

Disclosure Statement

MCU Credit Union Limited

ABN: 52 087 650 995

Postal Ballot – MCU Constitutional Changes

28 October 2016

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Part 1 – Proposed Changes to the Constitution

1. Introduction

1.1 The Proposed Changes to the Constitution comprise a number of changes to be subject to a single vote:

- (a) replacing the defined term ‘credit union’ with ‘mutual’;
- (b) the adoption of a new Rule 47.4;
- (c) amendments to Rule A3-1(1)(3)(d) of Schedule 3;
- (d) amendments to Rule A3-1(1)(3)(e) of Schedule 3; and
- (e) amendments to Rule A3-1(1)(3)(f) of Schedule 3.

1.2 The Proposed Changes are contained in Schedule 2 to this document.

1.3 The objective of each of the Proposed Changes is outlined in section 2 below.

1.4 Schedules 3 and 4 to this document contain the:

- (a) Director statements required by A3-7 of Schedule 3; and
- (b) Independent Expert’s Report required by A3-8 of Schedule 3.

2. Objectives of the Proposed Changes

2.1 Replacing the defined term ‘credit union’ with ‘mutual’ – this change is intended to ensure that possible future transactions involving a change of MCU’s technical status would not automatically trigger the demutualisation approval procedure rule, while continuing to reflect MCU’s underlying organisational structure and core value of mutuality.

2.2 The adoption of a new Rule 47.4 – the objective of this change is to require that Members must, by special resolution, approve a transaction involving:

- (a) a transfer or creation of a legal, beneficial or security interest, in the whole or substantially the whole of Members’ reserves or capital; or
- (b) a transfer of whole or substantially the whole of MCU’s business, unless the transaction occurs in the ordinary course of MCU’s business or the demutualization approval procedural rules in Schedule 3 of the Constitution are complied with.

Such a special resolution will require the support of at least 75% of the Members voting in person or by proxy in a general meeting.

2.3 The change is considered an appropriate limit on the Board’s powers in the context of the proposed amendment to Rule A3-1(1)(3)(f) of Schedule 3 (see below).

2.4 Amendments to Rule A3-1(1)(3)(d) and Rule A3-1(1)(3)(e) of Schedule 3 – the objective of these changes is to remove an ambiguity concerning the identity of the report that can require the demutualisation approval procedural rules to be complied with, and to provide for an alternative mechanism if no report is required to be provided to APRA (the Commonwealth government authority that oversees credit unions, building societies and banks).

2.5 Amendment to Rule A3-1(1)(3)(f) of Schedule 3 – the objective of this change is to limit the kinds of transfers of business that will be subject to the demutualisation approval procedural rules in Appendix 2. The amendment would have the effect that MCU could transfer its business (in whole or in part) to another entity that was not a credit union, credit society or credit cooperative without having to conduct a postal ballot of the Members provided that the reserves or capital were retained by MCU and its Members.

2.6 The proposed new Rule 47.4 – the objective of the rule is to apply where there is a proposed transfer outside of the ordinary course of business involving the whole of or substantially the whole of MCU's business that did not attract the demutualization approval procedural rules in Schedule 3, and would require the Members to approve the transaction by a special resolution.

3. Procedural steps

3.1 There are two procedural steps required in relation to Member approval and adoption of the Proposed Changes.

(a) Step 1: A postal ballot of Members must be held in accordance with the demutualisation approval procedural rules in Schedule 3. This requires a ballot paper to be sent to every Member with a Disclosure Statement as prescribed in Rule A3-6 and Director Statements from every Director as prescribed in Rule A3-7 and an Independent Expert's Report as described in Rule A3-8. Under Rule A3-4(1), MCU can only act on Proposed Changes if not less than 25% of the Members have voted in the postal ballot, and not less than 75% of the Members who voted approved the Proposed Changes by voting 'Yes'.

(b) Step 2: If the requirements of Divisions 2 and 3 and Rule A3-4(1) of Schedule 3 are satisfied, a general meeting of Members will be held to consider the special resolutions required to adopt the Proposed Changes.

4. Effect on Members' rights

4.1 The Proposed Changes have no value implications for Members and no impact on the ownership interests in the credit union held by Members.

4.2 Members' rights will not change as a result of the Proposed Changes other than as a result of adoption of the new Rule 47.4 and the amendment to Rule A3-1(3)(f) which expand the types of transactions which require a Member vote.

4.3 Rule 47.4 involves no loss of Members' rights. The Rule will guarantee that Members will continue to have the right to vote in a general meeting, on any transfer of business or any creation of a legal, beneficial or security interest, in the whole or substantially the whole of Members' reserves or capital, and this right will be extended to cover transactions which involve a credit union.

4.4 Before it could proceed, such a transaction would need to be authorised by a special resolution of Members. That is, at least 75% of votes cast would need to be in favour.

4.5 The Rule would not apply to transactions that are in the ordinary course of MCU's business. Also, a separate vote would not be required if the transaction requires approval by a postal ballot and a general meeting under the demutualisation procedural rules in Schedule 3.

Amendment to Rule A3-1(1)(3)(f) of Schedule 3

4.6 The amendment to Rule A3-1(1)(3)(f) will reduce the occasions or circumstances when Members would have the right to vote in a postal ballot under Schedule 3 of the Constitution.

4.7 Currently, the Members would have to vote in a postal ballot where it was proposed to transfer MCU's business, and the successor to MCU's business is an entity that was not a credit union, credit society or credit cooperative. If the amendment was adopted, this would be restricted to a right to vote in a postal ballot in circumstances where the entity that was the successor to MCU's business did not comply with the Principles of Mutuality and as a consequence of the restructure, the successor obtained an interest or access to the whole or substantially the whole of the Members' reserves or capital.

4.8 If the proposed amendment to Rule A3-1(1)(3)(f) was adopted, Members' rights to vote in a postal ballot on any change to MCU's mutual structure or the rights that attach to shares that are issued by MCU will continue unaffected.

The effect on rights to participate in the reserves and profits of MCU

4.9 The Proposed Changes will not involve any amendment to the Members' rights to participate in the reserves and profits of MCU.

Benefits offered to Members if the Proposed Changes occur, and why the benefits are considered appropriate

4.10 The Independent Expert's Report, a copy of which appears at Schedule 4 to this document identifies the following advantages from the Members' perspective of the new Rule 47.4 and the change to Rule A3-1(1)(3)(f):

(a) the introduction of Rule 47.4 into the Constitution means Members will continue to have the legal right to vote on any transaction which results in all or substantially all of the assets involved in MCU's business being transferred (legally or beneficially) to another entity, and this right will be extended to transactions which involve a credit union;

(b) the proposed changes materially reduce the risk of sensible transactions not proceeding because sufficient Members fail to vote;

(c) the proposed changes will save the credit union the significant time and costs associated with ensuring there is a quorum for any proposed transfer of business transaction.

