amount is \$5,000.00. The maximum subscription amount is \$2,000,000.00. Otherwise, you can select the amount of First Ranking Debt Instruments that you wish to subscribe for. You may request to subscribe to amounts outside of the maximum and minimum subscription amounts. However, any application to invest in MCF is subject to MCF's approval.</p>



No fees or charges	You are not required to pay any fees or charges in respect of the First Ranking Debt Instruments other than the subscription amount and an early repayment charge if you wish to end your investment prior to your selected maturity date (if MCF accepts such early repayment). MCF cannot introduce any new fees or charges during the term of your investment that may affect your investment.
Repayment before maturity	<p>The First Ranking Debt Instruments are for a fixed term which, except as set out below or required by the Trust Deed cannot be altered by you or MCF.</p> <p>MCF may, in its discretion, on an application by you, consider repayment of an investment before maturity for exceptional circumstances, such as extreme financial hardship, emergency, death or other similar circumstances.</p> <p>IF MCF agrees to such early repayment, an early repayment charge of up to 4% of the interest rate that would have been applicable if the investment had run its full term may apply. This charge will be deducted from the amount payable to you of early repayment.</p> <p>The actual amount of the early repayment charge will be determined by MCF and cannot be calculated until you make an application for early repayment.</p> <p>In addition, MCF's policy as at the date of this PDS is to permit trustees of superannuation funds to withdraw in any calendar year up to 25% of the amount invested (subject to payment of an early repayment charge).</p>
You can transfer the First Ranking Debt Instruments	You can transfer or sell your First Ranking Debt Instruments. Any transfer must be in the form commonly used for security transfers. Please see the information in Section 1: (Key information summary, how you can get your money out early) about there being no established market for trading your investment. You should therefore consider any investment in First Ranking Debt Instruments will be for the full term.
Offer period	This offer opened on 29 September 2016 and is a continuous offer of First Ranking Secured Debt Instruments. MCF reserves

	the right to refuse to accept any application or to suspend or to cease offering First Ranking Debt Instruments at any time at its discretion.
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### **Ranking of the First Ranking Debt Instruments on a liquidation of MCF**

First Ranking Debt Instruments are secured by a security interest over all of MCF's assets in favour of the Supervisor for the benefit of the Debt Instrument Holders. This security interest is first ranking subject only to:

- (a) prior charges or security interests permitted under the Trust Deed;
- (b) fees, expenses and other amounts owed to the Supervisor; and
- (c) amounts owned to statutorily preferred creditors (for example Inland Revenue or claims for liquidation costs).

On a liquidation of MCF, these charges and amounts will be paid ahead of the holders of First Ranking Debt Instruments.

The Trust Deed permits MCF to grant security interests that rank in priority to the security interest granted in favour of the Supervisor if the aggregate of all principal amounts secured by such prior security interests will not exceed 7.5% of MCF's Total Tangible Assets. See Section 5: (Key features of the First Ranking Debt Instruments) for further information in respect of security interests which rank ahead of the security interest granted in favour of the Supervisor.

You will be repaid at the same time as other First Ranking Debt Instruments and Variable Secured Debt Instruments issued by MCF.

You will be repaid ahead of any Second Ranking Debt Instruments, unsecured debt instruments and subordinated debt instruments issued by MCF. No such debt instruments have been issued by MCF at the date of this PDS.

See Section 5: (Key features of the First Ranking Debt Instruments) for further information in respect of the ranking of the First Ranking Debt Instruments.

### **Other relevant terms**

The other terms of the offer are contained in the Trust Deed. You may obtain a copy of the Trust Deed in the manner set out in Section 11 (Where you can find more information) of this PDS.

## **Section 3: MCF and what it does**

### **Overview**

#### **MCF and its operations**

MCF is a finance company and in the ordinary course of its business provides financing to borrowers selected by MCF. MCF funds this business by issuing Debt Instruments to investors. MCF's gross margin comes from the difference between the interest rate and fees paid by borrowers to MCF and the interest rate paid by MCF to investors.

In addition, from time to time and in the ordinary course of its business, MCF may buy from MCAM, parcels of loans that have regular payment arrangements, at a purchase price for the receivables based on the value of the future cash flow, i.e. at a discount to face value. MCAM is 100% owned by MCF Holdings Limited, the majority Shareholder in MCF. MCAM specialises in the collection of bad debts and in the past has purchased non-performing debts from MCF.

Under the repurchase agreements, MCAM must replace any receivables purchased at MCF's request at no cost to MCF if the repayment arrangements fall into arrears by over 90 days. The major risk with these transactions for MCF is that the borrower defaults on the agreed repayment arrangements and then MCAM is unable to replace the receivable with another performing receivable.

As at the date of this PDS, MCF has no subsidiaries and is the sole member of the issuing group for the purpose of this PDS. MCF's shareholders are MCF Holdings Limited (56%), Peter Rae Industries Limited (34.89%) and John Anthony Wheelans (9.11%).

#### **Industry Sector**

MCF operates in the non-bank deposit taker sector of the finance industry. MCF receives funds from its investors (for example through First Ranking Debt Instruments) and uses those funds to finance its lending activities to borrowers. MCF holds a Non-Bank Deposit Takers licence issued by the Reserve Bank of New Zealand under the Non-bank Deposit Takers Act.

MCF commenced business in December 1956 (as Mutual Credit Corporation Limited). MCF initially offered hire purchase discount facilities to a select group of Christchurch based motor vehicle dealers. Gradually, MCF diversified its range of lending, and since 2006, MCF has provided finance to a range of industry sectors, including consumer lending for motor vehicles and personal loans, business finance, plant and equipment funding, property development and investment funding and (since 2009) Corporate Society Gaming funding. Accordingly, MCF's lending business is spread over many sectors and business types and it is intended that this will continue.

