

Disclosure Statement

Neil Andrew Smith

Company:
Life Risk Limited
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Introduction

This document complies with the disclosure requirements under the Securities Markets Act 1988 and sets out the disclosure required to be made in relation to your financial adviser.

The following are details, which are deemed to be relevant about Neil Smith's role as an investment adviser and about Life Risk Limited

Details of the firm

In 1998 Neil Smith joined the financial services industry as an employee of an insurance broking firm. Neil established Life Risk Limited in August 2006 as a risk advice and investment advice company. Neil Smith is the director and sole shareholder of this company.

Experience and qualifications

Neil Smith has been a personal risk insurance and financial adviser since 1998. He is a member of the IFA (Institute of Financial Advisers) Neil has achieved the following qualifications:

Adviserlink™ courses – base education towards Chartered Life Underwriter™ qualifications in:

- Business Financial Services
- Practice Management
- Risk Advice
- Investment Advice
- Neil is working toward a National Certificate In Financial Services, this includes training in investment advice

Neil keeps his learning and qualifications up to date by:

- a) meeting the mandatory number of continuing professional development hours as per the IFA Standards of Professional Practice
- b) attending industry conferences
- c) reading widely

Professional memberships

Neil is a member of the Institute of Financial Advisers (the institute) and complies with the Institute of Financial Advisers Codes of Ethics and Practice Standards in all facets of his/her practice. Neil Smith holds an annual certificate to practice issued by the institute.

As an intermediary selling health insurance from AIG Life, Sovereign, ING Life and Tower I am bound by the HFANZ Code of Practice (Health Funds Association of New Zealand).

Professional indemnity insurance

In accordance with industry standards, and for your protection, Neil Smith at Life Risk Limited is covered under a professional indemnity insurance policy to the level required by the institute. It has a \$5 million limit. This policy provides cover against breach of professional duty by Life Risk Limited and or Neil Smith.

Dispute resolution facilities

Any potential complaints are best directed to Neil Smith at Life Risk Limited in the first instance. If a satisfactory resolution cannot be found, the Institute has a complaints resolution procedure for your protection. They can be contacted on (04) 499-8062 at any time during normal business hours (8.30 am to 5.00 pm) or, PO Box 5513, Level 9, Willbank House, 57 Willis St, Wellington.

Products on which advice is given

Life Risk Limited gives advice in relation to the following types of products:

Risk Products

- Life cover
- Accidental death cover
- Disability income protection
- Living insurance
- Business overheads cover
- Business earnings protection
- Business extra products
- Business Locum cover
- Key person protection insurance
- Mortgage protection insurance
- Medical insurance
- Total and permanent disability cover
- Trauma cover

Savings and Investment Products

- Registered superannuation schemes and KiwiSaver
- Superannuation
- Combined risk and savings
- Tax paid investment bonds
- Term deposit
- Cash management funds
- Unit trusts
- Wrap services
- Annuity contracts (limited advice)
- Finance company debentures & capital notes (limited advice)

Group Investment Funds (limited advice)
Property purchasing (limited advice)
Mortgages (referred to others not arranged)
Direct equities and fixed interest securities (limited advice)
Listed public companies (limited advice)
Annuities (limited advice)
Bonus bonds (limited advice)
Geared investments (limited advice)
Commodities (limited advice)
Forestry (limited advice)

Product Providers

Life Risk Limited may place investments with almost any investment provider. When it comes to risk management products, superannuation funds and insurance bonds, you need to have a detailed agency agreement in order to place business. Life Risk Limited has agency agreements for the sale of these products with the following suppliers:

- Sovereign Assurance
- AIG Life (formerly AIA)
- Tower Health and Life
- ING Life Ltd
- ING (NZ) Ltd

Other investment products will have the normal supplier intermediary relationship that does not entail a detailed agency agreement to be signed. Appendix A to this document lists those companies.

Neil may choose at his discretion to refer to other investment advisers for other investment advice on a case by case basis, and may be paid an introducer's commission and in some cases, ongoing trail commission of up to one third of their commission or fee.

