

**Methodist Church of New Zealand**  
**Te Hahi Weteriana o Aotearoa**

**Administration Division**  
P O Box 931  
CHRISTCHURCH

**Information Leaflet No. 69**

August 2003

**LOANS FROM MEMBERS  
OF THE CHURCH**

**IMPLICATIONS OF THE  
SECURITIES ACT 1978  
AND THE  
SECURITIES ACT (CHARITABLE AND  
RELIGIOUS PURPOSES) EXEMPTION  
NOTICE 2003**

## **Introduction**

There are occasions that in order for a parish or other church organisation to commence or continue a project, members of the Church will offer financial support by way of loan. The raising of monies from the public, whether by loan, deposit, share issue, debenture etc are known within legislation as the offering of securities. The Securities Act 1978 provides the legal framework governing the offering of securities by organisations to the wider community. Accepting loans from Church members falls within the definition of the offer of a security.

Where there is an intention to offer a security, the Securities Act requires the preparation of a Prospectus, which must be approved and registered with the Registrar of Companies, as well as the preparation of an Investment Statement before any approach or acceptance of monies from the members of the public can be undertaken.

Charitable and religious bodies have been granted some exemption from the requirements of the Securities Act for some time. However, the exemption notices issued in 1997 have been replaced by the Securities Act (Charitable and Religious Purposes) Exemption Notice 2003.

Although the Church, in some circumstances has exemption from the preparation and registering of a prospectus as well as the issuing of an investment statement, there are still some requirements which the Church is required to follow in order to meet its legal obligations and thereby avoid potential penalties that may arise from failing to act in accordance with these laws.

This information leaflet has been prepared as a guide to ensure Parishes and other Church groups are aware of and comply with the requirements of government regulations when accepting loans from Church members

## **Securities Act (Charitable and Religious) Exemption Notice 2003**

The previous exemption notices gave the exemption from the requirements of the Securities Act to religious organisations, whereas the 2003 notice gives exemptions to religious organisations for debt securities issued exclusively for religious purposes.

The Exemption Notice requires that everyone who offers to make a loan advance must receive, prior to making the advance, an '**INFORMATION DOCUMENT**' relating to the project for which the advance is being made.

## Information Document

The information document must contain:

- (a) a prominent statement in the following form:

### **“Important Notice**

Prospective investors are advised that [*name of parish or other church body*], in making this offer of securities, is not subject to the normal requirements to have a registered prospectus and an investment statement under the Securities Act 1978. This is because the Securities Commission has granted a general exemption from those requirements to all charitable organisations. The Securities Commission has not examined or approved this particular offer.

Accordingly, the risks associated with this investment may not be fully disclosed in this document as they would be in an investment statement and registered prospectus.

The Securities Commission granted the general exemption on the basis that prospective investors in charitable organisations are not necessarily seeking a commercial return, but instead wish to support the [*project*] of the charitable organisation. The particular [*project*] of [*name of parish or other church body*] is discussed in this document.

If the return sought is important to you, you should seek investment advice.” and

- (b) the following information:

- details of the loan arrangements; and
- details of the return that will be paid on the loan; and
- details of any guarantees that have been arranged for repayment of the loan; and
- details of any risks associated with the loan; and
- details of the consequences of insolvency within the parish or church organisation.

- (c) a description of the charitable or religious purposes for which the money paid by subscribers will be used; and
- (d) the terms and conditions of the offer of the security; and
- (e) any other information that is material to the offer of the security; and
- (f) a statement that it is a term of the offer of the debt security that, on the request of the offeree, the charitable organisation must send, or cause to be sent, without fee and within 5 working days of receiving the request, to that offeree a copy of the most recent audited financial statements of the organisation.

## **Nominated Trust Advances through the Methodist Provident Society.**

The Methodist Church of New Zealand guarantees all advances from parishioners who make money available to parishes or other church bodies provided that they are channelled through the Methodist Provident Fund – Nominated Trust Advances, which is then forwarded on to the nominated parish for the duration of the loan and in accord with the terms and conditions that have been negotiated between the parties to the agreement.

Unless loans from individuals are processed through the Methodist Provident Society the Methodist Church is not able to provide protection for the lender in the event of parishes defaulting on repayment of the loan.

Further information is available in Information Leaflet No. 45 – Loans from the Church Building and Loan Fund and through the Methodist Provident Society.

## **Retirement Villages**

The exemption from the registered prospectus and investment statement requirements do not extend to the operations of a retirement village. Where a promoter of a retirement village issues debt securities and the securityholder receives money back from the retirement village on termination of the right to accommodation in a retirement village then a registered prospectus and investment statement are required.

The exemption notice defines a Retirement Village as:

“a complex that provides, or is intended to provide, residential accommodation and any of the following services for persons in their retirement:

- (a) management or administrative services:
- (b) gardening, repair or maintenance services:
- (c) hospital, nursing, or medical services, including accommodation:
- (d) emergency and security services:
- (e) shops and other services for the provision of goods to the person:
- (f) laundry services:
- (g) the provision of meals:
- (h) services or facilities for the recreation or entertainment of the person:
- (i) other services or facilities for the care or benefit of the person.”