

Rules of the
Nelson Building Society

July 2011



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1. INTERPRETATION

1.1 Definitions: In these Rules unless the context otherwise requires:

“**Act**” means the Building Societies Act 1965.

“**Annual General Meeting**” means a meeting of the type described in Section 76 of the Act.

“**Associated Person**” means in respect of any Person, another Person if:

- (a) in making a decision or exercising a power affecting the Society, the first Person could be influenced as a consequence of any arrangement or relationship existing between or involving the first Person and the second Person;
- (b) the first Person is a company and the second Person is:
 - (i) a director of that company; or
 - (ii) a related or associated company of that company; or
 - (iii) a director of a related or associated company of that company;
- (c) the first Person is a spouse, domestic companion, child or parent of the second Person, or a nominee or trustee for any of them or for the second Person;
- (d) the first Person and the second Person are acting jointly or in concert;
- (e) the first Person is a director of a company, or holds a Relevant Interest in shares carrying more than 10% of the votes of a company and the first Person and the second Person are parties to an arrangement relating to the control of, or the control or ownership of shares, in that company, which arrangement affects securities of that company, carrying more than 30% of the total votes attaching to shares of that company; or
- (f) the first Person and/or the Second Person propose to do, or are likely to do, anything which will cause them to become associated in terms of (a) to (e).

If the first Person is associated with the second Person in terms of the foregoing parts of this definition, then the second Person shall be deemed to be associated with the first Person.

“**Auditors**” means the auditors of the Society.

“**Board**” means all the Directors of the Society, acting as a Board.

“**Business Day**” means a day on which banks are open for trading in Nelson.

“**Chairman**” means the chairman of the Board for the time being.

“**Companies Act**” means the Companies Act 1993.

“**Continuous Share Issue**” means any issue of shares by the Society as a continuous issue in the ordinary course of the Society’s business.

“**Debt Security**” bears the meaning given to that term by the Securities Act.

“**Director**” bears the meaning given to that word by Section 2 of the Act, but for the purposes of clause 17.1 shall exclude Executive Directors.

“**Employee**” means an employee or officer of the Society or any of its Subsidiaries, a labour-only contractor, consultant or consultant company who or which contracts with the Society or any of its Subsidiaries, any trustee or trustees on behalf of any of the above employees or officers, and any trustee or trustees of or in respect of any pension, superannuation or like fund established for the benefit of any of the above employees or officers.

“**Executive Director**” means a Director who is also an Employee of the Society.

“**Financial Reporting Act**” means the Financial Reporting Act 1993.

“**Financial Year**” means the 12 Months ending on 31 March in any year or the period ending on such other date in any year as the Board from time to time determines.

“**Interested**” bears the meaning assigned to that term in section 139 of the Companies Act 1993 on the basis that the references therein to “the company” are to the Society;

“**Interests Register**” means the register kept by the Society pursuant to clause 16.6 of these Rules.

“**Member**” means:

- (a) any Person who holds a share in the Society from time to time; and
- (b) any Person who holds a Debt Security issued by the Society.

“**Membership Interest**” means a share or Debt Security held in or issued by the Society.

“**Mentally Disordered**” bears the meaning given to that term by the Mental Health (Compulsory Assessment and Treatment) Act 1992.

“**Minimum Holding**” means such quantum of Membership Interests as may be prescribed by the Board from time to time, (as at the adoption of these Rules on 29 June 2011 being \$500.00).

“**Month**” means a calendar month.

“**NZGAAP**” means generally accepted accounting principles as defined in section 3 of the Financial Reporting Act.

“**Ordinary Resolution**” means a resolution approved by a simple majority of the votes that may be cast by those Members entitled to vote and voting on the resolution.

“**Person**” includes a corporation sole, and also a body of persons, whether corporate or incorporate.

“**Personal Representative**” means:

- (a) in relation to a deceased Member, the executor, administrator or trustee of the estate of that Member;
- (b) in relation to a bankrupt Member, the assignees in bankruptcy of that Member; and
- (c) in relation to any other Member, a Person appointed or deemed to have been appointed to administer property under the Personal and Property Rights Act 1998, a manager appointed or deemed to have been appointed thereunder, and a donee of an enduring power of attorney.

“**Register of Members**” means the register of Members maintained by the Society pursuant to clause 11 of these Rules.

“**Registered Office**” means the Society’s registered office from time to time.

“**Related Company**” has the meaning given in section 2(3) of the Companies Act (read together with section 2(4) of that Act).

“**Relevant Interest**” has the meaning given in sections 5 and 6 of the Securities Markets Act.

“**Reserves**” means such profits of the Society which are retained and set aside by the Board from time to time for application in such manner as the Board shall in its sole discretion determine.

“**Restricted Holding**” means Membership Interests which have been declared by the Board to be a Restricted Holding pursuant to clause 23.1.

“**Restricted Interests**” means Membership Interests which have been declared by the Board to be Restricted Interests pursuant to clause 23.1.

“**Rules**” means the Rules of the Society as amended from time to time.

“**Securities Act**” means the Securities Act 1978.

“**Securities Markets Act**” means the Securities Markets Act 1988.

“**Society**” means Nelson Building Society.

“**Solvency Test**” has the meaning set out in Clause 1.2.

“**Special Meeting**” means any meeting of Members or any class thereof, other than the Society’s annual general meeting.

“**Special Resolution**” has the meaning given to it by Section 81 of the Act.

“**Subsidiary**” means (with all appropriate adaptations):

- (a) a subsidiary within the meaning of section 5 of the Companies Act (read together with section 6 to 8 (inclusive) of that Act); and
- (b) an entity treated as a subsidiary or “in-substance” subsidiary under NZGAAP.

1.2 Solvency Test: For the purposes of these Rules:

- (a) The Society satisfies the Solvency Test if:
 - (i) the Society is able to pay its debts as they become due in the normal course of business; and
 - (ii) the value of the Society’s assets is greater than the value of its liabilities, including contingent liabilities.
- (b) In determining for the purposes of these Rules whether the value of the Society’s assets is greater than the value of its liabilities, including contingent liabilities, the Board:
 - (i) must have regard to:
 - (1) the most recent financial statements of the Society that comply with NZGAAP; and
 - (2) all other circumstances that the Board knows or ought to know affect, or may affect the value of the Society’s assets and the value of the Society’s liabilities, including its contingent liabilities.
 - (ii) may rely on valuations of assets or estimates of liabilities that are reasonable in the circumstances.
- (c) In determining for the purposes of these Rules the value of a contingent liability, account may be taken of:
 - (i) the likelihood of the contingency occurring; and
 - (ii) any claim the Society is entitled to make and can reasonably expect to be met to reduce or extinguish the contingent liability.