Money Handling Procedures

Procedures for handling investment

The following system and procedure is used for receiving client funds:

1. Wrap clients (Select Wealth Management or OneAnswer):
 - The investment management service (wrap service) is provided via an independent custodian, which holds investments collectively on behalf of the client.
 - All money that is to be invested (payable via cheque or direct bank transfers) is payable directly to the custodian of the wrap service as applicable.
2. For clients whose investments are held outside a wrap service:
 - (a) Funds for investment can be paid directly to the issuer of that investment or their nominee, and crossed "not transferable" or "account payee only". Or
 - (b) In some cases a membership fee of \$417 including GST per year is payable to Life Risk Limited. Payments can be made via direct credit

on a monthly, quarterly or annual basis to Life Risk Limited's bank account or annually via cheque to Life Risk Limited and crossed 'not transferable account payee only'. All monthly payments have an administration fee added making them payments of \$37 per month including GST (\$444 per year including GST).

- (c) An auditor is not employed as Life Risk Limited is not holding nor does it operate a trust account.
- (d) Neither Life Risk Limited nor Neil Smith in any circumstances use client's money or property for the benefit of any other person or ourselves. This applies to monies that are to be invested. Monies that are paid to use as fees are used to pay overheads and expenses and personal remuneration.
- (e) The payment of fees (agree before hand) are for the preparation of a financial plan or ongoing value added membership benefits. It is to be paid in addition to income received by Life Risk Limited which receives commissions which are earned from product suppliers in the normal course of business.
- (f) Neil Smith is currently only using the Select Wealth Management Wrap Service. OneAnswer Wrap Services is not currently being used.

The records Life Risk Limited keeps that relate to the investment of money are:

- α. A photocopy and or scan of the completed cheques and application forms which are kept in the client's personal file.
- β. The details of the investment are entered onto the portfolio reporting system immediately after an investment is made where a wrap service is used.
- γ. Life Risk Limited manually updates the client's personal file with details of the investment.
- δ. During normal working hours clients have access to their personal file should they wish to check the accuracy of the information contained therein.

Remuneration received by Life Risk Limited

Where applicable, the professional fees charged by Life Risk Limited will vary according to the nature of the services provided, as outlined below.

Retirement Plan or Savings Plan Advice Fees

1 Retirement or Savings Planning Advice and Membership Fees (Non Wrap Service)

Life Risk Limited charges a flat fee of \$567 + GST for the plan and the first 12 months (\$637.88 including GST). This means the initial consultation is free but the preparation of the financial plan, the implementation of the advice and the ongoing reporting of that plan for the first 12 months is all included in this fee.

Commencing in year two, the current annual membership fee is \$370.67+ GST (\$417). An entry fee of 1% *may on some occasions* be charged on

certain investments. This is not possible with KiwiSaver. In most cases there will be no entry fee for products chosen for investment.

The **first year's fee** of **\$567 + GST** is payable as an upfront cost of \$637.88 by direct credit to the Life Risk Limited bank account or or cheque to payable to Life Risk Limited.

Payment of **year two fees** and beyond can be arranged annually **\$417** including GST.

Alternatively, GST inclusive quarterly payments of **\$107** (4 X \$107 = \$428).

Alternatively, GST inclusive monthly payments of **\$37** (\$37 X 12 = \$444).

These fees provide the following benefits:

- as much access to Neil Smith as you require over a 12 month period
- access to any email newsletters and blog updates published
- free attendance at client seminars
- free attendance at public seminars we are conducting
- copies of special reports we produce

Investment product maximum commissions for non OneAnswer and non Select Wealth Management (Wrap Account) clients

Investment product maximum commissions

Product Type	Product Description or Product Provider	Maximum Initial Brokerage as a %	Ongoing % of total p.a.
KwiSaver Funds	Registered KiwiSaver Plans	Nil	0.25%
Direct Shares and Bonds I DO NOT PLACE INVESTMENTS IN THIS AREA.	Currently None	Nil	Nil
Fixed Interest Investments I DO NOT PLACE INVESTMENTS IN THIS AREA. I may refer to other advisers to do this for you. I will not usually be paid a commission for this.	Debenture stock – Selected Finance Company Debenture Stock issues Currently Not Advising On This Area. Tradeable securities such as Government Stock, Local Body Stock, Corporate Bonds	Normally around 0.5% p.a. Normally around 0.25%	Nil Nil
Managed Funds	ING (NZ) Ltd Sovereign Limited	5.0%	1.00%
Superannuation Funds Investment Funds	Private Portfolio Service (PPS)	5.0%	1.0%

2) Adviser fees for Select Wealth Management (Wrap Account) clients

Our standard fees for Select Wealth Management services are as follows, and include full monitoring and review services.

