

MARCH 2022

# Consultation paper: Class exemptions for small co-operatives and irrigation companies

## About this consultation

We are reviewing class exemption notices for small co-operative companies, industrial and provident societies, and certain irrigation companies. These exemptions provide relief from certain disclosure, record-keeping, and financial reporting and auditing requirements under the Financial Markets Conduct Act 2013 (**FMC Act**).

We invite your feedback to support our review. Please use the feedback form provided.

**Submissions close at 5pm on Monday 11 April 2022.**

After the consultation closes, we will consider all submissions, finalise our policy proposals and, if an exemption is granted, work to get it in place prior to the expiry of the existing exemptions.

If you have any questions, please email [questions@fma.govt.nz](mailto:questions@fma.govt.nz) or call us on 0800 434 566 (or +64 3 962 2698 if calling from outside New Zealand).

This consultation is for co-operative companies and industrial and provident societies, and irrigation companies. It is also for relevant industry groups and advisors, and investors in those entities.

It asks for feedback on whether the current exemption notices should be renewed and, if they were, what changes (if any) should be made to them.

# Contents

---

<b>Review timing and process</b>	<b>3</b>
----------------------------------	----------

---

<b>FMA's power to grant class exemptions</b>	<b>4</b>
--	----------

---

<b>Background</b>	<b>5</b>
-------------------	----------

---

Financial markets obligations	5
-------------------------------	---

Statutory exclusions and tailored settings	6
--	---

General exclusions	6
--------------------	---

Tailored settings for issuers of co-operative shares and every irrigation company	6
---	---

Additional FMA exemption relief for some small co-operatives and irrigation companies	8
---	---

Co-operative organisations	8
----------------------------	---

Irrigation companies	8
----------------------	---

Terms of the two class exemption notices	9
--	---

Reasons for granting the current class exemptions	11
---	----

Co-operative companies and I&P Societies	11
--	----

Irrigation companies	12
----------------------	----

<b>Proposals and questions</b>	<b>13</b>
--------------------------------	-----------

---

Proposals	13
-----------	----

Questions for feedback	13
------------------------	----

<b>Appendix</b>	<b>15</b>
-----------------	-----------

---

Prescribed warning statements	15
-------------------------------	----

## Review timing and process

---

We plan to complete our review of the *Financial Markets Conduct (Small Co-operatives) Exemption Notice 2021* and *Financial Markets Conduct (Irrigation Companies) Exemption Notice 2018* before they expire in December 2022.

If the outcome of the review supports the granting of the notices without substantive amendment for a further period, this will allow market participants to seamlessly continue to rely on the notice.

If we decide that these exemptions are no longer warranted, or that substantive amendments are required, we will provide notice of this and, if needed, provide a transitional period to give entities who rely on the exemptions an opportunity to make any necessary changes to business systems and processes.

Our process and timeline will vary depending on the significance of issues under consideration. The indicative timetable is noted below.

Date	Step
Mid-March 2022	Consultation paper published
11 April 2022	Feedback due to FMA
April – May 2022	Analysis of submissions, further development of policy proposals with additional targeted or public consultation (if required)
June/July 2022	Policy decisions announced
Prior to mid-December 2022	If decisions are to grant one or more exemptions, drafting of notice and publication of notice to give effect to policy decision in advance of the expiry date. Possible additional targeted consultation on drafting, transitional arrangements etc

---

# FMA's power to grant class exemptions

---

We have powers to exempt persons or transactions from compliance with requirements in the FMC Act and associated regulations.

Before we do so, we must be satisfied that the exemption is not broader than is reasonably necessary to address the matters that gave rise to it. We must also be satisfied that the exemption is necessary or desirable to promote one or more of the following purposes of the FMC Act regime:

- to promote the confident and informed participation of businesses, investors, and consumers in financial markets
- to promote and facilitate the development of fair, efficient and transparent financial markets
- to provide for timely, accurate and understandable information to assist investment decisions
- to ensure appropriate governance arrangements apply to financial products and services, and allow for effective monitoring and reduce governance risks
- to avoid unnecessary compliance costs
- to promote innovation and flexibility in the financial markets.

# Background

---

This section provides general information about how financial markets obligations apply, and have applied, to co-operative organisations and irrigation companies before moving to describe the particular class exemptions that we are consulting on.

Securities law and exemptions have historically recognised the need for some specific relief from disclosure and governance obligations for types of co-operative organisations. The Financial Markets Conduct Act 2013 (**FMC Act**) has some general exclusions in Schedule 1 that co-operative organisations may be able to rely on. It also provides a tailored disclosure regime for offers of co-operative shares.