1.3 Interpretation:

- (a) Words importing the singular number only include the plural number and vice versa and the one gender includes the other genders.
- (b) Words importing Persons include firms and corporations and “firm” includes “partnership”.
- (c) A reference to any legislation or any provision of any legislation includes any amendment or re-enactment of it, any legislation substituted for it and all regulations and statutory instruments issued under it.

2. NAME

2.1 The name of the Society is “NELSON BUILDING SOCIETY” and its Registered Office shall be at 111 Trafalgar Street, Nelson or such other place as the Board may from time to time decide.

3. FUNDS OF THE SOCIETY

3.1 The Society’s funds shall consist of moneys raised by any of the following means in accordance with these Rules:

- (a) Moneys raised by the issue of shares;
- (b) Moneys raised by the issue of Debt Securities; and
- (c) All other funds received by the Society either in the course of its business or as a result of any realisation of assets.

4. FUNCTIONS AND POWERS

4.1 The functions and powers of the Society shall be those contained in and authorised by the Act and these Rules.

5. MEMBERS

5.1 **Rules binding:** All Members will be bound by these Rules.

5.2 **Fines and forfeitures:** Except as provided in clause 7.10, the Society may not issue shares on terms which give the Society any right to regard any share subscription paid by a Member as forfeited or to impose any fine or arrears fee upon any Member in respect of such shares.

5.3 **Cessation of membership:** A Person ceases to be a Member immediately upon their ceasing to come within one of the categories of the definition of "Member" in clause 1.1 of these Rules. Otherwise, the Society shall have no power to terminate the membership of any Member, but this is subject to the power of the Society to redeem any of its shares under clause 8 of these Rules.

5.4 **Liability of Members:** The liability of a Member to the Society is limited to:

(a) the amount unpaid on any share held by the Member; and

(b) any liability to repay a dividend received by the Member to the extent that the dividend is recoverable under these Rules.

5.5 **Joint Members:** Two or more Persons may jointly be Members. Such Persons shall be entitled to choose the order in which they are named in the books of the Society. The first named alone will receive notices or communications from the Society.

5.6 **No Trusts:** Except as otherwise provided in these Rules, the Society shall be entitled to treat the registered Member as the absolute owner of the relevant Membership Interest, and accordingly shall not, except as required by law, be bound to recognise any trust or other claim to or partial interest in or over such Membership Interest on the part of any other Person whether or not it shall have notice thereof, or be held responsible for omitting or neglecting to recognise any such trust, claim, or interest.

5.7 **Lien:**

(a) The Society will have a first and paramount lien on all Membership Interests registered in the name of each Member and all other rights and entitlements of such Member (whether solely or jointly with others) for all debts, obligations, engagements or liabilities of such Members, whether absolute or contingent, and whether solely or jointly with any other Person and whether payable or to be performed or discharged presently or in future, to or with the Society, or to or with any Subsidiary or Related Company of the Society or whether or not the date for payment fulfilment or discharge shall have arrived.

(b) The Society may sell or realise in such manner as the Board think fit any Membership Interests on which the Society has a lien but no such sale or realisation shall be made unless a sum in respect of which the lien exists is presently payable nor until the expiration of 10 Business Days after a notice in writing, stating and demanding payment of such part of the amount in respect of which the lien exists as is presently payable, has been given to the relevant Member.

(c) The net proceeds of the sale or realisation of Membership Interests sold for the purpose of enforcing a lien will be applied in or towards satisfaction of any unpaid calls or instalments, interest thereon and expenses and any other moneys (if any) in respect whereof the lien existed and the residue, if any, paid to the relevant Member, his legal Personal Representatives or assigns.

- (d) A certificate signed by a Director that the power of sale or realisation hereinbefore mentioned has arisen and is exercisable by the Society under these Rules shall be conclusive evidence of the facts stated therein.
- (e) For giving effect to sale or realisation enforcing a lien in purported exercise of the powers here inbefore given the Board may authorise some Person to transfer the relevant Membership Interests. The transferee shall be registered as the holder of the Membership Interests comprised in any such transfer and he is not bound to see to the application of any purchase money nor will his title to the Membership Interests be affected by any irregularity or invalidity in the manner in which the sale or realisation was carried out. The remedy of any Person aggrieved by the sale or realisation shall be in damages only and against the Society exclusively.

6. TRANSFERS OF MEMBERSHIP INTERESTS

- 6.1 Method of transfer:** A Person may make application to the Board for the transfer of any Membership Interest by delivering a signed transfer form (being a form approved by the Board from time to time for such purpose) together with such proof of ownership as the Board may require to the Society.
- 6.2 Registration of transfer:** No transfer shall be valid unless made in such form as the Board, from time to time prescribes, nor shall the transfer be effective until the transfer has been registered in the books of the Society. The Board may levy such fee as it deems reasonable for the transfer of any Membership Interest.
- 6.3 Non-transferable Membership Interests:** The Board shall not approve a transfer or transmission of any Membership Interests that are classified "Non-Transferable" but may consider redemption of any shares in accordance with clause 8.1.
- 6.4 Permitted transfer restrictions:** The Society may decline to accept or register:
 - (a) a transfer of a Membership Interest the acceptance or registration (as the case may be) of which is considered by the Board not to be in the best interests of the Society; or
 - (b) a transfer of a Membership Interest on which the Society has a lien; or
 - (c) a transfer where the transferor fails to produce such evidence as the Society reasonably requires to prove the title of the transferor to or right of the transferor to transfer the Membership Interests; or
 - (d) a transfer of any Membership Interest of such registration, together with the registration of any further transfer or transfers then held by the Society and awaiting registration, would result in the proposed transferor or transferee holding a Membership Interest of less than the Minimum Holding.
- 6.5 Sale of Less than Minimum Holding:** The Board may at any time give notice to any Person holding less than a Minimum Holding that, if at the expiration of 3 months after the date the notice is given the holder still holds a Membership Interest which is less than a Minimum Holding, the Board may exercise the power of sale of such Membership Interest set out in this clause. If that power of sale becomes exercisable:
 - (a) the Board may arrange for the sale of such Membership Interest in whatever manner the Board considers appropriate (including as to price);
 - (b) the holder of the Membership Interest shall be deemed to have authorised the Society to act on the holder's behalf and to execute all necessary documents for the purposes of that sale;

- (c) the net proceeds of sale of the Membership Interest (after deduction of reasonable sale expenses and any unpaid calls or any other amounts owing to the Society in respect of the Membership Interest) shall be held on trust for the holder of the shares by the Society and paid to such holder on surrender of any certificates for the Membership Interest sold; and
- (d) the title of a purchaser of any Membership Interest sold pursuant to this clause shall not be affected by any irregularity or invalidity in the exercise of the power of sale or the sale itself.

