



**19<sup>th</sup> January 2017**

Firstly, welcome back to work for those who have had a break over the Christmas-New Year period. I hope you had an enjoyable and relaxing holiday and feel fully re-charged as we head into 2017!

## **Benefits of being a Member of Co-operative Business NZ**

**I thought I would start the year by re-capping on the many benefits in being a Member of [Co-operative Business New Zealand](#):**

1. All Members will have an industry body that will advocate strongly for the co-operative business model and co-operative sector here in NZ.
2. Cooperative Business NZ will be the voice of the co-operative sector here in NZ.
3. Cooperative Business NZ will provide advice and guidance within the co-operative business model.
4. Cooperative Business NZ will act as the knowledge centre for internal and external research, data and intellectual property.
5. All Members will be provided with the opportunity to collaborate and work together as we seek to drive effective “Co-operation Amongst Co-operatives”, for example preferred supplier agreements, sharing of information and resources, and shared support services.
6. All Members will have access to governance and leadership training that is aligned to the co-operative sector.
7. Cooperative Business NZ will help negotiate and lobby for legislative change via the Financial Markets Authority (FMA) for the benefit of its Members, for example exemptions from the need to produce Product Disclosure Statements when raising share capital.
8. All Members will have the opportunity to network with, and learn from, other Members at various events held each year including an annual Co-op Business Leaders’ Forum and an AGM / Annual Awards Dinner.
9. All Members will benefit from the findings of university research projects in relation to the NZ co-operative sector, one of the most significant to be released next week and titled “The NZ Co-operative Economy”.
10. Cooperative Business NZ will link its Members to the International Co-operative Alliance and its resources, promotional material, global conferences etc.
11. Cooperative Business NZ will organise and facilitate co-operative discussion groups in relation to specific issues.

12. Cooperative Business NZ will encourage and support start-up businesses and organisations as they either consider becoming co-operatives, or seek to become co-operatives.
13. Cooperative Business NZ will lead its Members to NZ politicians as required.
14. By being a Member of Cooperative Business NZ, your business will be supporting the co-operative sector locally including those smaller co-operatives which do not have the resources to provide such things as internal governance and leadership training, or to lobby with the FMA on legislative change.
15. Finally, by being a Member you will be part of an organisation that advocates for a business model that is sustainable economically, socially and environmentally. As evidence of this over 70% of our Full Members have been successfully operating here in NZ for more than 25 years.



Members at the 2016 Annual General Meeting held at Wellington's Basin Reserve.

As background, many of our Members are registered under the NZ Companies Act 1993 and / or the NZ Cooperative Companies Act 1996. Regardless of the relevant Act upon company registration, our Members conduct their business within strong co-operative principles. These are best defined by the seven Rochdale [Principles](#) as agreed to way back in 1844 by a small group of locals in northern England who decided to pool their funds together so that they could provide loans to those within the local community at favourable interest rates.

## Co-operative Business Leaders' Forum & Dinner

**Friday, 3<sup>rd</sup> March**

**Fonterra Centre, 109 Fanshawe St, Auckland**



The co-operative sector in NZ is made up of more than 100 businesses and organisations of which the top 30 generate 17.5% of our Gross National Product, most of these entities being Members of Cooperative Business NZ.

We can all learn from each other as part of the strong co-operative and collaborative spirit that exists amongst our Members, as well as across the co-operative sector globally.

As announced last month, we are now planning a significant Co-op Business Leaders' Forum to be held at Fonterra's offices in Fanshawe St, Auckland CBD, in early March. Invitations were sent to all Members before Christmas with a good level of response so far.

We have confirmed an outstanding lineup of speakers representing the broad spectrum of NZ co-operatives and mutuals. They include chairmen and chief executives from the following organisations:

- **Accuro Health Insurance**
- **Co-op Money NZ**
- **Farmlands**
- **FMG Insurance**
- **Fonterra**
- **Fonterra Shareholders' Council**
- **LIC**
- **Mitre 10**
- **SBS Bank**
- **Silver Fern Farms**
- **Visique**

In addition, Dr Lisa Callagher and Dr Elena Garnevska from the University of Auckland's Business School and Massey University respectively will present on their joint research project ***The NZ Co-operative Economy***, the findings of which we will release to Members and the media next week.

We are planning on having a prominent Cabinet Minister attend as our pre-dinner speaker, this will be confirmed over the next few weeks. As there is limited seating available in Fonterra's Auditorium it will be best to register early, already over half the capacity has been sold. The cost of this event will be as follows:

<b>Daytime session only:</b>	\$595 & GST
<b>Dinner only:</b>	\$150 & GST
<b>Both events:</b>	<b>\$695 &amp; GST</b>

If you have not received an invitation and would like to attend please [email me](#) now, otherwise for those Members who have yet to respond to the invitation please let me know if you would like to attend. Alternatively, if you know of others within your organisation who would like to attend but have not been invited please let me know.