In addition to those statutory features, we have also recognised that it is necessary and desirable to provide further exemptions for certain types of small offers by co-operative organisations and for some kinds of lower revenue co-operative organisations through class exemptions.

Co-operative companies, industrial and provident societies (**I&P societies**) and certain irrigation companies have been provided tailored regulatory relief through two FMA-issued class exemptions:

- *Financial Markets Conduct (Small Co-operatives) Exemption Notice 2021* (**Small Co-operatives Exemption Notice**)<sup>1</sup>
- *Financial Markets Conduct (Irrigation Companies) Exemption Notice 2018* (**Irrigation Companies Exemption Notice**)<sup>2</sup>

This consultation seeks feedback on whether or not the current exemptions should be renewed and, if so, whether their scope and terms remain appropriate to granted on substantially the same terms.

## Financial markets obligations

The FMC Act and FMC Regulations 2014 require that persons that offer financial products, such as equity securities or debt securities, to retail investors comply with certain disclosure, governance, and financial reporting and auditing requirements (amongst other matters).

For example, a company raising capital by offering new shares to institutions and retail investors is likely to have obligations that include:

- preparing a product disclosure statement (**PDS**) about the offer with prescribed information about the offer and issuer
- giving each retail investor a PDS before they apply for shares
- maintaining a register entry for the offer
- keeping a register of financial products and their holders and having that register audited
- keeping accounting records and having audited financial statements prepared.

---

<sup>1</sup> <https://legislation.govt.nz/regulation/public/2021/0343/latest/whole.html#LMS579042>

<sup>2</sup> <https://legislation.govt.nz/regulation/public/2018/0002/latest/whole.html#LMS1545>

## Statutory exclusions and tailored settings

Several exclusions from aspects of financial markets obligations can be found in the Act and regulations. There are also tailored settings specifically for co-operative companies, I&P Societies, and irrigation companies.

### General exclusions

Schedule 1 of the FMC Act has several statutory exclusions where lighter compliance paths are appropriate. Depending on the exclusion, limited or no disclosure may be required. Offers excluded under Schedule 1, in general, do not trigger Part 4 governance obligations or the ongoing financial reporting obligations in Part 7.

These include:

- offers to wholesale investors
- offers to close business associates and relatives
- small offers.

Co-operative organisations and irrigation companies may be able to use some of these exclusions. A full summary of the Schedule 1 exclusions is contained on our website.<sup>3</sup>

A small number of entities may be able to access the exclusion from FMC reporting requirements in section 452 of the FMC Act. This applies to companies that have fewer than 50 shareholders or fewer than 50 parcels of shares that are voting products, and that would otherwise be an FMC reporting entity because they issue equity securities that are voting and regulated products.

In the questions for this consultation, we invite you to tell us about whether you or your members utilise these exclusions.

### Tailored settings for issuers of co-operative shares and every irrigation company

Under the FMC Act and regulations, all issuers of co-operative shares (which includes nominal value shares in a co-operative company and shares in an I&P Society) have some tailored settings that modify obligations to include certain statements and information in PDS for offers of equity securities.

Every irrigation company has access to generally equivalent exemptions under the Irrigation Companies Exemption Notice. However, this only applies to equity securities that are non-convertible and held by persons who are, or immediately after the issue or sale will be, transacting shareholders of the irrigation company.

The tailored settings for irrigation companies are intended to align with the statutory settings for issuers of co-operative shares.

---

<sup>3</sup> <https://www.fma.govt.nz/assets/Guidance/141101-Exclusions-under-the-Financial-Markets-Conduct-Act-2013-FMC-Act-summary-of-schedule-1.pdf>

The table below shows a summary of the key features of the tailored settings for issuers of co-operative shares (co-operative companies) and irrigation companies that are contained in the FMC Act, FMC Regulations, and Irrigation Companies Exemption Notice. In general, these provide the same relief from certain PDS disclosure obligations. The main columns identify what statement or information the relevant entity is exempt from providing and the conditions (if any) that apply in its place.