#### **Key aspects of the business**

MCF's gross margin comes from the difference between the interest rate and fees paid by borrowers to MCF and the interest rate paid by MCF to Debt Instrument Holders.

On occasions, MCF may also arrange financing to borrowers by way of a syndicate of lenders, which may or may not include MCF as a lender in the syndicate. In such cases, MCF acts as an agent for the lender syndicate by holding the loan agreements and securities on behalf of all syndicate lenders and undertaking the administration of the

advance for and on behalf of the syndicate lenders. Where MCF does so, MCF receives a fee for the origination and management of the advance (in addition to the gross margin it may receive from its share of lending, if any, of the finance provided).

MCF's business is dependent on investors subscribing for Debt Instruments so that it is able to advance funds to borrowers when lending opportunities arise and meet its financial liabilities when they fall due. MCF's principal assets are its finance receivables and its principal liabilities are the amounts payable to Debt Instrument Holders. Further information regarding historical reinvestment rates achieved by MCF can be found on the offer register at <https://www.companiesoffice.govt.nz/disclose> under the name "Mutual Credit Finance Limited".

### **Arrangements with Borrowers**

#### *MCF's lending practices*

All lending undertaken by MCF is approved under a delegated authority policy authorised by MCF's Board of Directors. MCF has credit processes in place which are applied to assess new lending applications and MCF obtains a range of information to support each application.

On occasions, MCF provides funding where no repayments are required during the term of the advance, with all interest and principal due on maturity of the loan. These types of advances are the exception rather than the norm.

No loan advances have a right of rollover at the expiry of the term. If a borrower wishes to extend the term of the advance, the borrower must apply for this prior to the maturity of the existing advance. These applications are assessed by MCF as though they are a new application and are subject to MCF's normal criteria in respect of security, debt servicing, source of repayment and MCF's future cashflow requirements.

#### *Type of funding arrangements offered by MCF*

MCF makes loans to borrowers under term loan agreements and under revolving credit facility agreements. MCF's revolving credit facility agreements are either on-call facilities or for a fixed term.

MCF's lending policies are the same for all term loan agreements and revolving credit facility agreements. Under MCF's revolving credit facility agreements, borrowers may drawdown and repay the revolving credit facility agreements within the facility limit and other terms of such facility. However, the majority of borrowers do not utilise the revolving credit facilities in this manner. MCF often uses revolving credit facilities where multiple drawdowns are required by a borrower to fund a project, as this allows simpler administration of the advance for MCF.

In addition, as at the date of this PDS, all of MCF's term loan agreements and revolving credit facility agreements are on variable interest rates that can be reviewed by MCF at any time by giving the borrower a specified period of notice. The notice period required to be given by MCF is between 5 and 30 days.

#### *Securities held by MCF for loan receivables*

MCF provides loans on an unsecured and secured basis, with a range of different security types. A summary of the main security types and the percentage of MCF's loan book that

each security type comprises can be found on the offer register under the name "Mutual Credit Finance Limited at <https://www.companiesoffice.govt.nz/disclose> under the heading, "**Risks of investing in MCF**".

### **Acquisitions and dispositions**

On 28 November 2016, MCF issued 199,700 ordinary shares in MCF for the price of \$0.38 per share (being \$75,886 in total) to MCF Holdings Ltd (130,033 ordinary shares) and Peter Rae Industries Limited (69,667 ordinary shares).

On 21 December 2016, MCF issued 600,000 ordinary shares in MCF for the price of \$0.38 per share (being \$228,000 in total) to MCF Holdings Ltd (390,684 ordinary shares) and Peter Rae Industries Limited (209,316 ordinary shares).

On 28 March 2017, MCF issued 600,000 ordinary shares in MCF for the price of \$0.385 per share (being \$231,000 in total) to John Anthony Wheelans (390,684 ordinary shares) and Peter Rae Industries Limited (209,316 ordinary shares).

### **Previous breaches of Trust Deed**

#### *(1) Error in calculating interest*

On 7 July 2016, MCF became aware that an underpayment of interest for the 3 months ended 30 June 2016, of approximately \$860.00 had occurred. Under the terms of the Trust Deed if an interest payment is not paid within 3 business days of its due date this is a breach of the Trust Deed.

On 8 July 2016 MCF remedied the underpayment by crediting the additional interest due plus interest on the under payment for the period 30 June to 8 July 2016 to the five affected on-call account investors' bank accounts.

MCF notified the Supervisor and the affected investors of the error and the correction payment on 11 July 2016.

At the time that the interest payment was due, MCF had in excess of \$1.7 million cash on deposit with its bank and was compliant with all applicable financial covenants. The underpayment of interest was due to a human error in calculating the interest. On 13 July 2016, the Supervisor waived this breach on the basis that this breach has not materially prejudiced the interests of the investors and on the condition that MCF implements additional processes and controls which it has done.

#### *(2) Non-payment of Interest*

On 26 March 2012, MCF became aware that a payment of interest of \$443.76 due on 16 March 2012 had not been made to an investor. The relevant investment matured on 16 March 2012 and the client had instructed MCF to reinvest the principal and pay the interest to the client. While MCF reinvested the principal, payment of the interest to the client was overlooked. Under the terms of the Trust Deed if an interest payment is not paid within 3 business days of its due date this is a breach of the Trust Deed.

