

**Bli Bli Community Association
Community Banking Steering
Committee**



**Information for residents
considering investing into the
Bli Bli Heritage Community
Branch initiative**

**Bli Bli Community
Banking Steering
Committee**



Dear Resident of Bli Bli,

Over recent months the local Community Association has been investigating the possibility of attracting a banking facility to Bli Bli.

During these investigations we met with a representative of Heritage Bank to discuss their Community Branch banking model. Consequently we held an information evening for residents.

The response from the public meeting proved positive and so the Community Association has established a Community Banking Steering Committee to work toward setting up a Heritage Bank Community Branch in Bli Bli.

The Community Branch model involves a joint venture arrangement between Heritage Bank and the local community.

To start the process we, as a community, need to prove our capability to raise some \$400,000 as our share of the start-up and operational capital. That initial capital is paid back to investors, with interest, as the branch becomes profitable.

The Steering Committee therefore invites you to indicatively pledge to be an investor in this exciting opportunity for the community.

Not only will the community benefit from having its own banking facility but also from, potentially, large amounts of profits in the medium to long-term future.

Please consider the following information, complete and return the indicative pledge form if you wish to be involved.

Yours faithfully,

**Chris Baker
Chairperson
Bli Bli Community Banking Steering Committee**

Bli Bli Community Banking Steering Committee



What is Community Banking?

Community Banking is a concept whereby the community partners with a financial institution in establishing a full service bank branch in their community. This provides most benefit to a community that has no, or limited, banking facilities.

The Community and the partnering financial institution both inject funds into the establishment of the branch and then share the associated revenue and expenses.

How does it benefit the community?

In the short term: -

- The community benefits from having a full service banking facility. No more need for residents to travel to other areas to conduct their banking.
- Employment. Wherever possible staff are employed from the local community.

In the longer term: -

- Profits derived from the joint venture are provided back to the community via sponsorships and grants to community organisations and other projects that benefit the community.
- Increased infrastructure. With a local banking facility there is a greater chance to attract further business to the community.

How does it work?

Once the community has finalised the process to gauge the viability for establishing a community branch, a public company is formed and registered.

This company then attracts members from a broad cross section of the residents who, in turn, invest money for the capital required to fund the community's share of the venture.

Once the company is registered and the required capital raised, the company then enters into an operations agreement with the partnering financial institution to manage the joint venture. Residents are encouraged to conduct their banking business through the branch, as this business (deposits and loans) is the main source of revenue for the venture.

Why does it work?

The community company's aim is to raise their share of the required capital from as many residents as possible. These members have a sense of ownership of the 'local branch' and therefore are more likely to commit their banking business to the branch and within a shorter time period.

Non-investing residents also benefit from the venture, as the community, as a whole, will eventually enjoy the benefits from profits being returned to the community. For example they may be a member of a local sporting association that could receive a grant from the profits. Good incentive to utilise the branch for their banking needs.

The more residents who use the branch the more revenue is made. The quicker the residents start using the facility the sooner it becomes profitable and the quicker profits will be returned to the community.

Bli Bli Community Banking Steering Committee



What type of Company is used?

The company will be a registered public company, limited by Guarantee operating according to its constitution. Like any other Australian company it must report to and comply with ASIC requirements and adhere to good corporate governance standards. A board of directors, elected by the members, manages it. Directors act in a voluntary capacity and are not paid income.

How much does the company have to raise?

Approximately \$400,000. This amount may vary depending on viability modelling completed once an independent survey of the community is completed.

How will the company raise the funds?

The community company offers an attractive interest rate to investors. As the company aims to raise the funds from a large number of residents they will accept amounts from a minimum of \$100 and limited to a maximum of \$5,000.

Will a prospectus be issued?

The company is not required to issue a prospectus, as it is not offering shares in the company. However you are entitled to a copy of the Company's constitution and a memorandum of information outlining pertinent details in order for you to make an informed investment decision.

As the company does not offer shares, what are investors classed as?

They are classed as a member of the company. This gives them the right to 'lend' the company money for a specified period of time for which interest is earned, rather than dividends being paid.

How do I become a member of the company?

Once the company has been registered a membership application form is completed and signed and a membership fee of \$1 (non refundable) applies.

As a member what rights do I have?

Each member has voting rights. One vote per member regardless of the amount invested. You also have the right to nominate for election as a director of the company.

Will the company have a business plan?

Yes. The process to gain approval to proceed, from our partnering financial institution, requires a community survey to be completed by an independent consultant to gauge the amount of banking business that the branch may attain. This information is provided in a report prepared by the consultant.

Our partnering financial Institution then analyses the information and prepares a viability model to determine the ventures proposed success and amount of capital that the community will be required to raise to cover fit out and operating losses until profitable.

It is that viability model that the company uses to manage the venture going forward.

Bli Bli Community Banking Steering Committee



How long will it take before the company becomes profitable?

It is anticipated that the company should achieve its first profit within the first one to two years of operation.

It is also anticipated that the company will become cumulatively profitable (recovered fit out costs and cumulative operating expenses) within three to five years of operation.

How long will it take before the company can start returning profits to the community?

Once the company becomes cumulatively profitable its main objective is then to recover the investors funds, pay them their interest and return the investments to the members. It would be anticipated that this would be achieved within five to seven years of operation.