4.11 The new Rule 47.4 will guarantee Members the right to approve by special resolution a proposed transaction that is outside of the ordinary course of business and affects the Members' reserves or a transfer of a substantial part of MCU's business where the demutualisation approval procedure rules do not apply. The Board considers that this would be an important safeguard for such a proposed transaction as a special resolution will require the support of at least 75% of the Members voting in person or by proxy in a general meeting.

4.12 The Independent Expert's Report has concluded there are no disadvantages associated with the Proposed Changes and they are fair and reasonable to, and in the best interests of, MCU Members.

4.13 The Board concurs with the independent expert's assessment of the Proposed Changes and that the postal ballot requirements act as a potential significant impediment to MCU's ability to implement certain proposals which are believed to be in the best interests of Members, and considers that the benefits of the proposed amendment to Rule A3-1(1)(3)(f) combined with the adoption of the new Rule 47.4 will outweigh the Member impact as described in 4.6 and 4.7.

The effect upon Members' entitlement to benefits and their determination or benefits to officers

4.14 The Proposed Changes would result in no change to the basis upon which Members' entitlements to benefits will be determined, and will not:

- (a) alter any minimum period of membership that a Member must satisfy to receive benefits;
- (b) alter any existing requirement that Members must pay an amount or provide other value to receive benefits;
- (c) create any preferential allocation of benefits to Members or class of Members or how such an allocation is determined;
- (d) give any benefits to officers of MCU (including retiring officers) or to any Associates of any officers whether directly or indirectly (other than in their capacity as a Member which would be the same as are available to all other Members).

The effect on the continuity of MCU's business or benefits, products and services

4.15 The Proposed Changes will result in no change to the continuation of MCU's business or to the benefits, products and services offered or the future employment of present employees of MCU.

4.16 However, certain types of transactions, similar to the potential proposal described in Part 2 of this document would have implications for some of these matters and they are discussed in that Part. The proposed modification to Rule A3-1(1)(3)(f) and the new Rule 47.4, if adopted, would have the consequence that there would be no postal ballot to authorise the general meeting of Members, and Members would not receive disclosure statements and reports required under Division 2 of Schedule 3. Instead, Members would vote by special resolution on whether to approve a transaction of this type in a general meeting and a detailed disclosure document (in the case of a transfer under the FS (BTGR) Act, approved by APRA) would be sent to Members accompanied by a written Notice of Meeting as described in paragraph 6.7.

MCU's financial position

4.17 MCU's financial position has not changed materially since the last balance sheet was put before the Members at the last AGM on Saturday 7 November 2015.

The availability of other alternatives

4.18 As the Proposed Changes are not prompted by a need to respond to any specific event or change to law, the principal alternative to the Proposed Changes is not to make the Proposed Changes. The consequence of this alternative approach would be that it would continue to be impractical to implement proposals which are believed to be in the interests of Members.

5. Other information for Members - Indicative timetable

5.1 These dates and times can change: MCU reserves the right to change the below dates, times and place of meeting. If MCU decides to change the date, time, or place of meeting, for holding the Meeting of Members, MCU will tell you so by letter or on MCU's website.

Start date of postal ballot for Proposed Changes to Constitution

9am, Friday 28 October 2016

Closing date of postal ballot for Proposed Changes to Constitution

5pm, Friday 25 November 2016

Proposed Meeting of Members to adopt Proposed Changes (AGM)

6pm, Wednesday 30 November 2016

Part 2 – Disclosure regarding a proposed transaction

6. Possible strategic alliance

Introduction

6.1 The Board is regularly in discussions to look for ways to improve the value MCU provides to Members, enhancing its competitive position, whilst ensuring MCU retains its local focus.

6.2 In accordance with A3-6(3) of the Constitution, the Board of MCU advises that it is currently considering a proposal.

6.3 The Board of MCU is currently assessing the establishment of a Strategic Alliance between MCU, Other Participants and a Strategic Partner. It is anticipated that an alliance would enhance Member services and provide a stable foundation for those services to be provided in the long term.

6.4 The Strategic Alliance would involve a Partial Transfer of the MCU business, under which MCU's loan assets and deposit liabilities, along with a balancing cash amount would be transferred to the Strategic Partner.

6.5 The Partial Transfer would constitute a restructure within the meaning of Rule A3-1(1)(3)(f) of Schedule 3 of the Constitution (as now in force) and therefore the information in this Part 2 is required to be disclosed to the Members.

6.6 Members should note that the Partial Transfer may not proceed unless the Proposed Changes in Part 1 are fully adopted with no alteration, due to the significant time and costs associated with ensuring there is a quorum for the proposal under the existing Rules. The Partial Transfer may also not proceed if the Relationship Agreements cannot be agreed.

Procedural steps for the Partial Transfer

6.7 If the Proposed Changes are approved by the Members, the Board contemplates that establishing the Strategic Alliance and conducting the Partial Transfer would involve 5 procedural steps:

(a) Step 1: MCU and the Strategic Partner would negotiate and sign the Relationship Agreements, covering the details of how services would be provided to Members, what services and reporting would be provided between the Strategic Partner and MCU and how costs and revenues would be shared between them. The Relationship Agreements would foreseeably be conditional on a number of things occurring, such as the Members' special resolution described in Step 3 below passing and the Certificate of Transfer described in Step 5 below being issued by APRA.

(b) Step 2: MCU and the Strategic Partner would communicate with APRA to obtain APRA's approval under the FS (BTGR) Act. The information provided to APRA would include the disclosures that will be made to Members in advance of a Member vote on the Strategic Alliance, and evidence that the Strategic Partner's business will continue to be strong after the Strategic Alliance has been implemented.

(c) Step 3: MCU would circulate a detailed information statement, approved by APRA, and convene a general meeting of Members to authorise the establishment of the Strategic Alliance and the Partial Transfer by special resolution passed by 75% of the votes cast by Members (whether in proxy or in person).

(d) Step 4: the Strategic Partner's Board would pass a resolution adopting the Strategic Alliance and the Partial Transfer.

(e) Step 5: if MCU's Members and the Strategic Partner's Board approve the Strategic Alliance and Partial Transfer, then under the Transfer Rules and the FS (BTGR) Act, APRA is able to issue a Certificate of Transfer under section 18 of the FS (BTGR) Act. A Certificate of Transfer automatically transfers ownership of assets and liabilities specified in the certificate, which would include the matters authorised by MCU's Members, including the loan assets and deposit liabilities. The transfer would take effect upon the date specified in the Certificate of Transfer as the date upon which it comes into force. The Relationship Agreements would come into effect at the same time.

7. Potential effect of the Strategic Alliance on Member rights

No change to voting rights or rights to participate in the reserves and profits of MCU

7.1 The Partial Transfer and establishing the Strategic Alliance, on the basis described at paragraphs 6.7 would not involve any change to the Members' rights to participate in the reserves and profits of MCU.