Available to		Exempted statements or information	Key conditions
Co-operative companies	Irrigation companies		
✔	✔	<ul style="list-style-type: none"> <li>What the offer is, including whether investors may receive a return</li> <li>Key risks affecting the investment</li> </ul>	<ul style="list-style-type: none"> <li>PDS must contain a substituted statement for 'What is this' and 'Key risks affecting this investment'</li> </ul>
✔	✔	<ul style="list-style-type: none"> <li>1 or more tables that show information that relates to specified equity securities held by a director, proposed director, senior manager, or proposed senior manager, provided it is not material information, that is required under clause 20 of schedule 3 of the FMC Regulations 2014</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>
-	✔	<ul style="list-style-type: none"> <li>Key investment metrics for the offer (Note: this generally only applies where the PDS states or implies the issuer intends to quote, or have approved for trading, the equity securities)</li> </ul>	<ul style="list-style-type: none"> <li>None</li> </ul>
✔	✔	<ul style="list-style-type: none"> <li>Selected financial information (EBITDA, NPAT, dividends on all equity securities)</li> </ul>	<ul style="list-style-type: none"> <li>Issuer must reasonably consider other financial measures of earnings or distributions are likely to be more useful information to investors than EBITDA, NPAT, and dividends</li> <li>PDS must contain the other financial measures and comply with certain rules on substituted financial information</li> </ul>
✔	-	<ul style="list-style-type: none"> <li>May provide PDS after offer is made but no later than 10 working days afterwards</li> </ul>	<ul style="list-style-type: none"> <li>Investor must expressly request the financial products are issued or transferred urgently and it is not reasonably practicable to comply with the obligation to provide the PDS before the application for, or issue or transfer of, financial products is made</li> </ul>

## Additional FMA exemption relief for some small co-operatives and irrigation companies

As well as the general exclusions and tailored settings above, the two class exemptions being consulted on currently provide further regulatory relief. They are available to certain types of co-operative organisations and irrigation companies.

### Co-operative organisations

The Small Co-operative Exemption Notice applies to a subset of co-operative organisations.

Co-operative organisations are member-owned-and-controlled businesses that derive and distribute benefits among members based on use of goods and services. The main types include:

- Producer co-ops, where people who produce similar types of products co-operate to leverage greater bargaining power to market their products (such as farmers);
- Purchasing/shared services co-ops, where independent business owners to enhance their purchasing power, reduce costs and improve their competitiveness (many industrial and provident societies);
- Consumer-owned co-ops, where people buy goods from, or use the services of, the co-operative (goods and services such as food, housing, electricity, shared working spaces, or platform technologies);
- Employee-owned co-ops, where employees of the co-op are the owners, eg taxi companies.

The legal form of co-operative organisations are co-operative companies, I&P societies, building societies, friendly societies and credit unions, and farmers mutual groups.

Co-operative companies and I&P societies can access the exemptions in the Small Co-operative Exemption Notice. Co-operative companies are understood to be the most common form of co-operative organisation and most likely to benefit from this type of exemption. I&P societies are considered be generally equivalent to co-operative companies (where membership ordinarily offers access to preferential pricing).

### Irrigation companies

The Irrigation Companies Exemption Notice applies to all irrigation companies (for the tailored settings above) and only eligible irrigation companies for the remainder of the exemption (explained below).

Following the transfer of irrigation schemes from Crown ownership in 1990, many irrigation companies were established to manage transferred assets, infrastructure and water permits, to provide irrigation services to landowners within a geographic area.

Irrigation companies typically issue equity securities to manage the provision of irrigation services and, unless exempt or excluded, are required to comply with the FMC Act obligations for disclosure, governance, and financial reporting and auditing.

During the 2016 consultation on small co-operatives, submitters identified that approximately two-thirds of irrigation companies were structured as limited liability companies. Many of these irrigation companies expressly abide by co-operative principles in their constitution, which means supplying goods or services (or both) to shareholders, supplying rights (other than returns to shareholders, and/or entering into commercial transactions with shareholders).



This meant that the policy reasons for providing relief to co-operative companies generally held true for this type of irrigation company too. Submitters put forward the view, which we agreed with, that it would be appropriate to extend regulatory relief on the same terms to this class of entities.

The Irrigation Companies Exemption Notice defines which irrigation companies are eligible to access the two types of exemption (described in the section below). The key requirements are that:

- the entity must be a company other than a co-operative company
- its shares must be limited to equity securities that can only be held by persons who are, or will be, transacting shareholders and the shares must not be convertible
- the entity's principal activity must be managing and operating, under co-operative principles, infrastructure to effect irrigation. Those principles are to operate by:
  - supplying or providing goods and/or services to its shareholders
  - supplying rights (other than returns) to its shareholders, and/or
  - entering into any other commercial transaction with its shareholders.
- the entity's constitution must bind it to the matters in the two bullet points above (issuing only the specified types of equity security and operating under co-operative principles).