6.6 No cancellation of rights: Except as expressly permitted by these Rules, no benefit or right attaching to a Membership Interest shall be cancelled or varied by reason only of a transfer of that Membership Interest.

7. SHARES

7.1 Share Issues: The Society may issue shares from time to time in such classes and on such terms and conditions as the Board may decide.

7.2 Minimum Holding: The Minimum Holding of shares in the Society shall be as determined by the Board from time to time.

7.3 Consideration for issue of Shares:

(a) Before the Board decides to issue shares pursuant to clause 7.1, it must:

- (i) decide the consideration for which the shares will be issued and the terms on which they will be issued; and
- (ii) if the shares are to be issued other than for cash, determine the reasonable present cash value of the consideration for the issue; and
- (iii) resolve that in its opinion the consideration for and terms of the issue are fair and reasonable to the Society and to all existing holders of shares issued by the Society; and
- (iv) if the shares are to be issued other than for cash, resolve that, in its opinion, the present cash value of the consideration to be provided for the issue of the shares is not less than the amount to be credited for the issue of the shares.

(b) The Directors who vote in favour of the resolution required by subclause (a) must sign a certificate:

- (i) stating the consideration for and the terms of the issue;
- (ii) describing the consideration in sufficient detail to identify it; and
- (iii) stating that in their opinion the consideration for and terms of issue are fair and reasonable to the Society and to all existing holders of shares.

(c) Copies of all such certificates must be retained by the Society.

7.4 Types of Shares: Subject to the Act and these Rules, any share may be issued with such preferred, deferred, or other special rights or such restrictions (whether in regard to dividends, voting, return of capital or otherwise) as the Board may from time to time determine, and in particular, shares in the Society may:

(a) be issued as shares that are redeemable:

- (i) at the option of the Society; or
- (ii) at the option of the holder of the shares; or
- (iii) on a date specified in the terms of issue of the shares,
- (iv) for a consideration that is:

- (1) specified; or
- (2) to be calculated in accordance with a formula; or
- (3) required to be fixed by a suitably qualified Person who is not associated with or interested in the Society; or

(b) confer preferential rights to distributions of capital or income; or

(c) confer special, limited, or conditional voting rights; or

(d) not confer voting rights; or

(e) have limitations or restrictions on transferability.

7.5 Convertible Shares: Subject to the Act and these Rules, the Board may issue convertible shares with such rights or such restrictions as the Board may from time to time determine.

7.6 Bonus Share Issues: The Board may resolve to apply any amount which is available for distribution either:

(a) in paying up in full shares of the Society to be issued credited as fully paid to the Members who would be entitled to that amount if it were distributed by way of dividend, and in the same proportions; or

(b) in paying up any amount which is unpaid on any shares held by the Members referred to in clause 7.6(a),

or partly in one way and partly in the other.

7.7 Alteration of Rights attaching to Shares:

(a) In respect of any shares issued by the Society, the Society shall comply with the provisions of sections 116 and 117 of the Companies Act, as if the Society were a company to which the Companies Act applies. For the purposes of this clause, those sections shall be deemed to be modified so that:

(i) references in those sections to “shares” shall (subject to subclause (b)) be deemed to include reference to all shares of the Society, and reference to “shareholders” shall be read accordingly;

(ii) references to a special resolution shall be deemed to be references to a resolution approved by a majority of 75% of votes of the holders of such shares; and

(iii) references to the constitution shall be deemed to be references to these Rules.

(b) The Society shall be required by clause (a) to comply with sections 116 and 117 of the Companies Act but shall not be required by the modifications deemed to be made by clause (a) to comply with those sections in respect of actions that affect the rights attached to shares which were issued on terms which expressly permitted the action in question to be taken without the approval of the holders of such shares, and those terms were clearly disclosed in the offering document (if any) pursuant to which those shares were offered.

(c) For the purposes of section 117(3) the issue of further shares ranking equally with, or in priority to, existing shares, whether as to voting rights or dividends, is permitted provided such issue is made in accordance with these Rules.

7.8 Payment for Shares: If a Member or proposed Member fails to pay the issue price of a share or any part thereof on the day appointed for payment the Board may, at any time thereafter during such time as any part of the issue price remains unpaid, serve a notice on him requiring payment of so much of the issue price as is unpaid together with any accrued interest and all expenses incurred by the Society by reason of such non-payment.

7.9 Cancellation of amount due: No obligation to pay any amount which is unpaid on any share shall be cancelled, reduced, or deferred without the authority of an Ordinary Resolution.

7.10 Forfeiture of Shares: The Society may forfeit the shares of any Member who cannot be traced by the Society. Where the Society is entitled to forfeit the shares of any Member as aforesaid, then the Society shall also be entitled to forfeit for the benefit of the Society all unclaimed dividends to which that Member would otherwise be entitled. The Board may in its sole discretion annul any such forfeiture and agree to pay a claimant who produces to the Board's satisfaction evidence of entitlement to amounts due to such claimant.

8. REDEMPTION OF SHARES

8.1 Society may redeem Shares: Subject to the terms of issue of any shares, the Society may redeem any of its shares on issue on such terms and conditions as the Board may decide.

9. CONTINUOUS SHARE ISSUES

9.1 Provisions inapplicable: Clauses 7.3, 7.6, 7.7, 7.9, 8 and 13.2 of these Rules do not apply to Continuous Share Issues.

10. TRANSMISSION OF MEMBERSHIP INTERESTS

10.1 Deceased Member: In case of the death of any Member, the survivor or survivors where the deceased was a joint Member, and the Personal Representatives of the deceased where the deceased was a sole Member, shall be the only Persons recognised by the Society as having any title to that Person's Membership Interest. Where that Member held his Membership Interest jointly with one or more other Person nothing herein contained shall release the estate of a deceased joint holder from any liability in respect of any Membership Interest which had been jointly held by the deceased with other Persons.

10.2 Registration in case of deceased, bankrupt or Mentally Disordered member: Any Person becoming entitled to a Membership Interest in consequence of the Mental Disorder, death or bankruptcy of a Member may, on such evidence being produced as may from time to time be required by the Board and subject as hereinafter provided, elect either to be registered himself as the holder of the Membership Interest or instead of being registered himself to make such transfer of the Membership Interest as the Mentally Disordered, deceased or bankrupt Person could have made, but the Board shall in either case have the same right to decline or suspend registration as the Board would have had in the case of a transfer of a Membership Interest by that Member before the Member died, became bankrupt or Mentally Disordered. If the Person so becoming entitled elects to be registered himself, he shall deliver to the Society a notice in writing signed by him stating that he so elects. If he elects to have another Person registered he shall testify his election by executing to that Person a transfer of the relevant Membership Interest. All the limitations, restrictions and provisions of these Rules relating to the right to transfer and the registration of transfers of Membership Interests shall be applicable to any such notice or transfer as aforesaid as if the Mental Disorder, death, or bankruptcy of the Member had not occurred and the notice or transfer were a signed transfer by that Member.