Benefits offered to Members if the Strategic Alliance is formed and the Partial Transfer occurs, and why the benefits are considered appropriate

7.2 The anticipated benefit to Members of the Partial Transfer is the establishment of the Strategic Alliance. The anticipated benefits to Members of the Strategic Alliance when fully implemented include:

- (a) access to a wider range of financial products;
- (b) access to new innovation and technology;
- (c) providing MCU with a stronger platform for growth;
- (d) increased capacity to deliver benefits to the MCU community; and
- (e) significant reduction in MCU's risk exposure.

7.3 If the Partial Transfer occurs and the Strategic Alliance were to proceed, MCU would be responsible for a share of the costs associated with the establishment of the Strategic Alliance. Such implementation costs would reduce profitability during the transition period and result in an initial decrease in MCU's net assets.

7.4 It is not possible at this time to precisely forecast the total of the implementation costs, however consideration of these would form part of the Board's assessment and be subject to the negotiation of the Relationship Agreements. In the event the Relationship Agreements could not be negotiated to the Board's satisfaction, the Partial Transfer and the Strategic Alliance would not proceed.

7.5 The Board's assessment is that the expected benefits from the Partial Transfer are considered appropriate, having taken into account both the advantages and potential implications of the Strategic Alliance described.

No impact on Members' entitlement to benefits and their determination or benefits to officers

7.6 The Partial Transfer would result in no change to the basis upon which Members' entitlements to benefits will be determined and would not:

- (a) alter any minimum period of membership that a Member must satisfy to receive benefits;
- (b) alter any existing requirement that Members must pay an amount or provide other value to receive benefits;
- (c) create any preferential allocation of benefits to Members or class of Members or how such an allocation is determined; or
- (d) give any benefits to officers of MCU (including retiring officers) or to any Associates of any officers whether directly or indirectly (other than in their capacity as a Member which would be the same as are available to all other Members).

The implications of the Partial Transfer on the continuity of MCU's business as an ADI

7.7 The Partial Transfer would require MCU to request the revocation of its banking authority under s 9A of the Banking Act 1959 (Cth). From the Transfer Date, MCU would no longer be an ADI. Instead, it is anticipated that MCU would in future distribute to Members similar banking services issued by the Strategic Partner, as an agent.

The implications of the Partial Transfer in relation to any major changes to be made to the credit union's business

7.8 If the Partial Transfer occurs and the Strategic Alliance were to proceed:

(a) Change in sources of income and expenses

MCU will receive a share in revenue on existing and new loans and deposits from MCU Members, a share in revenue from fees paid by MCU Members, and will continue to receive revenue from other sources including investment income and additional revenue from the returns of capital that is made available as a result of the potential Strategic Alliance. MCU's costs related to core banking software, compliance and risk management will be significantly reduced.

(b) Change in MCU's objects

Two of the objects described in MCU's Constitution – the accepting of deposits and providing loans – would cease to be carried out by MCU, and those functions would in future be performed by the Strategic Partner. A consequence of the change in MCU's objects, is that the Constitutional principles of mutuality related to the acceptance of deposits and provision of loans would also cease to operate.

(c) Change in company name

After the Transfer Date, MCU would no longer be an ADI and a credit union and therefore not be entitled to call itself a credit union in any context, other than by reference to the history of the organisation. In order to implement the potential Strategic Alliance MCU would be required to change its name to 'MCU Mutual Limited' or a similar name. A resolution to do so would be voted on by the Members' meeting that votes on the Partial Transfer.

The effect on the continuity of MCU's business or benefits, products and services

7.9 If the Partial Transfer occurs and the Strategic Alliance were to proceed:

(a) Members' accounts would continue to be managed by MCU;

(b) Members would continue to transact on their accounts as they always have using MCU's Branches and staff;

(c) ATM access to Members' accounts would continue to be available at any ATM in Australia; and

(d) the anticipated changes to benefits, products and services are:

(i) all existing MCU Members would remain customers and Members of MCU, but would become depositors and or borrowers of the Strategic Partner;

(ii) new loans and deposits would be arranged through MCU and branded as 'MCU' products, but would be issued by the Strategic Partner to MCU Members;

(iii) subject to agreements, the Strategic Partner would be the clearing and settlement agent on behalf of MCU in respect of the rediATM network of ATMs; and

(iv) if the Relationship Agreements ceased to operate for any reason, MCU would not be able to provide lending or deposit taking services to Members and would need to seek other arrangements.

Implications for present employees of MCU

7.10 MCU does not anticipate any changes in the future employment of present employees either directly resulting from the Partial Transfer, or in the period until the Strategic Alliance is fully implemented (currently anticipated to be up to 2 years from the Transfer Date).

7.11 Should the Strategic Alliance proceed and be fully implemented, the anticipated implications would be the change in the business requirements relating to financial services. It could be expected that there would be a restructure of business functions which may result in a reduction in the number of employees. On present rates of employee attrition, any such employee reductions should be achieved through natural attrition and no enforced redundancies are expected to be caused by implementing the Strategic Alliance.

The availability of other alternatives to the Partial Transfer

7.12 The alternatives identified by the Board are: (a) Continuing as a 'stand alone' credit union MCU is a profitable and well-performing credit union. However, trading under the current business model in the context of the foreseeable challenges in the banking sector (including reducing margins, higher operating costs and the need for technological innovation) will not deliver the growth and Member value that could be delivered to Members through the Strategic Alliance.

(b) Voluntary merger with a large credit union

A merger with a large credit union may or may not provide greater organisational efficiency and pricing benefits for Members compared with continuing as a 'stand alone' credit union, however a merger with another credit union is not expected to adequately address the long term challenges of capital, the lack of scale and the burden of compliance and ADI risk management facing the credit union. A merger could result in the loss of MCU's identity and independence.

(c) Demutualisation or winding up of MCU

MCU could be demutualised or woundup. Either of these options could provide Members benefits in the form of shares or cash. Where MCU was wound-up, it would foreseeably result in MCU ceasing its business completely. Where MCU demutualised, it could be expected to result in the loss or reduction of the current Members' control of service delivery and a reduction in community presence.

7.13 The Board considers that none of the alternatives would deliver the level of potential benefits available from the potential Strategic Alliance in the long term.
MCU's financial position

7.14 MCU's financial position has not changed materially since the last balance sheet was put before the Members at the last AGM on Saturday 7 November.

Schedule 1 – Glossary

In this document, unless the context otherwise requires:

ADI means Authorised Deposit-Taking Institution.

AGM means annual general meeting.

APRA means the Australian Prudential Regulation Authority.

Associate has the meaning ascribed to it in Rule A3-2(1) of Schedule 3 of the Constitution.

ASIC means the Australian Securities and Investments Commission.

Board means the board of Directors of MCU.

Constitution means the constitution of MCU.

Directors means a director for the time being of MCU.

