



**Notice of Annual General Meeting  
South West Slopes Credit Union Ltd (ACN 087 650 673)**

**Notice is hereby given that the 2020 Annual General Meeting of  
South West Slopes Credit Union Ltd  
Will be held at:**

**SWSCU's Head Office 89 Boorowa St, Young NSW 2594  
On Thursday 12<sup>th</sup> November 2020 at 6:00pm**

**BUSINESS**

- 1. Welcome to members and guests**
- 2. Apologies**
- 3. Minutes of the 2019 Annual General Meeting**
- 4. Result of Election of Directors**
- 5. Chair's Address**
- 6. Chief Executive Officer's Address**
- 7. Annual Financial Report**
- 8. Amendments to Constitution – Mutual Capital Instruments**
- 9. Amendments to Constitution – Reducing Quorum for Meetings**
- 10. Director Remuneration**
- 11. General Business**
- 12. Close**

**By Order of the Board**

Andrew Jones  
Company Secretary  
29<sup>th</sup> September 2020

## **AGENDA ITEM 8**

### **Amendments to Constitution – Mutual Capital Instruments**

To consider and, if thought fit, to pass the following resolution as a special resolution to amend the Constitution:

**That** the Credit Union's Constitution be amended to allow for the issue of mutual capital instruments (MCIs) by making the amendments marked-up in the copy of the Constitution which is tabled at the Meeting and signed by the Chair of the Meeting for the purposes of identification.

*Note: The proposed amendments to the Credit Union's Constitution are described in the Explanatory Notes to this Notice. A copy of the Constitution marked-up with the proposed amendments is available on our website at [swscu.com.au](http://swscu.com.au). Alternatively, members can request a copy by contacting the Credit Union on 02 6384 1111. A copy will also be available to view at the Annual General Meeting.*

## **Explanatory Note**

### **Agenda Item 8. Amending Constitution – Mutual Capital Instruments**

This special resolution will amend the Credit Union's Constitution to allow for the issue of Mutual Capital Instruments (MCIs). MCIs are a new bespoke type of share provided for by law that can only be issued by mutual entities. MCIs allow mutual entities to raise capital without jeopardising their mutual status or structure. The ability to issue MCIs gives mutual entities access to a broader range of capital raising and investment options than they previously had, to help innovate, grow and compete.

The Credit Union is a mutual entity as defined in the Corporations Act (each member has no more than 1 vote in general meeting for each capacity in which a person is a member) and thus is eligible to issue MCIs. However, the Credit Union's Constitution must first be amended to allow it to issue MCIs. This special resolution will amend the Credit Union's Constitution to address the specific legal requirements for MCIs, by:

- stating that the Credit Union is intended to be an MCI mutual entity;
- ensuring that rights attaching to MCIs or a class of MCIs can only be varied or cancelled by a special resolution of the Credit Union and either:
  - a special resolution of all persons holding the same class of MCI; or
  - obtaining written consent of 75 per cent of the holders of the class of MCI;
- specifying that MCIs can only be issued as a fully paid share;
- stating that dividends in respect of the MCI are non-cumulative;

- setting out the rights attached to the MCI with respect to participation in surplus assets and profits.

Currently the Credit Union is only able to issue member shares. If the amendments are made it will also be able to issue MCIs. In addition to the matters described above the key features and rights of MCIs will be as summarised below:

- the terms of issue, including rights attaching to, MCIs will be as determined at the time by the board;
- the Credit Union may issue different classes of MCIs with different rights;
- the Credit Union may issue other types of securities on terms that they will or may convert to MCIs;
- MCIs may carry a right to dividends;
- MCIs may carry a right in the event of the winding-up of the Credit Union to payment of their subscription price, but cannot otherwise carry any right to share in surplus assets – by default this payment can only be made after the subscription price on all member shares has been paid, however classes of MCIs may be issued on terms that give them priority to payment of subscription price before member shares and other MCIs;
- MCIs may carry a right to vote in general meeting and in the election of directors, but capped at 1 vote per MCI holder – if an MCI holder is also a member that person cannot cast more than 1 vote in total;
- MCIs may carry rights that are preferred, equal, or deferred to the rights of members and any other class of MCIs.

The amendments seek to provide the board with flexibility as to the terms of issue of MCIs to be best placed to address commercial and regulatory requirements for capital raising purposes. Whether or not MCIs carry any of the above permitted rights is a matter for the board to determine if and when it decides to issue MCIs. **At this time the board has no plans to issue any MCIs.**

The special resolution will also make consequential amendments to the Constitution in recognition that the Credit Union may have shareholders other than members (i.e. MCI holders), and that MCI holders, not just members, may be entitled to vote in general meetings and in the election of directors.

*Exemption from, and amendments to, the Demutualisation Approval Procedure Rules*

The Credit Union has Demutualisation Approval Procedure Rules (DAPRs) in its Constitution that were developed to ensure that proposals that might demutualise the Credit Union could not proceed unless approved by a significant proportion of members via a prescribed postal ballot process. Proposals that are contrary to the Principles of Mutuality contained in the Preamble to the Constitution trigger the DAPRs. The DAPRs and Principles of Mutuality were developed many years ago, before there was a legislative definition of a mutual entity.

Although the proposed amendments to the Constitution to allow for the issue of MCIs are not a demutualisation as generally understood and would not jeopardise the Credit Union's status as a mutual entity, they would technically trigger the DAPRs as they are inconsistent with the Principles of Mutuality.

In recognition that many mutual entities have Constitutional rules similar to the DAPRs, the law permits the Credit Union to amend its Constitution to allow for the issue of MCIs without complying with the DAPRs. Instead, the amendments can be made simply via a special resolution of members in general meeting. However, this only applies if the amendments are made before 6 April 2022 and the Credit Union only has 3 opportunities to make the changes during this time.

To ensure that the future issue of MCIs (or of securities that may convert to MCIs) will not itself trigger the DAPRs, the Constitutional amendments include consequential changes to both the DAPRs and the Principles of Mutuality to allow for such events. The amendments also address the possibility that the Corporations Act definition of MCIs may change in the future, by allowing shares, or securities convertible to shares, to be issued (or for the Constitution to be amended to allow for their issue) without triggering the DAPRs, so long as the shares meet the MCI conditions either in effect now, or at the time of the issue or conversion.

To be passed this special resolution requires the approval of at least 75% of the votes cast by members.

**Your directors unanimously support this special resolution and recommend that you vote FOR it.**

## **AGENDA ITEM 9**

### **Amendments to Constitution – Reducing Quorum for Meetings**

To consider and, if thought fit, to pass the following resolution as a special resolution to amend the Constitution:

That the Credit Union’s Constitution be amended to reduce the quorum for holding a members’ meetings by:

- (a) in Rule 11.3(1)(a) replacing “25” with “10”; and
- (b) in Rule 11.3(1)(b) replacing “50” where it first appears with “20”.

## **Explanatory Note**

### **Agenda Item 9. Amendments to Constitution – Reducing Quorum for Meetings**

The quorum for general meetings and other members’ meetings (the minimum number of members required to attend in person to hold the meeting) is currently 25 members, unless there are less than 50 members eligible to attend and vote, in which case the quorum is half the number of eligible members. This special resolution will reduce the quorum to 10 members, or half the number of eligible members if there are less than 20 eligible members.

To be passed the special resolution requires the approval of at least 75% of the votes cast by members.

**Your directors unanimously support this special resolution and recommend that you vote FOR it.**