10.3 Personal Representatives: Where any Member becomes Mentally Disordered, dies, or is declared bankrupt, his Personal Representative shall upon the production of such evidence as may from time to time be properly required by the Board in that behalf, be entitled to the same dividends and other advantages and to the same rights (whether in relation to meetings of the Society or to voting or otherwise) as the Member would have been entitled to if he or she had not become Mentally Disordered, died or been declared bankrupt; and where two or more Persons are jointly entitled to any Membership Interest in consequence of the death of the Member they shall for the purpose of these Rules be deemed to be joint Members.

11. REGISTER OF MEMBERS

11.1 Maintain register: The Society must maintain a Register of Members in accordance with the Act.

12. CERTIFICATES

- 12.1 Certificates:** Except where the Society is lawfully exempted from such requirement, every Person whose name is entered as a Member in the Register of Members shall be entitled without payment to receive a certificate as required by Section 54 of the Securities Act.
- 12.2 Replacement certificates:** If a certificate is defaced, lost or destroyed it may be renewed on such terms as to evidence and indemnity and the reimbursement of expenses of the Society as the Board may in each case think fit.

13. DIVIDENDS ON SHARES

- 13.1 Board may declare dividends:** Subject to Clause 13.2, the Board may declare dividends (or interim dividends) or issue shares in lieu of dividends, to be paid or credited to the Members according to the amount paid or credited as paid on the shares in respect of which the dividend is paid.
- 13.2 Restrictions on Board power:** The power of the Board pursuant to Clause 13.1 to declare dividends shall be subject to the following restrictions:
- (a) the Directors who vote in favour of a dividend must sign a certificate stating that, in their opinion, the Society will, immediately after the payment of the dividend, satisfy the Solvency Test and the grounds for that opinion.
 - (b) if, after a dividend is declared and before it is made, the Board ceases to be satisfied on reasonable grounds that the Society will, immediately after the dividend is paid, satisfy the Solvency Test, any dividend paid by the Society is deemed not to have been authorised.
 - (c) in applying the Solvency Test for the purposes of this Clause 13.2:
 - (i) “debts” includes fixed preferential returns on shares ranking ahead of those in respect of which a dividend is paid (except where that fixed preferential return is expressed in these Rules as being subject to the power of the Directors to declare dividends), but does not include debts arising by reason of the authorisation; and
 - (ii) “liabilities” includes the amount that would be required, if the Society were to be wound up after the dividend, to repay all fixed preferential amounts payable by the Society to Members, at that time, or on earlier redemption (except where such fixed preferential amounts are expressed in these Rules as being subject to the power of the Directors to make distributions); but, subject to subparagraph (i) above, does not include dividends payable in the future.
 - (d) a dividend paid to a Member at a time when the Society did not, immediately after the dividend, satisfy the Solvency Test may be recovered by the Society from a Member unless:
 - (i) the Member received the dividend in good faith and without knowledge of the Society’s failure to satisfy the Solvency Test; and
 - (ii) the Member has altered the Member’s position in reliance on the validity of the dividend; and
 - (iii) it would be unfair to require repayment in full or at all.
 - (e) if in relation to a dividend paid to Members the procedures set out in this Clause 13.2 have not been followed or reasonable grounds for believing that the Society would satisfy the Solvency Test, (as the case may be), did not exist at the time the certificate was signed, a Director who failed to take reasonable steps to ensure the procedure was followed or signed the certificate, as the case may be, is personally liable to the Society to repay to the Society so much of the dividend as is not able to be recovered from Members.
- 13.3 Deductions:** The Board may deduct from any dividend payable to any Member all sums of money, if any, presently payable by him to the Society on account of calls or instalments or otherwise or any debt, liability or engagement in respect whereof the Society has a lien on the shares on which such dividend is payable.

- 13.4 Interest:** No dividend shall bear interest against the Society.
- 13.5 Method of Payment:** The Society may, with the approval of a Member, make payment of a dividend by crediting the dividend to an account held with the Society in the name of the Member or in such other name as the Member directs.
- 13.6 Unclaimed dividends:** All dividends unclaimed for 1 year after having been declared may be invested or otherwise made use of by the Board for the benefit of the Society until claimed and all dividends unclaimed for 5 years after having been declared may be forfeited by the Board for the benefit of the Society provided always that the Board may at any time after such forfeiture annul the same and pay the dividend so forfeited to any Person producing evidence that he is entitled to the same and shall do so unless in the opinion of the Board such payment would embarrass the Society.

14. ISSUE OF DEBT SECURITIES

- 14.1** The Society may issue Debt Securities from time to time on such terms and conditions as the Board may decide.

15. PROFITS AND RESERVES

- 15.1 Profits and losses:** Profits and losses of the Society shall be ascertained and provided for as required by NZGAAP and otherwise in such manner as may be determined by the Board.
- 15.2 Reserves:** The Board may, from time to time, set aside out of the profits of the Society such sums as it thinks proper as a Reserve which shall at the discretion of the Board be applicable for any purpose to which the profits of the Society may be properly applied, and pending any such application may, at the like discretion, either be employed in the business of the Society or be invested in such investments as the Board may from time to time think fit. The Board may also without placing the same to Reserve carry forward any profits which it may think prudent not to distribute.

16. DIRECTORS

- 16.1 Board:** The business and affairs of the Society shall be managed by, or under the direction or supervision of, the Board which shall consist of a maximum of 7 and a minimum of 5 Directors, plus a maximum of one Executive Director. The minimum and maximum number of Directors may from time to time be amended by resolution of the Board.
- 16.2 Powers of Board:** The Board has all the powers necessary for managing and for directing and supervising the management of the business and affairs of the Society and in particular the Board may exercise all those powers of the Society as are not, by the Act or by these Rules, required to be exercised by the Society in general meeting.
- 16.3 Delegation of powers:** Subject to any restriction in the Act or in these Rules, the Board may delegate to a committee of Directors, a Director or Employee, or any other Person, any one or more of its powers, provided that if the Board delegates a power it remains responsible for the exercise of the power by the delegate as if the power had been exercised by the Board, unless the Board:
- (a) believed on reasonable grounds at all times before the exercise of the power that the delegate would exercise the power in conformity with the duties imposed on the Directors by the Act and these Rules; and
 - (b) has monitored, by means of reasonable methods properly used, the exercise of the power by the delegate.