FS (BTGR) Act means the Financial Sector (Business Transfer and Group Restructure) Act 1999 (Cth).

Independent Expert's Report means the report prepared by Nexis Limited (ABN 123456789), a copy of which appears in Schedule 4.

Other Participants means BDCU Limited ACN 087 649 787, CIRCLE Mutual Limited ACN 087 650 968, SERVICE ONE Mutual Limited (SERVICE ONE) ACN 095 848 598

Partial Transfer means a voluntary partial transfer of business to the Strategic Partner pursuant to Part 3 of the FS (BTGR) Act to implement the asset transfers contemplated under the potential Strategic Alliance.

Proposed Changes means the proposed amendments to the Constitution outlined in Schedule 2 of this document.

Relationship Agreements means the suite of documents to be negotiated between MCU and the Strategic Partner to form the Strategic Alliance and govern the transfer of business and ongoing dealings between the parties.

MCU means MCU Credit Union Limited (ABN 52 087 650 995).

Strategic Alliance means an on-going commercial relationship between MCU and the Strategic Partner after the Transfer Date, to be formed under the terms of Relationship Agreements.

Strategic Partner means Bendigo and Adelaide Bank Limited (ABN 11 068 049 178).

Transfer Date means the date stated in the certificate of transfer issued by APRA under section 18(2) of the FS (BTGR) Act as the date that the certificate comes into force (the Transfer Date will be after the Proposed Meeting of Members on 30 November 2016).

Transfer Rules means the Transfer Rules No 1 (2004) issued by APRA pursuant to the FS (BTGR) Act.

Schedule 2 – Terms of Proposed Changes to the Constitution

The following Changes are all proposed by the Board, and are to be voted on as a single proposition.

1. Replacing the defined term ‘credit union’ with ‘mutual’

That the Constitution be amended by substituting all references to ‘credit union’ where appearing as a defined term meaning MCU Credit Union Limited ABN xxxxxxxxx with ‘mutual’.

2. Adoption of a new Rule 47.4

That the Constitution be amended by inserting the following Rule after Rule 47.3:

47.4 Restriction on powers of the board

In spite of Rule 47.1(b), the board may only authorize the mutual to:

- (1) transfer, or create a legal, beneficial or security interest in, the whole or substantially the whole of the members’ funds comprising the members’ reserves or capital (based on the mutual’s latest report given to the Australian Prudential Regulation Authority or the Australian Securities and Investments Commission prior to the transaction); or
- (2) transfer the whole or substantially the whole of the mutual’s business; where the transaction:
 - (3) is in the ordinary course of the mutual’s business; or
 - (4) has prior approval of a special resolution of members, or if the requirement in Appendix 2 applies to the transaction, the mutual has complied with the Demutualisation Approval Procedure specified in Schedule 3.

3. Amending Rules A3-1(1)(3)(d) and A3-1(1)(3)(e)

That the Constitution is amended by substituting Rule A3-1(1)(3)(d) and Rule A3-1(1)(3)(e) of Schedule 3 with the following new items:

- (d) a person not entitled to use either the words ‘credit union’, ‘credit society’ or ‘credit co- operative’ in their name has a legal or equitable interest in more than 20% of the mutual’s gross assets (as those gross assets stand after completion of the transfer), based on the first report that the mutual has given the Australian Prudential Regulation Authority after the time of the transfer and if no report to that authority is required, then on the first report that the mutual has given the Australian Securities and Investments Commission after the time of transfer;
- (e) a group of associates, other than a group all of the members of which are entitled to use either the words ‘credit union’, ‘credit society’ or ‘credit co- operative’ in their name, between them have a legal or equitable interest in more than 20% of the mutual’s gross assets (as those gross assets stand after completion of the transfer), based on the first report that the mutual has given the Australian Prudential Regulation Authority after the time of the transfer and if no report to that authority is required, then on the first report that the mutual has given the Australian Securities and Investments Commission after the time of transfer; or

4. Amending Rule A3-1(1)(3)(f)

That the Constitution is amended by substituting Rule A3-1(1)(3)(f) of Schedule 3 with the following new item:

(f) the successor to the mutual's business is an organisation that does not comply with the Principles of Mutuality specified in the Preamble and as a consequence of the restructure, the successor or a related entity to the successor receives a legal or equitable interest in, access to or the benefit of the whole or substantially the whole of the members' funds comprising the mutual's reserves or capital, based on the latest report that the mutual has given the Australian Prudential Regulation Authority or the Australian Securities and Investments Commission prior to the time of the transfer.

Important notes:

To assist Members, a version of the Constitution showing the Proposed Changes is available at MCU's head office at 28 Maple St Maleny or can be obtained by phoning MCU on 123456789.

The postal ballot of Members is an initial step in a two step process. If the postal ballot achieves the required number of votes, and 'Yes' votes, the next step will be to hold a general meeting of Members to consider passing a special resolution required to adopt the Proposed Changes.

Schedule 3 – Director Statements

I, Sarah Davies, make the following statements pursuant to the requirements of Rule A3-7 of Schedule 3.

I recommend the Proposed Changes to the Constitution (Changes) be approved for the following reasons:

1. The exchange of the defined term 'credit union' with the term 'mutual' would reflect the structure and aims of MCU without requiring technical changes to MCU's regulatory status triggering the postal ballot procedure under Schedule 3.
2. New Rule 47.4 will allow Members an appropriate opportunity to express their wishes in the context of any proposed restructure and for this purpose would replace the postal ballot procedure under Schedule 3 for some possible transactions.
3. The amendments to Rule A3-1(1)(3)(d) and (e) remove an existing ambiguity in those Rules.
4. The amendment to Rule A3-1(1)(3)(f) will enable MCU to undertake transfers of business that do not affect its mutual status or its Members' reserves in a material way without incurring the delay and expense involved in holding a postal ballot of the Members under Schedule 3.
5. I propose to approve the Proposed Changes and will be voting 'Yes' in the postal ballot.
6. Neither I nor any Associate of mine will receive any pay or other valuable consideration or any other benefit in connection with the Proposed Changes.
7. I have no agreement with, and there is no agreement by the Directors, with any other person in connection with or conditional upon the outcome of the Proposed Changes.



Sarah Davies
Chair

I, Matthew Green, make the following statements pursuant to the requirements of Rule A3-7 of Schedule 3.

I recommend the Proposed Changes to the Constitution (Changes) be approved for the following reasons:

1. The exchange of the defined term 'credit union' with the term 'mutual' would reflect the structure and aims of MCU without requiring technical changes to MCU's regulatory status triggering the postal ballot procedure under Schedule 3.
2. New Rule 47.4 will allow Members an appropriate opportunity to express their wishes in the context of any proposed restructure and for this purpose would replace the postal ballot procedure under Schedule 3 for some possible transactions.
3. The amendments to Rule A3-1(1)(3)(d) and (e) remove an existing ambiguity in those Rules.
4. The amendment to Rule A3-1(1)(3)(f) will enable MCU to undertake transfers of business that do not affect its mutual status or its Members' reserves in a material way without incurring the delay and expense involved in holding a postal ballot of the Members under Schedule 3.
5. I propose to approve the Proposed Changes and will be voting 'Yes' in the postal ballot.
6. Neither I nor any Associate of mine will receive any pay or other valuable consideration or any other benefit in connection with the Proposed Changes.
7. I have no agreement with, and there is no agreement by the Directors, with any other person in connection with or conditional upon the outcome of the Proposed Changes.



