

VOLUNTARY WIND UP/LIQUIDATION PROCEDURE FOR A CREDIT UNION

Preliminary processes

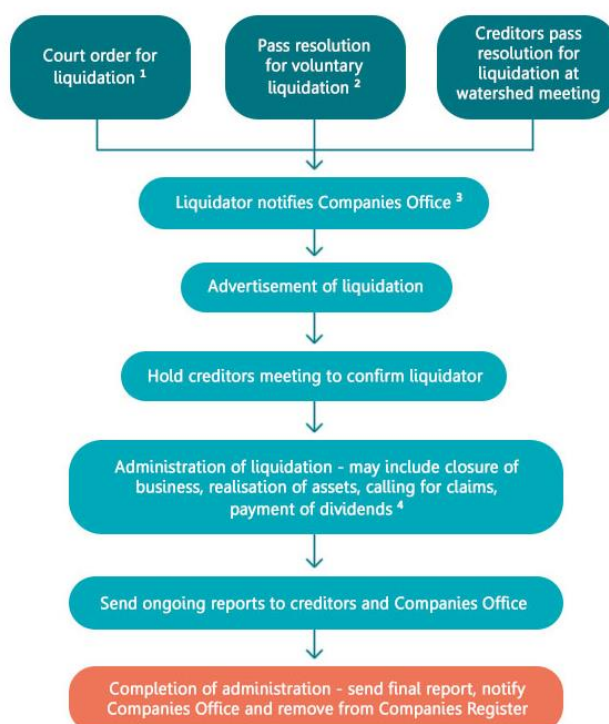
1. The Credit Union must first carry out the Solvency Test described at 58E of the FSCU Act to determine its financial position.
2. If the Board determines to wind up the Credit Union after considering all relevant circumstances a special general meeting must be held,
3. At that SGM the Credit Union Members pass a resolution under Section 137A of the FSCU Act appointing a liquidator of the Credit Union.
4. At this point, the Credit Union would be treated in the same manner as if it were a company that has been put into liquidation under section 241 of the Companies Act 1993.

Liquidation processes

Please see the below graph regarding this process – although the circumstances may mean that actual process is slightly different. You will see from the graph that this advice deals with a voluntary winding up or liquidation and does not provide detail either on the issue of a court order for liquidation or on a process run by creditors at a special general “watershed” meeting.

Note: this process is explained in greater detail on the following page.

Liquidation life-cycle



5. The liquidator will:
 - a. investigate the Credit Union's financial affairs;
 - b. consider the circumstances which have led to the financial position of the Credit Union; and
 - c. determine whether there are any possible offences by the Credit Union or a director of the Credit Union.

6. If necessary, the Liquidator will hold a creditor meeting to:
 - a. help identify any previously unknown assets;
 - b. gather information about the Credit Union; and
 - c. give creditors an opportunity to raise and discuss issues relevant to the liquidation of the Credit Union.

7. The liquidator will have significant powers, including to contact and deal with:
 - a. Credit Union Members;
 - b. Promoters;
 - c. past and present employees;
 - d. receivers, accountants, auditors and bank officers;
 - e. solicitors; and
 - f. others involved in forming or managing the Credit Union.

8. As directors/board members you must:
 - a. cooperate with the liquidator so that the financial and business affairs of your Credit Union can be resolved fairly and equitably, and
 - b. provide your company's accounts, records and any other information the liquidator requires.

9. The administration of liquidation includes:
 - a. closing the business operations of the Credit Union;
 - b. identifying and selling the Credit Union assets;
 - c. contacting and receiving claims from Credit Union creditors;
 - d. sending progress reports to the creditors;
 - e. investigating possible offences or unusual transactions; and
 - f. making payments to creditors (dividends).

10. On completion of the liquidation, the Credit Union would be removed from the Register of Credit Unions

Removal from register

11. Liquidation:

- a. The Liquidator will send to the Registrar financial reporting documents as per section 257 of the Companies Act as well as a notice requesting the Registrar to remove the credit union from the register; OR

12. Request in accordance with rules:

- a. This request can be made on the ground that the union has ceased to operate, has discharged its liabilities to known creditors and has distributed remaining assets; or
- b. The union has no remaining assets and after paying or part paying its debts and no creditor has applied for an order putting the credit union into liquidation has ceased to operate.