16.4 Duties of Directors: The duties of the Directors to the Society shall be as follows:

- (a) the Directors, when exercising powers or performing duties, must act in good faith and in what they believe to be the best interests of the Society;
- (b) the Directors must exercise their powers for a proper purpose;
- (c) the Directors must not act, or agree to the Society acting, in a manner that contravenes the Act or these Rules;
- (d) the Directors must not:
 - (i) agree to the business of the Society being carried on in a manner likely to create a substantial risk of serious loss to the Society's creditors; or
 - (ii) cause or allow the business of the Society to be carried on in a manner likely to create a substantial risk of serious loss to the Society's creditors.
- (e) the Directors must not agree to the Society incurring an obligation unless the Directors believe at that time on reasonable grounds that the Society will be able to perform the obligation when it is required to do so;
- (f) the Directors, when exercising powers or performing duties, must exercise the care, diligence and skill that reasonable Directors would exercise in the same circumstances taking into account, but without limitation, the nature of the Society, the nature of the decision and the position of the Director and the nature of the responsibilities undertaken by them.

16.5 Use of information and advice: Subject to subclause (b):

- (a) the Directors, when exercising powers of performing duties, may rely on reports, statements and financial data and other information prepared or supplied, and on professional or expert advice given, by any of the following Persons:
 - (i) an Employee whom the Directors believe on reasonable grounds to be reliable and competent in relation to the matters concerned;
 - (ii) a professional advisor or expert in relation to matters which the Directors believe on reasonable grounds to be within the Person's professional or expert competence;
 - (iii) any other Director or committee of Directors in relation to matters within the Director's or committee's designated authority;
- (b) subclause (a) applies to the Directors only if the Directors:
 - (i) act in good faith; and
 - (ii) make proper enquiry where the need for enquiry is indicated by the circumstances; and
 - (iii) have no knowledge that such reliance is unwarranted.

16.6 Directors' personal interests: The following provisions shall apply to transactions in respect of which any Director is Interested:

- (a) forthwith after becoming aware of the fact that he or she is Interested in a transaction or proposed transaction with the Society, the relevant Director shall cause to be entered in the Interests Register and disclose to the Board:
 - (i) if the monetary value of the Director's Interest is able to be quantified, the nature and monetary value of that Interest; or
 - (ii) if the monetary value of the Director's Interest cannot be quantified, the nature and extent of that Interest.

- (b) a Director is not required to comply with subclause (a) if:
 - (i) the transaction or proposed transaction is between the Director and the Society; and
 - (ii) the transaction or proposed transaction is or is to be entered into in the ordinary course of the Society's business and on usual terms and conditions.
- (c) for the purposes of subclause (a), a general notice entered in the Interests Register and disclosed to the Board to the effect that a Director is a shareholder, director, officer or trustee of another named company or other Person and is to be regarded as Interested in any transaction which may, after the date of the entry or disclosure, be entered into with that company or Person, is a sufficient disclosure of interest in relation to that transaction;
- (d) a failure by a Director to comply with subclause (a) does not affect the validity of a transaction entered into by the Society or the Director;
- (e) a transaction entered into by the Society in which a Director is Interested may be avoided by the Society at any time before the expiration of 3 months after the transaction is disclosed to all the Members (whether by means of the Society's annual report or otherwise), provided that:
 - (i) a transaction cannot be avoided if the Society receives fair value under it;
 - (ii) the question whether the Society receives fair value under a transaction is to be determined on the basis of the information known to the Society and to the Interested Director at the time the transaction is entered into;
 - (iii) if the transaction is entered into by the Society in the ordinary course of its business and on usual terms and conditions, the Society is presumed to receive fair value under the transaction;
 - (iv) a Person seeking to uphold a transaction and who knew or ought to have known of the Director's Interest at the time the transaction was entered into has the onus of establishing fair value but in any other case the Society has the onus of establishing that it did not receive fair value.
- (f) the avoidance of a transaction under this clause 16.6 does not affect the title or interest of a Person in or to property which that Person has acquired if the property was acquired from a Person other than the Society and for valuable consideration and without knowledge of the circumstances of the transaction under which the relevant Person acquired the property from the Society.
- (g) the Society shall maintain the Interests Register for the purpose of recording all disclosures of interest made pursuant to this clause 16.6.

16.7 Use of Society information: A Director:

- (a) who has information in his or her capacity as a Director or Employee, being information that would not otherwise be available to him or her, must not disclose that information to any Person, or make use of or act on the information, except:
 - (i) for the purposes of the Society; or
 - (ii) as required by law; or
 - (iii) in accordance with subclause (b).
- (b) may disclose, make use of, or act on the information if:
 - (i) particulars of the disclosure, use, or the act in question are entered in the Interests Register; and
 - (ii) the Director is first authorised to do so by the Board; and
 - (iii) the disclosure, use, or act in question will not, or will not be likely to, prejudice the Society.

- 16.8 Pre-qualifications:** To be eligible for appointment as a Director a Person:
- (a) must be a Member; and
 - (b) must not be disqualified from being appointed or holding office as a director pursuant to any legislation.
- 16.9 No solicitation:** A Person seeking election as a Director is not permitted to directly or indirectly solicit for himself or herself the vote of any Member other than through a newspaper or in such other manner as the Board may from time to time decide. If the Board decides that any vote has been obtained in contravention of this clause, the Board will have the power to deal with the matter as it decides, including the power to remove a Director from office.
- 16.10 Disqualification:** The following Persons are disqualified from being appointed or holding office as a Director:
- (a) a Person who is under 18 years of age;
 - (b) a Person who is an undischarged bankrupt;
 - (c) a Person who is prohibited from being a director, officer, or promoter of or being concerned or taking part in the management of a company pursuant to any legislation;
 - (d) a Person who is subject to a property order made under section 30 or section 31 of the Protection of Personal and Property Rights Act 1988;
 - (e) full-time employees of the Society, other than Persons appointed as Executive Directors.
- 16.11 Appointment of Directors:** A Person may be appointed as a Director at any time by:
- (a) an Ordinary Resolution; or
 - (b) the Board.
- A Person appointed under clause 16.11(b) shall retire from office at the next annual meeting following the Financial Year of his or her appointment, but shall be eligible for re-election at that meeting.
- 16.12 Appointment by Members:** The Members may vote on a resolution to appoint a Director only if:
- (a) The resolution is for the appointment of a single Director; or
 - (b) The resolution is a single resolution for the appointment of 2 or more Directors and a separate resolution that it be so voted has been passed without a vote being cast against it.
- 16.13 Existing Directors to Continue:** The Persons holding office as Directors on the date of adoption of these Rules continue in office and are deemed to have been appointed as Directors pursuant to these Rules.
- 16.14 Nominations:** No Person (other than a Director retiring at the meeting) shall be elected as a Director at an annual meeting of Members unless that Person has been nominated by two Members entitled to vote at the meeting. The closing date for nominations shall be no later than the end of the Financial Year immediately preceding the annual meeting at which the election is to take place (the 'Closing Date'). Subject to clause 16.8, there shall be no restriction on the Persons who may be nominated as Directors nor shall there be any precondition to the nomination of a Director other than compliance with time limits in accordance with this clause. Notice of every nomination received by the Society before the Closing Date shall be given by the Society to all Persons entitled to attend the annual meeting together with, or as part of, the relevant notice of meeting.
- 16.15 Executives:** The Chief Executive and other officers of the Society shall be appointed by the Board with such powers and duties, upon such remuneration and otherwise on such terms and conditions (including as to removal) as shall be determined by the Board from time to time.