As soon as MCF became aware of the non-payment on 26 March 2012, MCF immediately notified the Supervisor of the non-payment and remedied the non-

payment by making payment to the investor of the interest due plus additional accrued interest for the period from 17 March to 26 March 2012.

At the time that the interest payment was due, MCF had in excess of \$1.4 million cash on deposit with its bank and was compliant with all applicable financial covenants. The non payment of interest was due to human error and MCF has reviewed and strengthened its internal procedures to endeavour to ensure this does not occur again.

The Supervisor waived this breach.

(3) *Breach of financial limitation in Trust Deed*

During the period from 30 September 2009 to 18 December 2009, MCF was in breach of the financial limitation in the Trust Deed under which the Total Liabilities of MCF must not exceed an amount equal to 12 times Shareholder's Funds.

The breach was identified by MCF's auditors in the course of their audit of MCF's interim financial statements for the six months ended 30 September 2009 and had arisen due to the incorrect treatment by MCF of its unused tax losses carried forward.

MCF notified the Supervisor of the breach on 16 December 2009 and remedied the breach on 18 December 2009. The breach was remedied by MCF issuing to its sole shareholder 1,000,000 shares at an issue price of \$0.50 per share. The issue price for such shares was paid to MCF in cash on 18 December 2009.

## **Directors**

Under the Trust Deed the Chairperson of MCF's Board must not be an employee or a related party of the Company. MCF is also required to have two independent directors. MCF's Board comprises the following individuals. As at the date of this PDS, the independent directors are David Tier and Bert Govan.

### **David John Tier CA, CMinstD (Chairman)**

*Elected 2010*

David is a Chartered Accountant and a chartered member of the New Zealand Institute of Directors. He has many years senior executive and chief financial officer experience. In recent years he has provided business consultancy services and governance advice to a number of private companies in the Property, Construction, Finance and Information Technology sectors. David is an independent director of MCF and is a member of MCF's Audit Committee.

### **John Anthony Wheelans, BCom, CA (PP)**

*Elected 1991*

John has been a Partner in the Christchurch accountancy practice Ashton Wheelans Ltd since 1988. As a Chartered Accountant and Director of a number of private companies, he has significant commercial and governance experience across a wide range of industries including Property Development and Investment, Construction, Engineering, Sales and Retail. He is a Director of MCF Holdings Limited, the majority shareholder in MCF, and via

his various interests, is the majority shareholder in MCF Holdings Limited. John is also a member of the Christ's College Board of Trustees.

**Peter Rae FCA, AFNZIM**

*Elected 2006*

Peter is a Fellow of the New Zealand Institute of Chartered Accountants and is Chairman and Managing Director of Peter Rae Industries Limited which holds 34.89% of the shares on issue in MCF. He has extensive experience in Finance and Property Investment, is Chairman of the Collins Mitre 10 group and a director of several private companies. Peter is also Chairman of MCF's Audit Committee.

**Herbert (Bert) Lawrence John Govan FNZIM, MInstD**

*Elected 2014*

Bert is a director of and/or shareholder in a number of New Zealand and Australian companies primarily in the Property, Finance, Automotive and Timber/Forestry industries. Bert is a Fellow of the New Zealand Institute of Management and an independent director of MCF.

**Senior Managers**

MCF's senior managers comprise the following individuals.

**Clint Dean Barry, Chief Executive**

Clint joined MCF in 2009 having had over 25 years of experience in the Banking and Finance industry and was appointed CEO in 2010. He has previously worked in both credit and lending roles with a major trading bank and an international finance company. He has wide experience in lending to the consumer and business markets, including funding for Working Capital, Plant and Machinery, Corporate Society Gaming and Property Finance.

**Paul Jonathan Clarke, BCom, LLB, CA, Finance Manager**

Paul is a Chartered Accountant and joined MCF in 2006. He is responsible for all the companies statutory and compliance reporting as well as looking after all investor matters for the company. Prior to joining MCF, he had over 15 years of experience as a Financial Controller at a number of large New Zealand retail operations, as well as for a variety of businesses and corporates in London.

#### **Section 4: Purpose of the offer**

The purpose of this issue is to help fund MCF's finance company business to enable MCF to provide loans to borrowers selected by MCF in the ordinary course of its business as they arise.



## **Section 5: Key features of the First Ranking Debt Instruments**

### **Features of the First Ranking Debt Instruments**

The features of the First Ranking Debt Instruments are set out in Section 2 (Terms of the offer).

In addition, the First Ranking Debt Instruments are constituted and governed by the Trust Deed. The Trust Deed appoints the Supervisor to represent the interests of all holders of Debt Instruments issued by MCF and ensure that MCF complies with its obligations under the Trust Deed and under the Financial Markets Conduct Act.


### **Ranking and security**

The First Ranking Debt Instruments are secured by a security interest over all of MCF's assets in favour of the Supervisor. Such security interest secures payment by MCF of the amounts payable on the Debt Instruments to the holders of the Debt Instruments and all other monies payable by MCF to the holders of Debt Instruments or to, or at the direction of the Supervisor on behalf of any holder of Debt Instruments under or pursuant to the Trust Deed.

MCF's assets subject to the security interest are comprised of the following:

- loans and finance receivables;
- cash and cash equivalents;
- office equipment and other fixed assets;
- deferred tax assets; and
- sundry debtors, prepayments and other sundry assets.

The table set out below illustrates the ranking of the First Ranking Debt Instruments on a liquidation of MCF.