### Terms of the two class exemption notices

Both class exemption notices provide equivalent relief to co-operative companies and eligible irrigation companies. The terms of the exemptions below are summarised from the Small Co-operatives Exemption Notice and the Irrigation Companies Exemption Notice.

#### ***Offers of less than \$5,000***

This exemption applies where, at the time at which the offer is made:

- every investor who holds shares of the entity who has, or will have, paid no more than \$5,000 in total; or
- on accepting the offer, the total amount that 1 or more persons who buy shares in the entity must pay is \$5,000 or less including the amounts the person(s) have previously paid for shares of that entity.

Shares means either co-operative shares or shares in an irrigation company (as relevant).

The terms of this exemption are as follows:

<p><b>Part 3 (Disclosure)</b></p>	<p><b>Exemption</b></p> <ul style="list-style-type: none"> <li>• Disclosure to an investor under Part 3 not required (i.e. is not a regulated offer)</li> </ul> <p><b>Condition(s)</b></p> <ul style="list-style-type: none"> <li>• Before the investor applies for shares, issuer must give the investor a prescribed limited disclosure document (which contains information about: <ul style="list-style-type: none"> <li>– the offer</li> <li>– the issuing group</li> <li>– the purpose and key terms of the offer</li> <li>– how the investor can get their money out</li> <li>– key drivers of returns and key risks)</li> </ul> and contain a statement that no financial information about the issuing group is required to be provided.</li> <li>• Key documents must have the prescribed warning statement prominently displayed. The statement notifies investors that the offer relies on this exemption and does not have all of the information usually required under a regulated offer (including the key information summary and financial information).</li> </ul>
<p><b>Part 4 (Governance)</b></p>	<p><b>Exemption</b></p> <ul style="list-style-type: none"> <li>• Register of financial products not required to be audited by FMC-licensed auditor</li> <li>• Not required to retain copies of key documents for 7 years</li> </ul> <p><b>Condition(s)</b></p> <ul style="list-style-type: none"> <li>• None</li> </ul>
<p><b>Part 7 (Financial reporting and auditing)</b></p>	<p><b>Exemption</b></p> <ul style="list-style-type: none"> <li>• Not required to keep proper accounting records, or prepare, have audited, and lodge financial statements under the FMC Act (if those obligations applied <u>only</u> because the entity issues co-operative shares or irrigation company shares)</li> <li>• Companies Act 1993 and Industrial and Provident Society 1908 obligations continue to apply</li> </ul> <p><b>Condition(s)</b></p> <ul style="list-style-type: none"> <li>• Irrigation companies must display the prescribed warning statement in a prominent position at the front of any document that contains the financial statements or a financial summary of the company or group. (The warning identifies that the usual financial reporting and auditing requirements do not apply to the company and the document may not contain all of the usual financial information).</li> </ul>

Issuers of shares issued under the Securities Act 1978 are exempt from the Part 4 (Governance) and Part 7 (Financial reporting and auditing) requirements noted above.

Irrigation companies (only) were required to provide written notice to security holders no later than 3 months after the 2018 class exemption was made to notify them of this exemption.

### **Annual revenue not exceeding \$2 million**

This exemption is available for entities that:

- must comply with Part 7 (financial reporting and auditing) only because they issue co-operative shares or irrigation company shares; and
- have total revenue (including any subsidiaries) of \$2 million or less in a particular accounting period (as determined in accordance with generally accepted accounting practice).

The terms of this exemption are as follows:

#### **Part 7 (Financial reporting and auditing)**

##### **Exemption**

- Not required to keep proper accounting records, or prepare, have audited, and lodge financial statements under the FMC Act

##### **Condition(s)**

- Must display the prescribed warning statement in a prominent position at the front of any document that contains the financial statements or a financial summary of the company or group. (The warning identifies that the usual financial reporting and auditing requirements do not apply to the company and the document may not contain all of the usual financial information).

## **Reasons for granting the current class exemptions**

The current class exemptions were granted because we considered it was appropriate for the following reasons:

### **Co-operative companies and I&P Societies**

- Investors in the equity securities will generally have significant knowledge of the issuer's principal business (providing goods, services, or rights to its members). This means investors are likely to be confident and informed participants and to already have information to assist any investment decisions.
- The financial risk to investors is low for the prescribed threshold of \$5,000 or less (aggregate across all offers). Shareholders also obtain transacting benefits during the lifetime of their investment that are not in the nature of usual equity returns and are irrespective of any profits made by the issuer.
- For lower revenue entities, the expense and resource commitment to comply with FMC Act reporting obligations may compromise the delivery of key benefits to transacting shareholders. The limited benefit investors would receive from the financial reporting and auditing requirements for the accounting period is outweighed by the potential cost.