16.16 Funds: The Board may establish and maintain funds or schemes for the benefit of Employees and any Director who holds or has held any executive office in the Society in addition to that of a Director, and their widows, children or dependants. The Society may also make contributions to such funds.

17. ROTATION OF DIRECTORS

17.1 Retirement by rotation: One-third of the Directors (rounded down if necessary) shall retire from office at the annual meeting of the Society each year, but shall be eligible for election without nomination at that meeting, except that a Director who has attained the age of 70 years shall be eligible for re-election only until the next annual meeting and similarly on an annual basis thereafter. The Directors to retire shall be those who have been longest in office since they were last elected or deemed elected. With the exception of Directors who have attained 70 years of age no Director retiring from office shall be required to stand for re-election more than once in every three years. If 2 or more of those Directors were last elected on the same day, the Directors to retire shall (unless they otherwise agree among themselves) be determined by lot.

18. REMOVAL OF DIRECTORS

18.1 Removal from Office:

(a) All Directors shall be subject to removal from office as Director by Ordinary Resolution.

(b) The office of Director is vacated if the Person holding that office:

- (i) resigns; or
- (ii) being an Employee, ceases such employment. A Person who ceases to be a Director by reason of ceasing employment may be reappointed a Director, subject to these Rules; or
- (iii) is removed from office in accordance with clause 18.1(a); or
- (iv) ceases to be a Member of the Society; or
- (v) becomes disqualified from being a Director pursuant to the Act or from being a director of a company pursuant to the Companies Act or any other legislation; or
- (vi) dies; or
- (vii) is absent from meetings of the Board for more than 3 consecutive months without the Board's permission, and the Board resolves that the office be vacated; or
- (viii) becomes bankrupt or compounds or makes any arrangement generally with the creditors of that Director; or
- (ix) becomes Mentally Disordered; or
- (x) without the prior consent of all other Directors, accepts the office of director or any other position with any other building society, finance company or bank; or
- (xi) is found guilty of any offence under the Act.

19. TIMING OF APPOINTMENT AND RETIREMENT

19.1 Timing:

(a) A Person who is not already a Director who is appointed or elected as a Director at a meeting of Members shall take office as a Director immediately after the conclusion of the meeting.

(b) A Director who retires at a meeting of Members and who is not re-elected or deemed to be re-elected at that meeting shall remain in office until, and his or her retirement shall take effect at, the conclusion of the meeting.

(c) A Director who is removed from office at a meeting of Members by Ordinary Resolution shall remain in office until, and his or her removal shall take effect at, the conclusion of the meeting.

20. DIRECTORS' REMUNERATION

20.1 Fixing Remuneration: No remuneration shall be paid to a Director in his or her capacity as a Director of the Society unless the following provisions are complied with:

- (a) The Board must be satisfied that to authorise the payment of such remuneration is fair to the Society;
- (b) Forthwith after providing such authorisation the Board shall enter particulars of the remuneration into the Interests Register of the Society;
- (c) Directors who vote in favour of such authorisation must sign a certificate stating that, in their opinion, the provision of such remuneration is fair to the Society and the grounds for that opinion;
- (d) Where remuneration is paid without compliance with the foregoing provisions, the Director or former Director to whom the remuneration is paid or provided is personally liable to the Society for the amount of the remuneration or its monetary value except to the extent to which he or she proves that the remuneration was fair to the Society at the time it was made provided or given.

20.2 Expenses and Special Remuneration: In addition to remuneration fixed pursuant to clause 20.1:

- (a) each Director is entitled to be paid or reimbursed for all reasonable travelling, accommodation and other expenses incurred by the Director in connection with the Director's attendance at meetings or otherwise in connection with the Society's business; and
- (b) the Board may authorise the payment of special remuneration to any Director who is or has been engaged by the Society to carry out work or perform any services which are not carried out in the capacity of a Director.

21. INDEMNITY AND INSURANCE

21.1 Restrictions: Except as provided in this clause 21, the Society must not indemnify or directly or indirectly effect insurance for a Director or Employee in respect of:

- (a) liability for any act or omission in his or her capacity as a Director or Employee; or
- (b) costs incurred by that Director or Employee in defending or settling any claim or proceeding relating to any such liability.

21.2 Void: An indemnity given in breach of this clause 21 is void.

21.3 Permitted Indemnities: The Society may indemnify a Director or Employee for any costs incurred by him or her in any proceeding:

- (a) that relate to liability for any act or omission in his or her capacity as a Director or Employee; and
- (b) in which judgment is given in his or her favour or in which he or she is acquitted or which is discontinued.

21.4 The Society may indemnify a Director or Employee in respect of:

- (a) liability to any Person other than the Society for any act or omission in his or her capacity as a Director or Employee; or
- (b) costs incurred by that Director or Employee in defending or settling any claim or proceeding relating to any such liability,

not being criminal liability or liability in respect of a breach, in the case of a Director, of any duties imposed on that Director by these Rules or, in the case of an Employee, of any fiduciary duty owed to the Society.

- 21.5 Permitted Insurance:** The Society may, with the prior approval of the Board, effect insurance for a Director or Employee in respect of:
- (a) liability, not being criminal liability for any act or omission in his or her capacity as a Director or Employee; or
 - (b) costs incurred by that Director or Employee in defending or settling any claim or proceeding relating to any such liability; or
 - (c) costs incurred by that Director or Employee in defending any criminal proceedings:
 - (i) that have been brought against the Director or Employee in relation to any act or omission in his or her capacity as a Director or Employee; and
 - (ii) in which he or she is acquitted.
- 21.6 Certificates:** The Directors who vote in favour of authorising the effecting of insurance under this clause 21 must sign a certificate stating that, in their opinion, the cost of effecting the insurance is fair to the Society.
- 21.7 Interests Register:** The Board must ensure the particulars of any indemnity given to, or insurance effected for, any Director or Employee are forthwith entered in the Interests Register of the Society.
- 21.8 Personal Liability:** Where insurance is effected for a Director or Employee and the provisions of this clause 21 have not been complied with, the Director or Employee is personally liable to the Society for the cost of effecting the insurance except to the extent that he or she proves that it was fair to the Society at the time the insurance was effected.