Therefore, in approximately five to seven years the company should be in a position to commence accumulating profits to inject back into the community.

When do you anticipate the company to be registered?

If all goes well we would expect it to be registered in approximately six months.

When will I be asked for payment for my investment?

Soon after the company is registered we will contact you for payment. We would expect this to be during November 2016.

When is the community branch expected to open?

Providing the company registration, Joint Venture Agreement executed and all required capital has been raised by 30th November 2016, then we would expect your community branch to open, approximately, by end of March 2017.

Bli Bli Community Banking Steering Committee



Which Financial institution have you chosen to partner with the community?

Heritage Bank Limited.

Who is Heritage Bank?

Heritage is a regionally based Queensland financial institution with its history exceeding 130 years. They have over 100 branches and mini branches distributed throughout south east Queensland and lending operations throughout Australia.

Based in Toowoomba, Heritage is Australia's largest Customer Owned Bank with assets under management exceeding \$8.25 billion.

Heritage is a mutual organisation that is owned by its members. As there are no shareholders to eat up the profits, they are very focussed into providing excellent customer service and extremely competitive, award winning, products.

They are also very community minded.

Why their community banking model?

Firstly, their model is a true joint venture partnership. The costs to set up and run the branch are genuinely shared. As it is not a franchise there are no start-up or ongoing fees paid to Heritage.

Secondly, Heritage takes the full responsibility of operating the branch. They employ the staff, and run the branch as one of their own. Yet they still give the company half the revenue. In other words, we as directors of the community company can put our energy into running our company and promoting the branch and concept throughout the community – encourage residents to use the facility.

Thirdly, under the Heritage model there is a lot less capital required to be raised by the community to get the venture underway. It also appears to be a shorter time period for the venture to become profitable.

Is their model proven?

With seven Community Branches in operation, Heritage was the first Financial Institution to commence community banking in Queensland.

Their first branch was opened in Crows Nest in April 1999 and the seventh opened in March 2007.

Together, the partnering community companies, have injected over \$36.5 million into their communities. This includes over \$14 million in profits generated to repay their investors, provide grant funding to local clubs and organisations and undertake infrastructure projects to benefit their communities.

Bli Bli Community Banking Steering Committee



Am I being asked to invest in Heritage Bank?

Your investment will be in the yet to be registered community company (yet to be named) that will partner with Heritage Bank in the joint venture.

Do I have to bank with Heritage to invest in the community company?

You are not required to bank with Heritage. However we strongly encourage you to and, particularly, use the community branch as the more business gained through the branch the more profits can be generated for the community.

Do I have to be an investor in the community company to have my banking with Heritage and use the branch?

Not everyone will be in a position to invest in the community company and naturally we would like all residents to utilise the branch, as the more people banking through the branch the more profitable it becomes. However investing in the community company can be as low as \$100 and every dollar assists in reaching the required target.

Can I invest more than \$5,000?

The amount of the investment is restricted to a maximum \$5,000 for each entity

How long will my money be invested for?

The company will ask for investments to be lodged for a ten (10) year period, however may redeem these at an earlier stage depending on the profitability of the venture. It is anticipated that the investment period will be between five (5) and seven (7) years.

Can I get my money back at any time?

The company needs to be sure that it has enough funds to cover costs until the venture is profitable and therefore requires a long-term commitment. However, in the event a member suffers hardship, serious consideration will be given to returning the investment to them.

What is the rate of interest offered on investments?

The rate of interest will be set at 2% p.a above the Heritage Bank \$100,000+ 12 month term deposit rate. The 12 month term deposit rate will be determined at date of lodgement of all funds by the community company and amended to the new rate every 12 months.

As an example that rate is currently 3.00% p.a. therefore the rate, if lodged this month, would be 5.00% p.a. for the first 12 months.

Interest calculation will apply to your initial investment amount (not compounded) and will commence from date of lodgement of all funds by the community company.

When will I get paid interest?

Interest will be paid, providing the joint venture is successful, and once the community company has met its requirements relative to becoming cumulatively profitable and is in a position to return investor's capital plus interest accrued. It is anticipated that this will occur within five to seven years however may extended to the lodgement term of ten years.

Bli Bli Community Banking Steering Committee



What will my investment be used for?

Your investment will go toward the money that is required to be raised by the community company as its share of the start up capital. These funds will be used to pay the company's share of the fit out of the branch and to cover the company's expected monthly operating expenses until the company becomes profitable.

Directors act in a voluntary capacity and therefore there are no fees paid to directors.

There are also no fees payable to Heritage Bank.

What are the risks associated with my investment?

Like any investment this one also carries risks.

In the unlikely event that the branch does not perform to expectation, proves unviable and can no longer operate resulting in the termination of the Joint Venture you may risk loss of some or all of your investment, including accumulated interest.

However, our partnering financial institution is a reputable and well-respected bank with sound business ethics and a proven track record.

It is their name too that is at risk and therefore they would not enter into this arrangement without ensuring conservative and prudential standards had been met.

If, in the worst case, the venture failed what is the extent of my liability?

The extent of your liability is limited to the amount you invest into the company together with any accumulated interest.



Bli Bli
Community Banking Steering
Committee

Chris Baker	0410 689415
Lloyd Parker	0499 340785
Michael White	0412 420212
Peter Connelly	07 54436247