Matthew Green
Director

I, David Wright, make the following statements pursuant to the requirements of Rule A3-7 of Schedule 3.

I recommend the Proposed Changes to the Constitution (Changes) be approved for the following reasons:

1. The exchange of the defined term 'credit union' with the term 'mutual' would reflect the structure and aims of MCU without requiring technical changes to MCU's regulatory status triggering the postal ballot procedure under Schedule 3.
2. New Rule 47.4 will allow Members an appropriate opportunity to express their wishes in the context of any proposed restructure and for this purpose would replace the postal ballot procedure under Schedule 3 for some possible transactions.
3. The amendments to Rule A3-1(1)(3)(d) and (e) remove an existing ambiguity in those Rules.
4. The amendment to Rule A3-1(1)(3)(f) will enable MCU to undertake transfers of business that do not affect its mutual status or its Members' reserves in a material way without incurring the delay and expense involved in holding a postal ballot of the Members under Schedule 3.
5. I propose to approve the Proposed Changes and will be voting 'Yes' in the postal ballot.
6. Neither I nor any Associate of mine will receive any pay or other valuable consideration or any other benefit in connection with the Proposed Changes.
7. I have no agreement with, and there is no agreement by the Directors, with any other person in connection with or conditional upon the outcome of the Proposed Changes.



David Wright
Director

I, Darryl Ebenezer, make the following statements pursuant to the requirements of Rule A3-7 of Schedule 3.

I recommend the Proposed Changes to the Constitution (Changes) be approved for the following reasons:

1. The exchange of the defined term 'credit union' with the term 'mutual' would reflect the structure and aims of MCU without requiring technical changes to MCU's regulatory status triggering the postal ballot procedure under Schedule 3.
2. New Rule 47.4 will allow Members an appropriate opportunity to express their wishes in the context of any proposed restructure and for this purpose would replace the postal ballot procedure under Schedule 3 for some possible transactions.
3. The amendments to Rule A3-1(1)(3)(d) and (e) remove an existing ambiguity in those Rules.
4. The amendment to Rule A3-1(1)(3)(f) will enable MCU to undertake transfers of business that do not affect its mutual status or its Members' reserves in a material way without incurring the delay and expense involved in holding a postal ballot of the Members under Schedule 3.
5. I propose to approve the Proposed Changes and will be voting 'Yes' in the postal ballot.
6. Neither I nor any Associate of mine will receive any pay or other valuable consideration or any other benefit in connection with the Proposed Changes.
7. I have no agreement with, and there is no agreement by the Directors, with any other person in connection with or conditional upon the outcome of the Proposed Changes.



Darryl Ebenezer
Director

I, Rob Swales, make the following statements pursuant to the requirements of Rule A3-7 of Schedule 3.

I recommend the Proposed Changes to the Constitution (Changes) be approved for the following reasons:

1. The exchange of the defined term 'credit union' with the term 'mutual' would reflect the structure and aims of MCU without requiring technical changes to MCU's regulatory status triggering the postal ballot procedure under Schedule 3.
2. New Rule 47.4 will allow Members an appropriate opportunity to express their wishes in the context of any proposed restructure and for this purpose would replace the postal ballot procedure under Schedule 3 for some possible transactions.
3. The amendments to Rule A3-1(1)(3)(d) and (e) remove an existing ambiguity in those Rules.
4. The amendment to Rule A3-1(1)(3)(f) will enable MCU to undertake transfers of business that do not affect its mutual status or its Members' reserves in a material way without incurring the delay and expense involved in holding a postal ballot of the Members under Schedule 3.
5. I propose to approve the Proposed Changes and will be voting 'Yes' in the postal ballot.
6. Neither I nor any Associate of mine will receive any pay or other valuable consideration or any other benefit in connection with the Proposed Changes.
7. I have no agreement with, and there is no agreement by the Directors, with any other person in connection with or conditional upon the outcome of the Proposed Changes.



Rob Swales
Director

I, Wendy McTainsh, make the following statements pursuant to the requirements of Rule A3-7 of Schedule 3.

I recommend the Proposed Changes to the Constitution (Changes) be approved for the following reasons:

1. The exchange of the defined term 'credit union' with the term 'mutual' would reflect the structure and aims of MCU without requiring technical changes to MCU's regulatory status triggering the postal ballot procedure under Schedule 3.
2. New Rule 47.4 will allow Members an appropriate opportunity to express their wishes in the context of any proposed restructure and for this purpose would replace the postal ballot procedure under Schedule 3 for some possible transactions.
3. The amendments to Rule A3-1(1)(3)(d) and (e) remove an existing ambiguity in those Rules.
4. The amendment to Rule A3-1(1)(3)(f) will enable MCU to undertake transfers of business that do not affect its mutual status or its Members' reserves in a material way without incurring the delay and expense involved in holding a postal ballot of the Members under Schedule 3.
5. I propose to approve the Proposed Changes and will be voting 'Yes' in the postal ballot.
6. Neither I nor any Associate of mine will receive any pay or other valuable consideration or any other benefit in connection with the Proposed Changes.
7. I have no agreement with, and there is no agreement by the Directors, with any other person in connection with or conditional upon the outcome of the Proposed Changes.



Wendy McTainsh
Director

I, Heather Cameron, make the following statements pursuant to the requirements of Rule A3-7 of Schedule 3.

I recommend the Proposed Changes to the Constitution (Changes) be approved for the following reasons:

1. The exchange of the defined term 'credit union' with the term 'mutual' would reflect the structure and aims of MCU without requiring technical changes to MCU's regulatory status triggering the postal ballot procedure under Schedule 3.
2. New Rule 47.4 will allow Members an appropriate opportunity to express their wishes in the context of any proposed restructure and for this purpose would replace the postal ballot procedure under Schedule 3 for some possible transactions.
3. The amendments to Rule A3-1(1)(3)(d) and (e) remove an existing ambiguity in those Rules.
4. The amendment to Rule A3-1(1)(3)(f) will enable MCU to undertake transfers of business that do not affect its mutual status or its Members' reserves in a material way without incurring the delay and expense involved in holding a postal ballot of the Members under Schedule 3.
5. I propose to approve the Proposed Changes and will be voting 'Yes' in the postal ballot.
6. Neither I nor any Associate of mine will receive any pay or other valuable consideration or any other benefit in connection with the Proposed Changes.
7. I have no agreement with, and there is no agreement by the Directors, with any other person in connection with or conditional upon the outcome of the Proposed Changes.