Ranking Level	Ranking on liquidation of MCF	Nature of liability
Higher ranking/priority 	Liabilities that rank in priority to the First Ranking Debt Instruments on a liquidation of MCF.	Prior charges permitted under the Trust Deed.
		Unpaid fees, expenses and other amounts owed to the Supervisor.
		Liabilities owed to statutorily preferred creditors.
	Liabilities that rank equally with the First Ranking Debt Instruments on a liquidation of MCF.	Other First Ranking Debt Instruments issued by MCF.
		Variable Secured Debt Instruments issued by MCF.
	Liabilities that rank below the First Ranking Debt Instruments on a liquidation of MCF.	Second Ranking Debt Instruments issued by MCF.
		Unsecured debt instruments, unsecured creditors and subordinated debt instruments.
Lower ranking/priority	Equity	The amount owed to shareholders of MCF after all liabilities have been paid.

An extended version of this table, which includes information on the amount of each liability (this is updated from time to time), can be viewed on MCF's website [www.mcf.co.nz](http://www.mcf.co.nz) and at the Disclose Register (<https://www.companiesoffice.govt.nz/disclose>).

After the issue of the First Ranking Debt Instruments under this PDS, further liabilities can be created by MCF that rank equally with, or in priority to, the First Ranking Debt Instruments on a liquidation of MCF. The circumstances in which this may occur are set out below.

#### **Equal ranking liabilities**

- MCF is a continuous issuer and can in the ordinary course of business issue further First Ranking Debt Instruments. All First Ranking Debt Instruments will rank equally for repayment.

- MCF can also from time to time issue Variable Debt Instruments. These rank equally for repayment with the First Ranking Debt Instruments.

### ***Prior ranking liabilities***

- Fees, expenses and other amounts are payable periodically to the Supervisor under the Trust Deed as remuneration for performance of the Supervisor's functions. If MCF is liquidated, any unpaid Supervisor's fees and expenses have priority over the First Ranking Debt Instruments.
- Liabilities owed to statutorily preferred creditors may arise (such as claims for liquidation costs, withholding taxes, GST and employees' wages). These liabilities will rank ahead of the First Ranking Debt Instruments.
- MCF is also permitted under the Trust Deed to create prior security interests over any of its assets to secure:
  - (a) any bank facility obtained by MCF; and
  - (b) any money borrowed or otherwise owing by MCF in connection with the purchase or improvement (in the manner approved by the Supervisor) of the relevant asset for an amount not exceeding the cost of such purchase or improvement of the relevant asset.

However, the total amount of MCF's liabilities secured by such prior security interests cannot exceed 7.5% of MCF's Total Tangible Assets.

### ***Prior security interests or charges***

As at the date of this PDS, the only security interest which ranks ahead of the security interest granted in favour of the Supervisor for the benefit of the Debt Instrument Holders is a security interest over all of MCF's assets granted to ASB Bank Limited to secure all of MCF's obligations to ASB Bank Limited.

As at the date of this PDS the only facility MCF has with ASB Bank Limited is a \$1,000,000 committed cash advance facility and no amount is payable by MCF to ASB Bank Limited under such facility. In addition, a deed of priority entered into between MCF, ASB Bank Limited (as first secured party) and the Supervisor (as second secured party) limits the amount for which the security interest granted to ASB Bank Limited has priority over the Supervisor's security interest to \$1,000,000 plus 24 months' interest and costs.

Except as set out above, the Trust Deed prevents MCF from creating any security interest over its assets which ranks in priority to or equally with, the security interest granted to the Supervisor under the Trust Deed for the benefit of the Debt Instrument Holders.

The Trust Deed requires MCF to comply with a number of financial covenants. Under the Trust Deed MCF must not issue Debt Instruments if such an issue would result in MCF breaching any of the following limitations.

- 1 ***Total Liabilities limitation:*** MCF's Total Liabilities are not permitted to exceed 12 times Shareholders' Funds.

- 2 **Prior Charges Limitation:** The total amount of MCF's liabilities secured by prior security interests cannot exceed 7.5% of MCFs Total Tangible Assets.
- 3 **Secured Liabilities Limitation:** Secured Liabilities must not exceed the aggregate of:
  - (a) 100% of Readily Realisable Assets provided that all deposits comprising Readily Realisable Assets are held with a Bank or similar institution that has a Standard & Poors (or other rating agency acceptable to the Supervisor) of not less than A or its equivalent, otherwise 98% of Readily Realisable Assets;
  - (b) 92% of Secured Receivables;
  - (c) 85% of Unsecured Receivables;
  - (d) 85% of Short Term Investments;
  - (e) 70% of Other Readily Fundable Assets;
  - (f) 70% of Real Property; or
  - (g) 45% of Other Tangible Assets.
- 4 **Minimum Capital Ratio:** The Charging Group's Capital Ratio must not be less than 10% (as the Company does not have a credit rating).
- 5 **Maximum aggregate related party exposures:** MCF must ensure that the Charging Group's aggregate exposure to related parties does not exceed 15% of the Charging Group's Capital (calculated as prescribed in the Non-bank Deposit Takers Regulations).
- 6 **Minimum Liquidity Requirements:** MCF must ensure that the Charging Group's Liquid Assets are the greater of:
  - (a) at least:
    - (i) 10% of Total liabilities if the Capital Ratio is less than 11%; or
    - (ii) 8.75% of Total liabilities if the Capital Ratio is equal to or greater than 11% but less than 13%; or
    - (iii) 7.5% if the Capital Ratio is 13% or greater; and
  - (b) at least 110% of any deficit amount arising from:
    - (i) the aggregate amount receivable by the Charging Group in cash by way of principal and interest during the forthcoming financial quarter and the amount of any financial assets of the Charging Group that are at call or available on demand during the forthcoming financial quarter; less
    - (ii) the aggregate of the total amount of cash payable against liabilities of the Charging Group during the forthcoming financial quarter (including but not

limited to principal, interest, tax, operating expenses and capital commitments).