- The entities remain subject to the Companies Act 1993 and Industrial and Provident Societies Act 1908, which require them to prepare financial statements in accordance with generally accepted accounting principles and have those statements audited unless shareholders agree otherwise.
- In terms of the specific thresholds:
  - the 'small investment' cap of an aggregate shareholder capital investment of \$5,000 or less would generally cover the value of typical shareholder transactions and allow room for shareholder capital to fluctuate to a degree. This value of investment in terms of shareholder risk was viewed as appropriate for investments that are in the nature of membership subscriptions, rather than traditional equity investments, in the context of subscriptions;
  - the 'lower revenue' cap of \$2 million or less in an accounting period generally reflected a point below which compliance costs represented a disproportionately high proportion of revenue.

### Irrigation companies

Some irrigation companies are structured as co-operative companies and may be eligible for the co-operative company exemptions outlined above. Others are registered only as limited liability companies but, because of the nature of irrigation company operation and management, many of these entities exhibit key features of co-operative companies.

For that reason, the same policy reasons for the small co-operatives class exemption apply by analogy, including that:

- Investors in the equity securities will generally have significant knowledge about the irrigation company and its services. Therefore, reduced, tailored disclosure and financial reporting obligations enable eligible irrigation companies to provide relevant information to investors in a cost-effective way that is appropriate to the nature of the business while maintaining appropriate investor protections.
- Smaller eligible irrigation companies face compliance costs for financial reporting and auditing obligations that are disproportionately high compared to their revenue. Those costs outweigh any benefit to investors in specified equity securities and may risk the company's ability to deliver services to the investors.
- Regulatory relief is generally appropriate because transacting benefits obtained by holders of specified equity securities are not in the nature of typical equity returns and are irrespective of any profits made by the irrigation company. Additionally, the small investment and low revenue tests ensure that the financial risk to investors is low.
- The entities remain subject to the Companies Act 1993 and must prepare financial statements in accordance with generally accepted accounting principles and have those statements audited unless shareholders agree otherwise.

The specific thresholds have the same rationale as small co-operatives and I&P Societies and, broadly, ensure that irrigation companies that are, in effect, acting as co-operative companies may access equivalent relief.

# Proposals and questions

---

## Proposals

We seek your feedback on whether or not each of the class exemptions should be renewed.

As part of our review, we wish to establish in particular:

- whether the policy rationale for each class exemption still supports a view that regulatory relief is likely to be appropriate, or whether circumstances have changed;
- whether the \$5,000 aggregate level of investment for all offers and/or \$2 million revenue thresholds would be suitable for further 5-year class exemptions, if they were granted.

We invite your feedback on this proposal through the questions below. As you prepare feedback, please bear in mind the scope and mandatory considerations for the FMA in deciding whether or not to grant a class exemption.

## Questions for feedback

**Q1** Do you support the renewal of the class exemption for co-operative companies, and industrial and provident societies? What are the reasons for your view?

---

**Q2** Do you support the renewal of the class exemption for irrigation companies? What are the reasons for your view?

---

**Q3** How many co-operative companies, industrial and provident societies, and/or irrigation companies are you aware of that rely on these class exemptions? Please include details about whether the issuers you know about use the \$5,000 aggregate offer or the \$2 million revenue exemption.

---

**Q4** Are you aware of any co-operative companies, industrial and provident societies, and/or irrigation companies that do not or cannot use the exemptions? Please explain how many and why (if known).

---

**Q5** Are you aware of types of entities that operate in the nature of a co-operative company which are excluded from accessing a class exemption because of their legal structure? Please provide supporting details.

---

**Q6** Are you aware of co-operative companies, industrial and provident societies, and/or irrigation companies relying on other FMC exclusions or exemptions? If so, please provide supporting information.

---

**Q7** Do you have any comments on the tailored disclosure rules for irrigation companies? These cover (a) substituted statements about the offer, key risks, and selected financial information and (b) exemptions from disclosing non-material shareholding for senior manager(s) and director(s) if held as transacting shareholders and key investment metrics.