22. DIRECTORS' AND MEMBERS' MEETINGS

- 22.1 Directors' meetings:** Meetings of Directors shall be conducted in accordance with Schedule 1 attached to and forming part of these Rules.
- 22.2 Members' meetings:** Meetings of Members shall be conducted in accordance with Schedule 2 attached to and forming part of these Rules.

23. RESTRICTED HOLDINGS

23.1 Declaration of Restricted Holding:

- (a) For the purpose of giving effect to clauses 9.4 and 9.5 of Schedule 2 the Board may determine that:
 - (i) Membership Interests held by Persons which the Board determines to be Associated Persons are deemed to be held by such one Member holding those Membership Interests as is determined by the Board;
 - (ii) If the Board is satisfied that Associated Persons hold Membership Interests then the Board may determine on such basis as it thinks fit the Membership Interests which are and comprise a Restricted Holding.
- (b) If the Board declares Membership Interests to constitute a Restricted Holding, the Board may:
 - (i) declare the Membership Interests in that Restricted Holding to be Restricted Interests;
 - (ii) if such Membership Interests are held by more than one Person, determine, on such basis as the Board sees fit, the number of such Membership Interests held by each such Person which are Restricted Interests.
- (c) If the aggregate votes attached to those Membership Interests exceeds 5% of the Membership Interests which have or could have voting rights attached thereto if no restrictions applied, the holding of such Membership Interests shall be a Restricted Holding without the Board being required to make any further determination and such Membership Interests shall be deemed to be declared by the Board as Restricted Interests.

- 23.2 No Vote on Restricted Interests:** For so long as any Membership Interests are Restricted Interests, they shall carry no vote.
- 23.3 Cessation:** The Board may at any time determine that any Membership Interests have ceased to form part of a Restricted Holding, or have ceased to be Restricted Interests.
- 23.4 Provision of information:** The Board may at any time give written notice to any Member requiring that Member to provide to the Board, if so required by the Board in the form of a statutory declaration, such information as the Board may specify which the Board considers necessary or desirable to establish:
- (a) whether the foregoing provisions may apply to Membership Interests held by that Member; or
 - (b) who are Associated Persons of that Member for the purposes of clauses 9.4 and 9.5 of Schedule 2,
- or otherwise to enable the Board properly to administer the foregoing provisions.
- 23.5 Failure to provide information:** If any Member fails to provide, to the satisfaction of the Board, the information requested by the Board pursuant to clause 23.4 within 10 Business Days after the Board gives notice under clause 23.4, the Board may, by notice to that Member, determine that no votes shall be exercised in respect of any of the Membership Interests held by that Member until such time as that information is provided to the satisfaction of the Board.
- 23.6 Declaration conclusive:** Any declaration or determination made by the Board under clause 23.1 shall be final and conclusive for all purposes and not open to challenge.
- 24. INSPECTION OF RECORDS**
- 24.1 Inspection by Directors:** All accounting and other records of the Society shall be open to the inspection of any Director.
- 24.2 Inspection by Member:** No Member who is not also a Director is entitled to inspect any accounting or other records of the Society except as expressly authorised by law or permitted by the Board. The Board may from time to time determine whether, to what extent, at what times and places, and under what conditions, the accounting or other records of the Society or any of them are open to the inspection of Members (who are not also Directors).
- 25. NOTICES**
- 25.1 Notices, Reports, Financial Statements:** Members shall be entitled to attend general meetings and to receive copies of all notices, reports and financial statements issued generally to Members.
- 25.2 Method of Service:** All notices, reports, accounts and other documents required to be sent to a Member, shall be sent in the manner provided by the Act. Notices of meetings may be given by public notices inserted in newspapers circulating in the areas in which the Society has its Registered Office and its branches.
- 25.3 Accidental Omissions:** The failure to send an annual report, notice, or other document to a Member in accordance with the Act or these Rules does not invalidate the proceedings at a meeting of Members if the failure to do so was accidental.
- 25.4 Joint Members:** A notice may be given by the Society to joint Members by giving the notice to the joint holder named first in the Register of Members.
- 25.5 Member Deceased or Bankrupt:** If the Member dies or is adjudicated bankrupt, notice may be given in any manner in which notice might have been given if the death or bankruptcy had not occurred, or by giving notice in the manner provided in section 391 of the Companies Act to the relevant Personal Representative at the address supplied to the Society for that purpose.

26. CUSTODY OF SECURITIES

26.1 All mortgages, deeds, securities and other documents shall be made and taken in the name of the Society, and shall be kept in such manner as the Board may direct.

27. DISPUTES

27.1 Any dispute between the Society and a Member in respect of any matter, except the construction or effect of:

- (a) any documentation relating to a Loan or any security given in respect of any Loan; or
- (b) any other contract contained in any document other than these Rules,

shall be determined by arbitration in accordance with Section 109 of the Act.

28. COMMON SEAL

28.1 **Affixing Seal:** Where required under the Act, the Society shall affix the common seal of the Society in the presence of such Person (including Directors) as are authorised.

28.2 **Deed Execution:** An obligation which, if entered into by a natural Person, would, by law, be required to be by deed, may be entered into on behalf of the Society in writing signed under the name of the Society by:

- (a) two or more Directors; or
- (b) if there is only one Director, by that Director whose signature must be witnessed; or
- (c) a Director, or other Person or class of Persons whose signature or signatures must be witnessed; or
- (d) one or more attorneys appointed by the Society in accordance with clause 28.4 of these Rules.

28.3 **Other Execution:** An obligation which, if entered into by a natural Person, is, by law, required to be in writing, may be entered into on behalf of the Society in writing by a Person acting under the Society's express or implied authority.

28.4 **Attorneys:** The Society may, by an instrument in writing executed in accordance with clause 28.2, appoint a Person as its attorney either generally or in relation to a specified matter. An act of the attorney in accordance with the instrument binds the Society.

29. AUDITORS

29.1 The Board must present audited financial statements of the Society to each annual general meeting. The Auditors shall be appointed and removed in the manner provided in the Act and the amount of the Auditors' remuneration and the manner of remunerating Auditors shall be decided by the Board from time to time.

30. DISSOLUTION

30.1 **Methods of Dissolution:** The Society may be dissolved in any of the following ways:

- (a) In accordance with Section 115 of the Act; or
- (b) By Special Resolution; or
- (c) Pursuant to Section 118 of the Act.

30.2 **Surplus Assets:** Any surplus assets remaining for distribution to Members shall be distributed amongst the Members in equal shares, unless the terms and conditions attaching to the relevant Membership Interests exclude the right to participate in surplus assets. If there shall be a deficiency of funds on liquidation the liability of Members is limited to the amount of any shares of the Society to the extent that those shares are unpaid.