- 7 **Listed Securities and Total Contingent Liabilities limitation:** Listed Securities held by the Charging Group must not exceed 5% of the Charging Group's Total Tangible Assets. Total Contingent Liabilities of the Charging Group will not exceed 150% of Shareholders' Funds.
- 8 **Disposal of assets:** MCF cannot (without the prior written consent of the Supervisor) sell or transfer (whether as a single transaction or a series of transactions), within any consecutive 24 month period, the whole of its undertakings or any part comprising more than 40% of Total Tangible Assets.
- 9 **Related party transactions:** MCF is not able to enter into a transaction with a related party unless:
  - (a) the transaction is in the ordinary course of business; and
  - (b) the terms of the transaction are evidenced in writing; and
  - (c) the consideration for the transaction is on the basis of an arm's length transaction as between two unrelated parties contracting in an open market.
- 10 **Exposure Limit:** The lending exposure of the Charging Group to any person or associated group of persons must not exceed the greater of \$2,000,000 or 35% of Shareholders' Funds without the Supervisor's written consent.
- 11 **Negative pledge:** MCF must not grant without the Supervisor's prior written consent, any charges or security interests over its assets which rank equally with the security interest granted to the Supervisor for the benefit of the Debt Instrument Holders.

### **Guarantees**

There is no guarantor of the repayment of First Ranking Debt Instruments or payment of interest on the First Ranking Debt Instruments issued under this PDS.

### **Definitions**

Some key definitions from the Trust Deed are used in the description of the above covenants. A copy of the Trust Deed is available on the offer register at <https://www.companiesoffice.govt.nz/disclose>.

## **Section 6: MCF's financial information**

MCF is required by law and its Trust Deed to meet certain financial requirements. Tables showing how MCF is currently meeting those requirements are available on the offer register at [https://www.companiesoffice.govt.nz/disclose\\_under](https://www.companiesoffice.govt.nz/disclose_under) the name "Mutual Credit Finance Limited". These tables set out minimum requirements. Meeting them does not mean that MCF is safe. The section on specific risks relating to MCF's creditworthiness sets out risk factors that could cause its financial position to deteriorate. The offer register provides a breakdown of how the figures in this table are calculated, as well as full financial statements.

The offer register will be updated from time to time to ensure these tables, including relevant full financial statements, are available.

Set out below is a summary of the financial information and tables that can be found on the offer register. If you do not understand this financial information, you can seek advice from a financial adviser or an accountant.

### **Key ratios table**

The offer register contains a table outlining the following key ratios for the most recent financial year of MCF as well as the two preceding financial years.

#### ***(a) Capital Ratios***

The capital ratio is a measure of the extent to which MCF is able to absorb losses without becoming insolvent. The lower the capital ratio, the fewer financial assets MCF has to absorb unexpected losses arising out of its business activities. The capital ratios included in the offer register are:

- MCF's capital ratio;
- the minimum capital ratio that MCF must maintain under its Trust Deed; and
- the minimum capital ratio that must be included in the Trust Deed under the Non-Bank Deposit Takers Regulations.

#### ***(b) Related Party Exposures***

Related party exposures are financial exposures that MCF has to related parties. A related party is an entity that is related to MCF through common control or some other connection that may give the party influence over MCF (or MCF over the related party). These related parties include directors and shareholders of MCF and other companies or entities that the directors and shareholders have an interest in. The related party exposure ratios included in the offer register are:

- the amount of MCF's aggregate exposures to related parties;
- the maximum limit on aggregate exposures to related parties that MCF must not exceed that is included in the Trust Deed; and
- the maximum limit on aggregate exposures to related parties that MCF must not exceed that must be included in the Trust Deed under the Non-Bank Deposit Takers Regulations.

### **(c) Liquidity Requirements**

Liquidity requirements help to ensure that MCF has sufficient realisable assets on hand to pay its debts as they become due in the ordinary course of business. Failure to comply with liquidity requirements may mean that MCF is unable to repay investors on time, and may indicate other financial problems in its business. The liquidity requirement ratios included in the offer register are:

- the liquidity of MCF; and
- the minimum liquidity requirements required by the Trust Deed.

### **Selected financial information**

The offer register also contains a table outlining other selected financial information for the most recent financial year of MCF as well as the two preceding financial years. The selected financial information in the table comprises:

- total assets;
- total liabilities;
- net profit after tax;
- net cash flows from operating activities;
- cash and cash equivalents; and
- capital.

### **Other limitations, restrictions, and prohibitions**

The Trust Deed contains financial covenants imposed on MCF, certain borrowing restrictions and restrictions on transactions with related parties. These are summarised in Section 5 (Key features of the First Ranking Debt Instruments) and further details may be found in a copy of the Trust Deed that is publically available at <https://www.companiesoffice.govt.nz/disclose>.

### **Full financial statements**

The offer register contains full audited financial statements of MCF for the most recent financial year of MCF as well as the two preceding financial years.

## Section 7: Risks of investing

### **General Risks**

Your investment in First Ranking Debt Instruments is subject to the following general risks:

- The risk that MCF becomes insolvent and is unable to meet its obligations under the First Ranking Debt Instruments; and
- The risk that if you wish to sell your First Ranking Debt Instruments before maturity that you will be unable to find a buyer, or that the amount received is less than the principal amount that you paid for your First Ranking Debt Instruments when you invested with MCF.