	Administration	Adviser Fee	Total
Portfolio \$0 to \$500,000	0.65% p.a.	1.00% p.a.	1.65% p.a.
Portfolio \$250,000 to \$500,000	0.60% p.a.	1.00% p.a.	1.60% p.a.
\$500,000 to \$1,000,000	0.55% p.a.	1.00% p.a.	1.55% p.a.
\$1,000,000 and over	0.50% p.a.	1.00% p.a.	1.50% p.a.

3) Adviser fees for OneAnswer (Wrap Account) clients

Our standard fees for OneAnswer services are as follows, and include full monitoring and review services.

	Administration	Adviser Fee	Total
Portfolio \$50,000 to \$500,000	0.35% p.a.	1.00% p.a.	1.35% p.a.
Portfolio \$500,00 to \$1m	0.30% p.a.	0.90% p.a.	1.20% p.a.
Portfolio over \$1million	0.25% p.a.	0.85% p.a.	1.10% p.a.

OneAnswer Wrap Service

A stepped volume rebate on the OneAnswer Administration and Custodial fee of between 0.025% and 0.10% is payable to Life Risk Limited. The rebate is calculated on the volume of business Life Risk Limited has placed in ING products held in custody through OneAnswer. The percentage applicable depends on the total business volume of Life Risk Limited's business in OneAnswer. However, it is the policy of Life Risk Limited to pass 100% of this rebate on to its clients."

From time to time, Neil Smith via Life Risk Limited may receive certain non-monetary benefits from product providers. This could include gratuities such as a bottle of wine at Christmas time, a free calendar, pen or book, the occasional luncheon, drinks after a briefing session, invitations to sporting events etc.

Fee rebates

In many instances, commission paid by the product provider for funds initially invested by the client will be zero rated (not charged to the client). KiwiSaver investments generally do not have initial investment fees. There may also be on-going trail commission for funds invested. The extent of any initial or on-going investment fees or commissions will be determined once Life Risk Limited is more aware of the nature and scope of the engagement.

These fees provide the following benefits:

- as much access to Neil Smith as you require over a 12 month period
- access to any email newsletters and blog updates published
- free attendance at client seminars
- free attendance at public seminars we may conduct
- copies of special reports we produce
- access to our portfolio reporting service

Remuneration received by Life Risk Limited

Life Risk Limited is eligible to receive commissions, bonuses, rebates and non monetary payments from product providers in relation to the sale of products. Details on these payments are provided in Appendix A and B. Please note that Life Risk Limited will often provide discounts on the investment commission it receives, particularly if the sum being invested is substantial. The discount reflects the sum of money being invested and the fact that this sum obviously brings economies of scale in Life Risk Limited's time, effort and procedures. Life Risk Limited usually charges no investment entry fees.

Relationship with Sovereign

Life Risk Limited is owned by the sole shareholder, Neil Smith. Life Risk Limited has entered into a Sovnet Agency Agreement that enables it to access a 10% extra loyalty commission on the initial commission on each insurance sale. There is also a guarantee of 70% bonus commission. This agreement specifies that 85% (by annual premium) of all risk sales are to be placed with Sovereign. This is in line with my historical ratio of business given to Sovereign and I will continue to offer advice on non Sovereign products at point of sale.

My company is independently owned and operated. Accordingly all investment and risk insurance recommendations are based upon client needs.

Contact details

My business address, telephone and fax numbers are as set out above.

No criminal convictions

1. In accordance with the Securities Markets Act 1988, I hereby certify that in the preceding five years, I nor any principal officer of Life Risk Limited:

Convicted of an offense under the Securities Act 1978, the Securities Markets Act 1988 or the Investment Advisers (Disclosure) Act 1996, or of a crime involving dishonesty (as defined in Section 2(1) of the Crimes Act 1961).

A director or principal officer of a company that committed an offense under any of the Acts listed above or an offense involving dishonesty as defined above

Adjudicated bankrupt

Prohibited by law from taking part in the management of a company or a business

The subject of an adverse finding by a court in any proceeding taken against me in my capacity as an investment adviser, or

Expelled from or have been prohibited from being a member of a professional body

2. I also certify that, Life Risk Limited has not been placed in statutory management or receivership in the preceding five years.