Heather Cameron
Director

I, Antony Ziemek, make the following statements pursuant to the requirements of Rule A3-7 of Schedule 3.

I recommend the Proposed Changes to the Constitution (Changes) be approved for the following reasons:

1. The exchange of the defined term 'credit union' with the term 'mutual' would reflect the structure and aims of MCU without requiring technical changes to MCU's regulatory status triggering the postal ballot procedure under Schedule 3.
2. New Rule 47.4 will allow Members an appropriate opportunity to express their wishes in the context of any proposed restructure and for this purpose would replace the postal ballot procedure under Schedule 3 for some possible transactions.
3. The amendments to Rule A3-1(1)(3)(d) and (e) remove an existing ambiguity in those Rules.
4. The amendment to Rule A3-1(1)(3)(f) will enable MCU to undertake transfers of business that do not affect its mutual status or its Members' reserves in a material way without incurring the delay and expense involved in holding a postal ballot of the Members under Schedule 3.
5. I propose to approve the Proposed Changes and will be voting 'Yes' in the postal ballot.
6. Neither I nor any Associate of mine will receive any pay or other valuable consideration or any other benefit in connection with the Proposed Changes.
7. I have no agreement with, and there is no agreement by the Directors, with any other person in connection with or conditional upon the outcome of the Proposed Changes.



Antony Ziemek
Director

Schedule 4 – Independent Expert’s Report

Subject: Proposed amendments to Constitution

INDEPENDENT EXPERTS REPORT MCU LIMITED



The Directors
MCU Limited
Bunya House, 28 Maple Street
Maleny, QLD 4552
28th October 2016

Subject: Proposed amendments to Constitution

Dear Directors

Scope of the Report

- 1 You have requested that we provide our opinion on whether the proposed amendments to the Constitution of MCU Limited (MCU) are fair and reasonable to, and in the best interests of, its members. This opinion takes the form of an Independent Expert's Report (IER) and is necessary because the amendments to the Constitution trigger the Demutualisation Rules in Schedule 3 of MCU's Constitution and in accordance with Rule A3-5 an "*independent expert's report*" needs to be commissioned and supplied to members in accordance with Rule A3-8.

This is also reinforced in the Regulatory Guides issued by the Australian Securities & Investments Commission (ASIC)¹, particularly Regulatory Guide 111 – Content of expert reports (RG 111)² where Table 1 requires the IER to accompany the notice of meeting for a demutualisation of a financial institution or friendly society.

Basis of the Report

- 2 Rule A3-8 of MCU's Constitution requires the IER to express an opinion on whether the proposed transaction is in the "best interests" of the members and if the benefits provided by the transaction are "fair and reasonable" to the members.

Nowhere in the Constitution are the terms "fair", "reasonable" or "in the best interests" defined, nor is there any legal definition of these expressions. RG 111 however states that a proposal may be:

- (a) "fair" (in the context of a change in control transaction) if the value of the consideration is equal to or greater than the value of the securities the subject of the offer;
- (b) "reasonable" if it is fair, or if there are sufficient reasons for members to approve the proposal;
- (c) "in the best interests" of members if there are sufficient reasons for members to vote in favour of the proposal.

¹ These explain when and how ASIC will exercise its specific powers in relation to the corporate transactions it regulates, how ASIC interprets the law (e.g. *Corporations Act 2001 (Cth)* (Corporations Act)), the principles underlying ASIC's approach and practical guidance on how entities may meet their obligations in the context of a transaction.

² RG 111 sets out a framework for the content of an IER and the tests to be used in evaluating a transaction.

- 3 All references in RG111 to “fair” centre around a value assessment. We note that the proposed amendments to the Constitution have no value implications for members and no impact on the ownership interests in the credit union held by members. Accordingly, the fairness test outlined in RG 111 is not relevant to any assessment of the proposed amendments to the Constitution.
- 4 When evaluating the proposed amendments to the Constitution we have therefore considered the implications, advantages and disadvantages of the proposed amendments from the perspective of members (relative to the current position) in arriving at our assessment of “fair and reasonable” and “in the best interests” of members.

Proposed amendments to Constitution

The current position

- 5 Under the current Constitution, if MCU proposes a corporate restructure³ (Restructure) and after completion of the Restructure “the successor to the credit union’s business is not entitled to use either the words ‘credit union’, ‘credit society’ or ‘credit co-operative’ in its name”, then the Restructure can only be implemented if a postal ballot is conducted under the Constitution and both the following occur:
 - (a) not less than 25% of members entitled to vote on the Restructure do so; and
 - (b) not less than 75% of the members who vote, approve the Restructure.

The proposed amendments

- 6 The proposed amendments to the Constitution are set out in detail in the Disclosure Statement dated 28th October 2016. The main changes are to introduce a new Rule 47.4 into the Constitution, and to amend existing Rule A3-1(1)(3)(f) in Schedule 3.
- 7 In addition, the Constitution will be changed as follows: -
 - (a) all references to the defined term ‘credit union’ in the Constitution are being changed to ‘mutual’
 - (b) amendments are being made to Rule A3-1(1)(3)(d) and (e) in Schedule 3 to clarify their meaning.

³ Defined in Rule A3-1(1)(3) in Schedule 3 of the Constitution.

8 It is proposed that Rule 47.4 of the Constitution be added as follows: -

“47.4 Restriction on powers of the board

In spite of Rule 47.1, the board may only authorize the mutual to:

(1) transfer, or create a legal, beneficial or security interest in, the whole or substantially the whole of the members' funds comprising the members' reserves or capital (based on the mutual's latest report given to the Australian Prudential Regulation Authority or the Australian Securities and Investment Commission prior to the transaction); or

(2) transfer the whole or substantially the whole of the mutual's business;

where the transaction is:

(3) is in the ordinary course of the mutual's business; or

(4) has prior approval of a special resolution of members, or if the requirement in Schedule 3 applies to the transaction, the mutual has complied with the Demutualisation Approval Procedure specified in Schedule 3.”

9 Rule A3-1(1)(3)(f) in Schedule 3 of the Constitution will be amended from:

“the successor to the credit union’s business is not entitled to use either the words ‘credit union’, ‘credit society’ or ‘credit co-operative’ in its name”

to the following:

“the successor to the mutual’s business is an organisation that does not comply with the Principles of Mutuality specified in the Preamble and as a consequence of the restructure, the successor or a related entity to the successor receives a legal or equitable interest in, access to or the benefit of the whole or substantially the whole of the members’ funds comprising the mutual’s reserves or capital, based on the latest report that the mutual has given the Australian Prudential Regulation Authority or the Australian Securities and Investments Commission prior to the time of the transfer.”