### **Specific risks relating to MCF's creditworthiness**

Set out below is a description of the risks that MCF is aware of that exist or are likely to arise that significantly increase the risk to MCF's financial position, financial performance or stated plans. These risks are based on the knowledge and assessment of the directors as at the date of this PDS and it is possible that other risks may emerge over time. Full information on the specific risks relating to MCF's credit worthiness along with MCF's assessment of the nature and potential magnitude of these risks and MCF's mitigation strategies for these risks are available on the Disclose Register ([www.companiesoffice.govt.nz/disclose](http://www.companiesoffice.govt.nz/disclose)).

#### *Liquidity risk*

This is the risk that MCF may not be able to meet its payment obligations when they fall due. MCF's liquidity risk arises from a number of possible causes. These include:

- mismatches between the maturities of financial assets (loan receivables) and the maturity of financial liabilities (First Ranking Debt Instruments);
- loan advances not being repaid; or
- investors not reinvesting or MCF being unable to get new investment.

This is a significant risk to MCF due to its relatively small size and it is required to manage its cash out flows and inflows closely to ensure these align.

#### *Reinvestment risk*

This is the risk that MCF is unable to attract new investors or is unable to get existing investors to reinvest in Debt Instruments. MCF is reliant on existing investors reinvesting and on attracting new investors to replace matured investments withdrawn and fund future growth. If MCF was unsuccessful in obtaining the reinvestment of sufficient investments or new investments and could not obtain funding from other sources, MCF would need to reduce or cease lending and collect the existing loan book and cease issuing Debt Instrument to the public.

#### *Credit risk*

This is the risk that borrowers will not repay their loans from MCF on the due date or the security taken is inadequate to enable full recovery of the loan. This could result in a financial loss for MCF and impact on its ability to repay First Ranking Debt Instruments as they mature or provide new loans.



*Borrower/Guarantor Group Concentration Risk*

MCF's loan portfolio contains a number of client groups where MCF's exposure is more than 10% of shareholders equity. Due to the comparatively small size of MCF's loan portfolio, impairment of any of these client groups may have a significant impact on MCF's ability to meet its liabilities as they fall due.

*Geographical exposure risk*

MCF's business is concentrated in the Canterbury region. MCF predominantly loans money to borrowers based in Canterbury and issues First Ranking Debt Instruments to investors based in Canterbury. This increases MCF's exposure to the Canterbury economy.

*Industry concentration risk*

This is the risk of lending predominantly to persons involved in the same or similar industries. This increases MCF's exposure to a possible downturn in the industry concerned and a decline in the value of assets utilised in that industry. MCF largest area of lending is to clients involved in in different sectors of the property industry including investment and residential and commercial development. As such MCF has a significant exposure to a downturn in the property market or property values.

*Reliance on key staff*

Due to its relatively small size and low staff numbers, MCF is reliant on its key staff. Should a number of staff be lost in a short space of time, there is a risk that operations could be impacted for a period until suitable replacements are identified.

## **Section 8: Tax**

New Zealand residents will have resident withholding tax (*RWT*) deducted from interest that is payable under the First Ranking Debt Instruments (unless you have provided MCF a valid certificate of exemption from Inland Revenue). MCF will deduct RWT at the default rate prescribed by law, unless you provide it with evidence that another rate applies to you.

Non-resident New Zealand investors will have non-resident withholding tax (*NRWT*) deducted from interest (instead of RWT). However, as MCF is an IRD Approved Issuer, any non-resident investor that does not jointly hold First Ranking Debt Instruments with a New Zealand resident investor, may instruct MCF to deduct the Approved Issuer Levy (*AIL*) payable by MCF (which is 2% at the date of this PDS) from their interest payments instead of NRWT.

Additionally, there may be other tax consequences from acquiring or disposing of First Ranking Debt Instruments. If you have any queries relating to the tax consequences of investing in First Ranking Debt Instruments, you should obtain professional advice on those consequences.

**Section 9: Who is involved?**

	Name	Role
Issuer	Mutual Credit Finance Limited ( <i>MCF</i> )	MCF is the issuer of the First Ranking Debt Instruments and is responsible to you for repayment of the First Ranking Debt Instruments.
Supervisor	Trustees Executors Limited	Trustees Executors Limited supervises MCF's performance of its obligations under the Trust Deed, the Financial Markets Conduct Act and the Non-bank Deposit Takers Act.

## **Section 10: How to complain**

Complaints about First Ranking Debt Instruments can be made to any one or more of the following:

MCF itself at:

The Finance Manager  
Mutual Credit Finance Limited  
Level 2, 83 Victoria Street  
PO Box 130 178  
Christchurch 8141  
Telephone: (03) 943 7447  
Facsimile: (03) 968 8804  
Email: [contactus@mcf.co.nz](mailto:contactus@mcf.co.nz)

The Supervisor at:

Trustees Executors Limited  
Level 5, 10 Customhouse Quay  
Wellington 6143  
Freephone: 0800 809 962  
Telephone: (04) 495 0999  
Email: [gio@trustees.co.nz](mailto:gio@trustees.co.nz)

MCF is a member of the Insurance and Financial Services Ombudsman's Scheme. Membership of this Scheme meets MCF's requirements under the Financial Service Providers (Registration and Dispute Resolution) Act 2008 to be a member of an approved dispute resolution scheme. Details of MCF's membership can be found under MCF's name at <https://www.companiesoffice.govt.nz/fsp/>. You can contact the Insurance and Financial Service Ombudsman at:

Insurance and Financial Service Ombudsman Scheme  
PO Box 10-845  
Wellington 6143  
Freephone: 0800 888 202  
Telephone: (04) 499 7612  
Facsimile: 04 499 7614  
Email: [info@ifso.nz](mailto:info@ifso.nz)

This Scheme will not charge a fee to any complainant to investigate or resolve a complaint. Further information on this Scheme is available at <http://ifso.nz/>.