Interests

The Securities Markets Act 1988 requires advisers to disclose any direct or indirect pecuniary or other interest that they may have in the giving of investment advice. In the case of Neil Smith these are contained in Appendix C.¹

¹

Declaration

We declare that this document when completed and signed complies with all the requirements of the Securities Markets Act 1988 and incorporates the minimum standards of disclosure, in terms of the Code of Ethics and Practice Standards required by the Institute.

Yours sincerely
Life Risk Limited

Neil Andrew Smith
Risk Adviser, KiwiSaver Adviser

Appendices: A. Investment product maximum commissions
B. Risk product commissions
C. Interests register

Client acknowledgment version 2.6 Client Copy

I, acknowledge receipt of the Disclosure statement for Neil Smith.

Signed: Date:

Investment Product Commissions
Life Risk Limited

The information provided in this Appendix is current as at 25/05/10 Neil Smith via Life Risk Limited is eligible to receive commissions on the following products according to the schedule below. Please note that these are the maximum commission rates payable and in many cases these may be discounted, especially if a client is investing substantial sums. Specific commission rates will be disclosed in writing to the client in relation to specific investments prior to investments being placed.

Product provider	Product	Max. initial commission as a % of each investment made*	Ongoing p.a. commission as a % of total value of investment
Listed direct shares and fixed interest Nil		Nil	Nil
Managed funds Sovereign Assurance ING New Zealand Limited AXA New Zealand does not pay Life Risk Limited	Asset Architect ING (NZ) Limited Private Portfolio Service Managed Funds & Retirement Plans & Group Superannuation Plans ANZ Superannuation National Bank Superannuation Plans	5% 5% 5% 5% 5% 0% 0%	5% 0.50% 1% 1% 1% 0.25% 0.25%
Fixed interest investments (not listed) Nil	Nil	Nil	Nil
Old Managed Funds Products (Sovereign)	Complete Investor Plan (Closed to new investors) Asset Architect Retirement Plan	5% or less*	5%
Account management services Not using One Answer nor Select Investor Service	N/a	Nil	Nil

*Maximum Life Risk Limited will accept

All investment commission is paid to Life Risk Limited.

From time to time, Life Risk Limited may receive certain non-monetary benefits from investment product providers. This could include gratuities such as a bottle of wine at Christmas time, a free calendar, pen or book, the occasional luncheon, drinks after a briefing session, invitations to sporting events, office products, etc. They may assist by providing lead generation for Life Risk Limited. Monetary enhancements by way of bonus commission are paid to Life Risk Limited on a set bonus level for each supplier by arrangement with all of the insurance or investment suppliers above.

Risk Product Commissions
Neil Smith

Product	Product Provider	Maximum Initial Brokerage as a % of AP	Ongoing % of AP
Risk Products Including: Term Life Income Protection Trauma	AIG Life	150% or 37.5% (Health Cover)	20% (if lower initial commission received)
	ING Life (NZ) Ltd	150%	7.5%
	Tower Health and Life	100% Term Life Related 20% Health Cover	7% Term Life 20% Health Cover
	Sovereign Assurance Ltd	230% (plus 10% loyalty bonus) Lowered to 200% from 1 July 2010	20% where lower initial commission was received

In addition to the above, Neil Smith via Life Risk Limited may be eligible for bonus commissions if they meet the eligibility levels set by certain insurance companies. An example of this is, AIG are offered a 20% increase in commission for new client contracts based on paying premiums annually, which also offers 5% discount to the client. Other bonus structures may be significantly more beneficial to Life Risk Limited. Sovereign from time to time have offered an extra 10% commission for contracts with life cover.

Interests Register
Neil Smith

This information is correct as at 25/05/10 In accordance with the Securities Markets Act 1988, I disclose the following actual and potential conflicts of interest that could possibly have some relevance in providing investment advice to you.

1. I am a member of the Sovnet Agency agreement with Sovereign and maintain the right to place business with any provider and to end that agency agreement at any time in the future.

Client acknowledgment version 2.6 Adviser Copy

I, acknowledge receipt of the Disclosure statement for Neil Smith.

Signed: Date:

Client Name:

Client Address:

Client Phone number

Client email address

Notes on discussion.