---

- 
- Q8** Do you believe the maximum investment per shareholder limit should be changed from \$5,000 for co-operative companies, industrial and provident societies, and eligible irrigation companies? If you think it should be increased, please provide information about the value of the entities' equity securities. Do you have a view about where an appropriate limit is, balancing potential risks to shareholders with disproportionate the costs of compliance?
- 
- Q9** Do you believe the \$2 million revenue threshold should be changed for co-operative companies, industrial and provident societies, and/or irrigation companies? If you think it should be higher, please provide reasons that are supported by information about the compliance costs for otherwise complying with FMC financial reporting and auditing obligations.
- 
- Q10** Do you have an estimate of cost savings for an entity that relies on, or has relied on, these exemptions? Please identify which exemption and quantify the cost savings with as much detail as you are able. For example, the amount and percent of revenue that may go towards these compliance costs.
- 
- Q11** Are you aware of any particular benefits or risks to investors that have materially changed from the time when the previous 5-year class exemptions were granted? Please provide details.
- 
- Q12** Do you believe any changes are necessary to the contents of the prescribed disclosure documents respectively set out in Schedule 1 and 2 of the small co-operatives class exemption notice and the irrigation companies class exemption notice? What are the changes and why do you consider they should be made?
- 
- Q13** Do you consider there would be any advantage in aligning the drafting of the two class exemption notices – in particular, the warning statements (see Appendix)?
- 
- Q14** Do you believe any aspects of the prescribed warning statement should be changed? Why? Please clearly identify which class exemption notice your comments relate to.
- 
- Q15** Are you aware of any technical or interpretative issues with the current exemption notices? Please describe the issue, and why and how it should be resolved.
- 
- Q16** Do you have any other comments?
-

# Appendix

## Prescribed warning statements

Exemption	Small co-operative companies	Irrigation companies
\$5,000 or less aggregate shareholder investment	<p>Under the Financial Markets Conduct Act 2013, co-operative companies, and industrial and provident societies making an offer of co-operative shares have to give information about themselves and the shares to investors. They also have to provide shareholders with ongoing financial information about the shares and the company. In most cases, this information must meet legal requirements under that Act for financial reporting and the auditing of financial statements. This is to help investors make informed decisions.</p> <p>In this case, these rules do not apply because there is an exemption where the total amount to be invested by individual investors in co-operative shares of a co-operative company or industrial and provident society is \$5,000 or less (including any shares already held). This exemption recognises that, for the shareholders, these co-operative shares are more like a membership than an investment.</p> <p>As a result, you may not be given all the information usually required.</p>	<p>New Zealand law normally requires people who offer financial products to give information about themselves and the products to investors before they invest. They also have to provide ongoing financial information about themselves and the products to investors. This information is designed to help investors make informed decisions.</p> <p>The usual rules do not apply to this offer because there is an exemption where the total amount to be invested by each investor in shares in an eligible irrigation company is \$5,000 or less (including in any shares already held). The exemption recognises that shares in these irrigation companies are, for the shareholders, more like a membership than an investment.</p> <p>As a result, you may not be given all the information usually required. You will also have fewer other legal protections for this investment.</p> <p>Ask questions, read all documents carefully, and seek independent financial advice before committing yourself</p>
\$2 million or less in group revenue aggregate shareholder investment	<p>Under the Financial Markets Conduct Act 2013, co-operative companies and industrial and provident societies that have issued co-operative shares usually have to make available ongoing financial information about themselves and the shares to investors. This is to help investors make informed decisions. In most cases, this information must meet legal requirements</p>	<p>You hold [<i>describe specified equity securities</i>] in [<i>name of irrigation company</i>].</p> <p>The Financial Markets Conduct Act 2013 (<b>the FMC Act</b>) applies to [<i>name of irrigation company</i>]. However, the usual financial reporting and audit requirements under the FMC Act do not apply to [<i>irrigation company's name</i>] for [<i>relevant accounting period</i>] because there is an exemption for issuers of shares in</p>

under that Act for financial reporting and the auditing of financial statements.

These rules do not apply to *[name of issuer]* for *[relevant accounting period]* because there is an exemption for issuers of co-operative shares where the issuer's annual revenue is \$2 million or less.

As a result, the information provided in this document may not contain all the financial information usually required to be provided to shareholders for *[relevant accounting period]*.

eligible irrigation companies where the irrigation company group's annual revenue is \$2 million or less.

As a result, these shares may be subject to the financial reporting and audit requirements of the Companies Act 1993 and the information provided in this document may not contain all the financial information usually required to be provided to shareholders for *[relevant accounting period]*.

If you would like any further information, please contact *[contact details of irrigation company]*."

---