This event promises to provide real value to our Members both from an educational as well as networking perspective. It would be great to see you there on the day.

## “Let’s Get Started” User Guide

for all potential new co-operatives, mutuals and societies

Since starting here in my role last April, I have received many requests for assistance with setting up new co-operatives.

To meet this need I have decided to produce a User Guide for all those considering whether to set up, or otherwise join, a co-operative.

In this document we answer the following questions:



- How do we progress from a group of individuals with an idea, to forming and registering a company, to drafting a constitution and business plan, to holding our first general meeting, to holding our first AGM 12 months later?
- What is a co-operative and how does this vary from standard companies (publicly and privately-owned), mutual companies, incorporated societies, building societies, industrial and provident societies, credit unions etc.
- What is the history of co-operatives in NZ, and globally, and what other NZ co-operatives are there?
- Is the co-operative business model the right one for us?
- Which type of co-operative is best for us?
- How do we set up a co-operative following best practice governance?
- Is our idea business-worthy?

This Start-Up User Guide provides a good level of information relevant also to established co-operatives.

I welcome all Cooperative Business NZ Members reading through this document which has also been posted on our website.

## Notification in relation to exemptions from disclosure when raising share capital

On 22<sup>nd</sup> December (2016), the FMA provided its long-awaited notification in relation to exemptions from disclosure when raising share capital. This new legislation took effect from 23<sup>rd</sup> Dec (*please refer to my email sent to all Members later that day and posted on our [website](#)*).

A useful six-page layman's summary can also be viewed [here](#).

Please refer to **item 1** below for details of what we have negotiated on your behalf in terms of the Financial Markets Conduct Act 2013.

### A brief overview

#### Background, relevant parts to the FMC Act 2013:

- **Part 2:** Fair dealing.
- **Part 3:** Disclosure requirements (Product Disclosure Statements, register entries, advertising, ongoing disclosure).
- **Part 4:** Governance requirements (eg. the need to keep a share registry).
- **Part 7:** Financial reporting and audit requirements of the FMC Act 2013.

Firstly, no business will be exempt from Part 2, fair dealing.

#### 1. Exemptions from disclosure (relates to co-operative companies only):

##### (a) Where each shareholder invests less than \$5,000 (across all offers):

- Provides exemption from parts 3, 4 and 7 above.
- *Note:* this does not relate to a 12-month period, but to all offers made over time.
- This exemption is still subject to the requirement to keep a Register of Interests under part 4.
- Notice must be provided to investors that the offer is not subject to parts 3, 4 and 7.
- Part 7: still need to comply with financial reporting and auditing requirements of the Companies Act 1993, or IPS Act 1908.

##### (b) Where the issuer has less than \$2.0m in revenue during the relevant reporting period (financial year):

- Provides full exemption from part 7 above only, but must notify investors that it is not complying with part 7.
- Will still need to comply with financial reporting and auditing requirements of the Companies Act 1993, or IPS Act 1908.

## 2. Exclusions from disclosure for “wholesale” investors (relates to all companies, co-ops and non-co-ops):

- Those who make offers of co-op shares under the FMC Act may also be able to rely on an exclusion in Schedule 1 of the FMC Act for offers to wholesale investors.
- Wholesale investors are clearly defined including local authorities and crown entities, investment businesses, large investors with net assets or turnover of more than \$5.0m in each of the past two years, investors who will invest at least \$750,000 in the offer etc.

## 3. Exclusions from disclosure for “retail” investors (relates to all companies, co-ops and non-coops):

- Those who make offers of co-op shares under the FMC Act may also be able to rely on certain exclusions in Schedule 1 of the FMC Act for offers to retail investors.
- Retail investors are defined as all those who are not wholesale investors.
- Two main exclusions: “close business associate” and “small personal offers”.
- Close business associates includes directors, senior managers, substantial shareholders, related companies and partners of the offeror, and any person with a close professional or business relationship with the offeror or with a director or senior manager of the offeror so that as a result of that relationship they can access the merits of the offer.
- Small personal offers: you will be able to issue shares to a maximum of 20 investors over a 12-month period as long as you do not raise more than \$2.0m during that period. This must be a personal offer made to someone who is likely to be interested in the offer and must be to someone with whom you have a professional connection or someone who has indicated interest in such offers.

### What if none of the above exemptions and exclusions apply?

Then your offer is likely to be a regulated offer and the standard rules will apply i.e. full disclosure requirements, governance requirements, and financial reporting and audit requirements (parts 3, 4 and 7 of the FMC Act 2013).

### Legal advice

The FMA recommends that you seek legal advice from a specialist in financial markets law before making an offer of shares.

### Contact at the FMA

- If you would like to know more, please contact Nicholas Lim at the FMA (ph. 09 300 0401) otherwise myself.

***Finally, have a great 2017 everyone and I am very much looking forward to supporting you as best I can over this year and beyond!***

Kind regards,

Craig Presland

CEO - Cooperative Business New Zealand