There is no other ombudsman to whom complaints can be made about the Debt Instruments.

You can also contact your solicitors, accountants or other professional advisers to discuss any concerns you may have.

## **Section 11: Where you can find more information**

Further information relating to MCF and the First Ranking Debt Instruments is available on the offer register at <https://www.companiesoffice.govt.nz/disclose> (for example, MCF's financial statements and a copy of the Trust Deed). A copy of information on the offer register is available on request to the Registrar of Financial Service Providers (email: [disclose@fspr.govt.nz](mailto:disclose@fspr.govt.nz)).

MCF does not currently provide information to investors on an annual basis.

You are entitled to request from MCF:

- a copy of MCF's most recent Financial Statements;
- a copy of MCF's most recent PDS; and
- a copy of MCF's Trust Deed.

In addition, investors are entitled to certain information regarding their investment at any time on request to MCF. Investors can request a current statement for their investment or can request information on:

- the interest rates applying to their investment;
- the term of their investment;
- the amount of interest accrued on their investment; and
- the maturity date of their investment.

Requests must be made in writing to the Finance Manager of MCF using the contact details set out in Section 13 (Contact information).

You can also inspect copies of the above documents at MCF's office by appointment during usual office hours.

There is no charge for this information with the exception of a request for a printed copy of Trust Deed from MCF which will be provided on payment of the prescribed fee of \$30.00.

## Section 12: How to apply

You can apply for First Ranking Debt Instruments by completing the Application Form attached to this PDS and returning it to MCF. A copy of the Application Form is also available at [www.mcf.co.nz](http://www.mcf.co.nz). Payment in full must accompany all applications.

Payments are to be made to MCF:

- a) by cheque crossed "not transferable" and posted or delivered to MCF; or
- b) by a direct credit payment to MCF's bank account [12-3191-0035700-02](#) made at the time the Application Form is submitted. Please include the name of the person or entity submitting the application for First Ranking Debt Instruments as the payment reference.

Prior to completing the Application Form you must decide:

- (a) the amount you wish to invest in First Ranking Debt Instruments;
- (b) the term of the investment; and
- (c) whether you wish interest on the investment compounded or paid (either by direct credit or cheque).

To comply with its obligations under the Financial Transactions Reporting Act 1996 and Anti-Money Laundering and Countering Financing of Terrorism Act 2009, MCF will require you to provide evidence of identity and address if:

- (a) MCF does not already hold this information; or
- (b) the details held by MCF regarding your identity or address have changed or require reconfirmation.

MCF reserves the right to refuse any application in whole or in part, in which case MCF will refund your subscription monies without interest.

For further details on investing please contact:

The Finance Manager  
Mutual Credit Finance Limited  
Telephone: (03) 943 7447  
Fax: (03) 968 8804  
Email: [contactus@mcf.co.nz](mailto:contactus@mcf.co.nz)

### Section 13: Contact information

MCF's contact details, as at the date of this PDS are:

<p>Mutual Credit Finance Limited (there is no separate securities registrar)</p>	<p><b>Physical Address:</b> Level 2 83 Victoria Street Christchurch New Zealand</p> <p><b>Postal Address:</b> P O Box 13 0178 Christchurch 8141 New Zealand</p> <p><b>Telephone:</b> +64 (3) 943 7447 <b>Freephone:</b> 0508 968 8800 <b>Fax:</b> +64 (3) 968 8804 <b>Email:</b> info@mcf.co.nz <b>Website:</b> www.mcf.co.nz</p>
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## Definitions

In this PDS the following defined terms have the meanings set out next to them, except where the context requires otherwise.

<b>Defined term</b>	<b>Meaning</b>
<b>Application Form</b>	The form which is used to apply for First Ranking Debt Instruments. This form is available at <a href="http://www.mcf.co.nz">www.mcf.co.nz</a>
<b>Board</b>	Board of directors of MCF.
<b>Companies Act</b>	Companies Act 1993 (as may be amended or replaced from time to time).
<b>Corporate Society Gaming</b>	The placement by corporate societies of gaming machines in pubs and clubs to raise money for purposes authorised by the Gambling Act 2003.
<b>Debt Instrument Holders</b>	All persons at a particular time that hold secured debt instruments issued by MCF including the holders of First Ranking Debt Instruments (whether issued under this PDS or earlier or subsequent offer documents) and including the holders of any Second Ranking Debt Instruments issued by MCF.
<b>Debt Instruments</b>	Any and all secured debt obligations by whatever name called, constituted and issued by MCF pursuant to the Trust Deed (whether under this PDS or otherwise) and for the time being outstanding and uncanceled and includes First Ranking Debt Instruments, any Second Ranking Debt Instruments and Variable Secured Debt Instruments.
<b>FMA</b>	The Financial Markets Authority.
<b>Financial Markets Conduct Act</b>	The Financial Markets Conduct Act 2013.
<b>Financial Markets Conduct Regulations</b>	The Financial Markets Conduct Regulations 2014.
<b>First Ranking Debt Instruments</b>	First ranking Debt Instruments issued by MCF.
<b>MCAM</b>	Mutual Credit Asset Management Limited (New Zealand Company Number 1770302).
<b>MCF</b>	Mutual Credit Finance Limited (New Zealand company number 125046), the issuer of the First Ranking Debt