10 Whilst the term “successor” is not defined in the current (or proposed amended) Constitution, we understand that the “successor” to the business is a person or entity (including associates) which, after completion of the transaction, obtains legal or beneficial ownership of all or substantially all of the assets involved in MCU’s business.

11 Rule A3-1(1)(3)(d) in Schedule 3 of the Constitution will be amended from: -

“a person not entitled to use either the words “credit union’, ‘credit society’ or ‘credit co-operative’ in their name has a legal or equitable interest in more than 20% of the Company’s gross assets, based on the latest report that the Company has given the Australian Prudential Regulation authority as at the time of the transfer;

to the following:

“a person not entitled to use either the words ‘credit union’, ‘credit society’ or ‘credit co-operative’ in their name has a legal or equitable interest in more than 20% of the mutual’s gross assets (as those gross assets stand after completion of the transfer), based on the first

report that the mutual has given the Australian Prudential Regulation Authority after the time of the transfer and if no report to that authority is required, then on the first report that the mutual has given the Australian Securities and Investments Commission after the time of transfer;”

- 12 Rule A3-1(1)(3)(e) in Schedule 3 of the Constitution will be amended from: -

“a group of associates, other than a group all of the members of which are entitled to use either the words ‘credit union’, ‘credit society’ or ‘credit co-operative’ in their name, between them have a legal or equitable interest in more than 20% of the Company’s gross assets, based on the latest report that the Company has given the Australian Prudential Regulation authority as at the time of the transfer; or”

to the following:

“a group of associates, other than a group all of the members of which are entitled to use either the words ‘credit union’, ‘credit society’ or ‘credit co-operative’ in their name, between them have a legal or equitable interest in more than 20% of the mutual’s gross assets (as those gross assets stand after completion of the transfer), based on the first report that the mutual has given the Australian Prudential Regulation Authority after the time of the transfer and if no report to that authority is required, then on the first report that the mutual has given the Australian Securities and Investments Commission after the time of transfer; or”

Effect of the addition of Rule 47.4 and amendments to Rule A3-1(1)(3)(f) in Schedule 3

Impact on voting rights

- 13 The introduction of Rule 47.4 to the Constitution means that any transaction that falls under subsection (1) or (2) of that Rule⁴ will require a special resolution to be passed by members (requiring 75% of members voting to be in favour) in order to be implemented, with the exception of transactions that take place in the “ordinary course” of business. Importantly, proposals such as a sale of the credit union or the merger of the business with another financial institution could not be regarded as taking place “in the ordinary course” of business, and would therefore require 75% of those members who vote being in favour of the proposal in order for it to be implemented.

If the transaction triggers the demutualisation rules, then Rule A3-4 in Schedule 3 applies to the approval process for the transaction which is consistent with the current constitution. Rule 47.4 doesn’t affect the demutualisation approval process and members’ voting rights on demutualisation.

- 14 In contrast, under Rule A3-1(1)(3)(f) in Schedule 3 of the existing Constitution, transactions whereby the “successor” of the business is entitled to use either the words ‘credit union’, ‘credit society’ or ‘credit co-operative’ in its name do not require member approval.

⁴ Set out in paragraph 7 above

- 15 In our view, the proposed changes to the Constitution therefore expand the types of transactions that require a member vote and don't reduce member's rights to approve transactions.

Overcoming the risks associated with members' failure to vote

- 16 MCU suffers from a common problem of mutual associations in respect of members' low participation in the casting of votes. The following table illustrates the low level of member participation in resolutions tabled at the last four Annual General Meetings (AGM):

	2012	2013	2014	2015
Percentage of members that participated in the vote	2.45%	1.73%	1.73%	0.90%

Source: MCU

- 17 From the above table it can be seen that the best participation of members voting at AGM's occurred in 2012 with 2.45% of eligible members voting. The last time there was a higher participation rate at any meeting, was when there was a resolution proposing a merger of MCU with CUA at a Special General Meeting held 25th June 2011. Participation for that vote was 23%. This higher participation from voters in most organisations occurs generally when resolutions at general meetings propose significant changes to the organisation, like the merger between MCU and CUA. Member interest in having a say on these changes leads to higher than usual voter involvement.

Even at this exception to the general rule of member participation, that has averaged 1.7% in recent years, it can be seen that MCU would struggle, where current Constitutional requirements need 25% of total members to vote on certain restructures⁵. This lack of participation would act as a potential significant impediment to MCU's ability to implement certain proposals which are in the best interests of its members (from both equity holder and customer perspectives).

- 18 The proposed amendment to Rule A3-1(1)(3)(f) in Schedule 3 of the Constitution will remove the need for 25% of all members to vote on most transactions in order for them to be approved, thereby reducing the risk of certain proposals not proceeding due to lack of participation.
- 19 If however the proposed amendments are approved, we note that 25% of all members will still be required to vote on transactions that result in a non-mutual becoming the "successor" to the MCU business where, as a result of the transaction, the non-mutual receives or obtains "a legal or equitable interest in, access to or the benefit of the whole or substantially the whole of the members' funds".

Effect of the amendments to Rule A3-1(1)(3)(d) and (e) in Schedule 3

- 20 The objective of these changes is to remove an ambiguity concerning the identity of the report that can require the demutualisation approval procedural rules to be complied with, and to provide for an alternative mechanism if no report is required to be provided to APRA (the

⁵ Refer to paragraph 5

Commonwealth government authority that oversees credit unions, building societies and banks).

These changes do not dilute MCU's demutualisation approval procedural rules, but provide for alternatives if APRA reporting wasn't needed or is yet to be done. This is a strengthening of these demutualisation rules in our opinion.

Conclusion on introduction of Rule 47.4 and proposed amendments to Rule A3-1(1)(3)(f) of Schedule 3

- 21 Based on the above, we summarise below the advantages of Rule 47.4 and the proposed amendments to Rule A3-1(1)(3)(f) of Schedule 3 of the Constitution from the perspective of members (relative to the current position):
- (a) the introduction of Rule 47.4 into the Constitution means members will continue to have the legal right to vote on any transaction that results in all or substantially all of the assets involved in MCU's business being transferred (legally or beneficially) to another entity, and this right will be extended to transactions which involve a credit union
 - (b) the proposed changes materially reduce the risk of sensible transactions not proceeding because sufficient members fail to vote
 - (c) the proposed changes will save the Credit Union the significant time and costs associated with ensuring there is a quorum for any proposed transfer of business transaction.
- 22 In our view, there are no disadvantages associated with the proposed changes to the Constitution.
- 23 Accordingly, we have concluded that Rule 47.4 and the proposed amendments to Rule A3-1(1)(3)(f) of Schedule 3 of the Constitution are fair and reasonable to, and in the best interests of, MCU members.