	Instruments offered under this PDS.
<b>Non-bank Deposit Taker</b>	A non-bank deposit taker under the Non-bank Deposit Takers Act.
<b>Non-bank Deposit Takers Act</b>	The Non-bank Deposit Takers Act 2013.
<b>Non-Bank Deposit Takers Regulations</b>	The Deposit Takers (Credit Ratings, Capital Ratios, and Related Party Exposures) Regulations 2010.
<b>PPSR</b>	The register of personal property securities established under the Personal Property Securities Act 1999, known as the personal property securities register.
<b>PDS</b>	This product disclosure statement dated 22 June 2017 (as amended from time to time in accordance with the Financial Markets Conduct Act) relating to the continuous issue by MCF of First Ranking Debt Instruments. This is a replacement Product Disclosure Statement which replaces the Product Disclosure Statement dated 22 September 2016.
<b>Second Ranking Debt Instruments</b>	Second ranking Debt Instruments issued by MCF, which will rank in priority immediately after the First Ranking Debt Instruments.
<b>Supervisor</b>	Trustees Executors Limited.
<b>Trust Deed</b>	The debenture trust deed dated 1 February 1985 between Westgold Finance Limited (which amalgamated with MCF on 31 March 2006), Brown Walters and Company Limited and Trustees Executors Limited (under its former name The Trustees Executors and Agency Company of New Zealand Limited), as that deed has been and may be amended and/or restated from time to time.
<b>Variable Secured Debt Instrument</b>	A First Ranking Debt Instrument issued by MCF as security for fluctuating amounts of present or future liabilities (such as bank overdrafts, commercial loans and commercial bills).

***All legislation referred to in this PDS may be viewed online at [www.legislation.govt.nz](http://www.legislation.govt.nz).***

# Application Form



This application form relates to an offer of First Ranking Debt Instruments in Mutual Credit Finance Limited as set out in the Product Disclosure Statement dated 22 June 2017 (the PDS) and should be read in conjunction with the PDS. This is a replacement PDS which replaces the Product Disclosure Statement dated 22 September 2016.

I/We apply to invest in First Ranking Debt Instruments as set out below under the terms of the PDS.

## Investor Details

Investor Mr/Mrs/Miss/Ms/Dr/Trustee (Please circle)	First names in full	IRD No. Investor	
Surname	Gender	Date of birth / /	

Joint Investor Mr/Mrs/Miss/Ms/Dr/Trustee (Please circle)	First names in full	IRD No. Joint Investor	
Surname	Gender	Date of birth / /	

Company/Club/Society/Trust (if applicable) (Please circle)	IRD No. Company Trust
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Residential Address	<b>Please note:</b> If we do not have your IRD number on file, we are required to deduct resident withholding tax (RWT) at 33%
City or Town	

Mailing Address (if different from above)	<b>NZ residents, please indicate your choice of RWT rate below. If exempt, please provide copy of exemption certificate.</b>
City of Town	

City of Town	Post Code	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>
		10.5%	17.5%	30.0%	or exempt

Email Address	Phone No. (Home) ( )	<input type="text"/>	<input type="text"/>
		NRWT	AIL

Phone No. (Mobile) ( )	Phone No. (Work) ( )
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## Investment Information

New  Reinvestment

Enter the amount you wish to invest and the interest rate from our current rate chart beside your selected term

Amount (minimum \$5,000.00)	Term	Interest Rate
\$	Months	%
\$	Years	%
\$	Specify maturity date / /	%

## Interest payment options

Please tick one box to show how your interest is to be paid. (All interest is payable quarterly on the last days of March, June, September and December, and on maturity).

<input type="checkbox"/>	Quarterly compounding
<input type="checkbox"/>	Quarterly cheque
<input type="checkbox"/>	Quarterly direct credit to:

Bank	Branch		
Account name			
<input type="text"/>	<input type="text"/>		
Bank	Branch	Account	Suffix

## Signatures

I/We agree to accept the First Ranking Debt Instruments applied for or any lesser amount that may be allotted to me/us.  
I/We confirm that I/we have received and read a copy of the PDS.

Signature	Date / /
Signature	Date / /

## Notes

- Joint applications must be signed by all applicants.
- If the application is signed by an attorney, please attach a copy of the power of attorney. By signing, the attorney declares that they have not been notified of the death of the donor or of the revocation of the power of attorney.

## Advisor/Broker details

Do you have an Advisor/Broker?  Yes  No

If yes: My Advisor/Broker for this investment is : \_\_\_\_\_

For applicable rates for amounts in excess of \$100,000.00 please refer to the Manager. Matured investments will be held on current 'at call' interest rates until new instructions are received.

## How to invest with Mutual Credit Finance Limited

Select the Mutual Credit Finance Limited investment product or products that best suit your needs and choose from the terms and interest rates available. Complete the application form overleaf. You can obtain further copies by calling us on (03) 943 7447.

### Paying your investment amount

For payments by cheque, please make it payable to Mutual Credit Finance Limited and cross it 'not transferable'.

### Post to

Send the application form with your completed cheque to:

Mutual Credit Finance Limited  
PO Box 130178  
Christchurch 8141

### Deliver to

Level 2  
83 Victoria Street, Christchurch.

Or you can give the application form and payment to your financial advisor for forwarding to us.

### Internet Transfer

Funds can be deposited direct to the company's trust account.

**ASB 12-3191-0035700-02.**

Please email [info@mcf.co.nz](mailto:info@mcf.co.nz) to advise when a transfer has been completed and the reference used.

After we have received your application and accepted the same, we will send you a Mutual Credit Finance Limited First Ranking Debt Instrument Certificate and a letter of acknowledgement in your name(s), recording details of your investment with us.