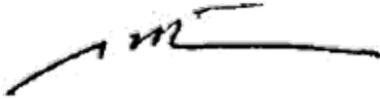
Conclusion on other amendments to the Constitution

- 24 As stated above other amendments to the constitution are: -
- (a) all references to the defined term 'credit union' in the Constitution are being changed to 'mutual'
 - (b) amendments are being made to Rule A3-1(1)(3)(d) and (e) in Schedule 3 to clarify their meaning.
- 25 We note that these amendments have no impact on member rights. Further, in our opinion, the proposed amendments to Rule A3-1(1)(3)(d) and (e) in Schedule 3 are necessary to reduce their ambiguity. Consequently, we believe these proposed amendments are also fair and reasonable to, and in the best interests of, MCU members.

Conclusion on all changes

26 For the reasons stated above we have therefore concluded that all the proposed amendments to the Constitution are fair and reasonable to, and in the best interest of, members.

Yours faithfully



Ken Robertson

Director

Nexia Brisbane Corporate Finance Pty Ltd

FINANCIAL SERVICES GUIDE Dated 28th October 2016

What is a Financial Services Guide (FSG)?

This FSG is designed to help you to decide whether to use any of the general financial product advice provided by Nexia Brisbane Corporate Finance Pty Ltd (ABN 67 603 962 429), Australian Financial Services Licence Number 478 534 ("NBCF").

This FSG includes information about:

- NBCF and how they can be contacted;
- the services NBCF are authorised to provide;
- how NBCF are remunerated;
- any relevant associations or relationships of NBCF;
- how complaints are dealt with as well as information about internal and external dispute resolution systems and how you can access them; and
- the compensation arrangements that NBCF has in place.

This FSG forms part of an Independent Expert Report ("Report") that has been prepared for inclusion in a disclosure document. The purpose of the disclosure document is to help an investor make an informed decision in relation to changes to MCU's Constitution. The contents of the disclosure document, as relevant, will include details such as the objectives, the effects on members' rights, and the benefits of making the proposed Constitutional changes.

Financial services that NBCF is authorised to provide

NBCF holds an Australian Financial Services Licence, which authorises it to provide, amongst other services, financial product advice for securities. We provide financial product advice when engaged to prepare a report in relation to a transaction relating to this type of financial product.

NBCF's responsibility to you

NBCF has been engaged by the Directors of MCU Limited to prepare this Report for inclusion in a Disclosure Statement in relation to changes in the constitution of MCU Limited.

You have not engaged NBCF directly but have received a copy of the Report because you have been provided with a copy of the Disclosure Statement. Neither NBCF nor the employees of NBCF are acting for any person other than MCU Limited. NBCF is responsible and accountable to you for ensuring that there is a reasonable basis for the conclusions in the Report.

General advice

As NBCF has been engaged by MCU Limited, the Report only contains general advice as it has been prepared without taking into account your personal objectives, financial situation or needs. You should consider the appropriateness of the general advice in the Report having regard to your circumstances before you act on the general advice contained in the Report.

You should also consider the other parts of the Disclosure Statements before making any decision in relation to the proposed changes to the Constitution of MCU Limited.

Fees NBCF may receive

NBCF charges fees for preparing reports. These are agreed with, and paid by, MCU Limited. Fees are agreed on either a fixed fee or a time cost basis. In this instance, MCU Limited has agreed to pay NBCF a fee in the range of \$20,000 (excluding GST and out of pocket expenses) for preparing the Report. NBCF and its officers, representatives, related entities and associates will not receive any other fee or benefit in connection with the provision of this Report.

NBCF officers and employees receive remuneration from certain NBCF associated entities. In the ordinary course of completion of their professional work, remuneration and benefits are not provided directly in connection with any engagement for the provision of general financial product advice in the Report.

Referrals

NBCF does not pay commissions or provide any other benefits to any person for referring customers to them in connection with the Report.

Associations and relationships

Through a variety of business structures NBCF is controlled by and operates as part of the Nexia Brisbane Group. NBCF's directors are members of the Nexia Brisbane Group. Mr Ken Robertson, a director of NBCF and a member of the Nexia Brisbane Group, has prepared this Report. The financial product advice in the Report is provided by NBCF and not by the Nexia Brisbane Group.

From time to time NBCF, the Nexia Brisbane Group and associated entities may provide professional services, including audit, tax and financial advisory services, to companies and issuers of financial products in the ordinary course of their businesses.

No individual involved in the preparation of this Report holds a substantial interest in, or is a substantial creditor of MCU Limited or has other material financial interests in the proposed changes to the Constitution of MCU Limited.

Complaints resolution

If you have a complaint in relation to the preparation or completion of this Report, please let NBCF know. In the first instance, formal complaints should be sent in writing to:

The Complaints Officer
Nexia Brisbane Corporate Finance Pty Ltd
GPO Box 1189
BRISBANE QLD 4001

If you have difficulty in putting your complaint in writing, please telephone the Complaints Officer, on (07) 3229 2022 for assistance.

Written complaints are recorded, acknowledged within 5 days and investigated as soon as practical, and not more than 45 days after receiving the written complaint, the response to your complaint will be advised in writing within this timeframe.

External complaints resolution process

NBCF is a member of the Financial Ombudsman Service (FOS) (member number 362 03). If NBCF cannot resolve the complaint to your satisfaction within 45 days, you may refer the matter to FOS. FOS is an independent company that has been established to provide free advice and assistance to consumers to help in resolving complaints relating to the financial services industry.

Further details about FOS are available at the FOS website www.fos.org.au or by contacting them directly at:

Financial Ombudsman Service Limited
GPO Box 3, Melbourne Victoria 3001
Telephone: 1300 78 08 06
Facsimile (03) 9613 6399
Email: info@fos.org.au

The Australian Securities and Investments Commission also has a free call infoline on 1300 300 630 which you may use to obtain information about your rights.

Compensation arrangements

NBCF has professional indemnity insurance cover as required by the Corporations Act 2001(Cth).

Qualifications and declarations

Qualifications

NBCF is an Australian Financial Services Licence holder under the Corporations Act. NBCF's authorised representatives have extensive experience in the field of corporate finance, particularly in relation to constitutional changes.

This report was prepared by Mr Ken Robertson, who is a Director of NBCF. Mr Robertson is a Registered Company Auditor, Chartered Tax Adviser, Fellow of Chartered Accountants Australia and New Zealand and has over 30 years' experience in accounting and advisory services.

Independence

NBCF and Mr Robertson are independent of MCU and comply with the independence guidelines set out in ASIC Regulatory Guide 112 – Independence of Experts.

NBCF received a fixed fee for the preparation of this report based on estimated time necessary to complete the engagement at our standard hourly professional rates. Except for the above fee, NBCF will not receive any other benefits, either directly or indirectly, for or in connection with the preparation of this report.

Indemnification

As a condition of NBCF's agreement to prepare this report, MCU agrees to indemnify NBCF in relation to any claim arising from or in connection with its reliance on information or documentation provided by or on behalf of MCU which is false or misleading or omits material particulars or arising from any failure to supply relevant documents or information.



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