31. NEW RULES AND ALTERATIONS OF RULES

31.1 The Society may from time to time alter or revoke or add to these Rules by Special Resolution.

32. WHEN RULES TAKE EFFECT

32.1 These Rules shall come into force at the time of registration, and shall have the effect of revoking the rules in force prior to registration of these Rules.

SCHEDULE 1 – DIRECTORS’ MEETINGS

All meetings of Directors shall be conducted in accordance with the following provisions:

1. MEETING OF DIRECTORS

1.1 Procedure: The Directors may meet together for the despatch of business, adjourn, or otherwise regulate their meetings and proceedings as they may think fit.

1.2 Quorum: The quorum for meetings of Directors shall be 3 Directors unless:

- (a) a majority of the Directors for the time being otherwise determines; or
- (b) in respect of a matter to be considered by the Board, there would be less than 3 Directors eligible to be counted in a quorum and vote, in which case the quorum shall be the number of Directors present at the meeting and eligible to vote on the relevant matter.

If a quorum shall not be present at a meeting then the meeting may be adjourned for at least 48 hours and notice of the day, time and place for such adjourned meeting shall be given to all Directors at least 2 days prior to the time of such adjourned meeting. If at that further meeting a quorum is not present within 30 minutes after the time appointed for the meeting but there are at least 2 Directors present they will constitute a quorum.

2. NOTICE

2.1 Usual Notice for Meetings: Every Director present in New Zealand shall be given not less than 2 clear days’ notice of a meeting unless the Director waives that right or a shorter period of notice is required to enable the Board to comply with its obligations under these Rules. Notice may be given to a Director by:

- (a) delivery of the notice to the Director in which case the notice will be deemed to be given when delivered;
- (b) sending the notice by email or facsimile transmission to the email address or facsimile number given by the Director to the Society for the purposes of receiving notices, in which case the notice will be deemed to be given when sent; or
- (c) posting the notice to the address given by the Director for the purpose of receiving notices, in which case the notice will be deemed to be given 3 days after it is posted.

2.2 Urgent Meeting: If, in the opinion of the Chairman or in his or her absence the deputy Chairman (if any), a meeting is required in the interests of the Society to be convened on less than 5 clear days’ notice, the meeting may be convened on short notice provided that:

- (a) not less than 3 of the Directors entitled to be given notice consent to such shorter notice; or
- (b) the Chairman, or in his or her absence the deputy Chairman (if any), reasonably consider that by reason of extreme urgency, a meeting on short notice is required in the interests of the Society and that it is not practicable to give 5 clear days’ notice.

2.3 Short Notice: In the case of a meeting convened on short notice pursuant to this clause:

- (a) a copy of the notice convening the meeting shall be given to every Director entitled to be given notice either personally or shall be sent prior to the holding of a meeting by email or facsimile transmission to the email address or facsimile number given by the Director to the Society for the purposes of receiving notices, in which case the notice will be deemed to be given when sent;
- (b) the Society shall use all reasonable endeavours to contact every Director either personally or by telephone prior to the holding of the meeting to try to ensure that every Director is aware that the meeting is to be held;
- (c) every Director shall be entitled to attend the meeting telephonically or by other electronic means; and

(d) the business to be transacted at the meeting shall be limited to business related to the urgent matter or matters which necessitated the meeting being called on short notice.

2.4 Powers of Quorum: A meeting of the Directors at which a quorum is present shall be competent to exercise all or any of the authorities, powers and discretions by or under these Rules or the Act for the time being vested in or exercisable by the Directors generally.

3. METHODS OF HOLDING MEETINGS

3.1 Meeting Methods: For the purposes of these Rules the contemporaneous linking together with simultaneous audio or audio and visual means of a number of the Directors not less than the quorum, whether or not any one or more of the Directors is out of New Zealand, shall be deemed to constitute a meeting of the Directors and all the provisions in these Rules as to meetings of the Directors shall apply to such meetings so long as the following conditions are met:

- (a) All the Directors for the time being entitled to receive notice of a meeting of the Directors (including any alternate for any Director) shall be entitled to notice of such a meeting and to be linked by such means for the purposes of such meeting. Notice of any such meeting may be given by such means.
- (b) Each of the Directors taking part in such a meeting must be able to hear each of the other Directors taking part throughout the meeting.
- (c) At the commencement of the meeting each Director must acknowledge his or her presence for the purpose of a meeting of the Directors of the Society to all the other Directors taking part.

3.2 Consent to Leave: A Director may not leave the meeting by disconnecting unless he or she has previously obtained the express consent of the Chairman of the meeting and a Director shall be conclusively presumed to have been present and to have formed part of the quorum at all times at such a meeting unless he or she has previously obtained the express consent of the Chairman to leave the meeting as aforesaid. Neither the meeting nor any business conducted at the meeting shall be invalidated if a Director does leave a meeting conducted in this manner without the express consent of the Chairman.

3.3 Minutes: A minute of the proceedings at such meeting by telephone shall be sufficient evidence of such proceedings and of the observance of all necessary formalities if certified as a correct minute by the Chairman of the meeting.

4. CALLING OF MEETING

4.1 The Chairman or any 2 Directors may at any time summon a meeting of the Directors.

5. VOTING

5.1 One vote: Questions arising at any meeting of the Directors shall be determined by vote of the Directors. On any such vote each Director shall have one vote. In case of equality of votes on any matter considered by the Board, the Chairman of the meeting shall have a casting vote.

5.2 Interested Directors: A Director shall not vote on a Board resolution in respect of any matter in which that Director is Interested, nor shall the Director be counted in the quorum for the purposes of consideration of that matter. However, a Director may hold any office or place of profit with the Society, other than the office of Auditor, in conjunction with the office of Director.

6. CHAIRMAN

6.1 Election: At the first meeting of the Board held after each annual meeting of Members, the Board will elect a Chairman and Deputy Chairman to hold office until the next annual meeting of Members. The Chairman, or failing him or her the Deputy Chairman (if any), shall preside at all meetings of the Directors, but if no such Chairman or Deputy Chairman is present within 10 minutes after the time appointed for holding the meeting, the Directors present may choose one of their number to be Chairman of such meeting, and the Director so chosen shall preside at such meeting accordingly.

7. PROCEEDINGS OF COMMITTEE

7.1 The Board may delegate any of its powers, duties, discretions and authorities relating to the business of the Society to such committees consisting of a Director or Directors and/or such senior official or officials of the Society as it thinks fit. The meetings and proceedings of a committee consisting of more than 2 Directors shall be governed by the provisions of these Rules regulating the proceedings and meetings of Directors.

8. DEFECTS

8.1 All acts done by any meeting of the Directors or a committee of Directors or by any Person acting as a Director, notwithstanding that it is afterwards discovered that there was some defect in the appointment of any such Director or Person acting as aforesaid or that they or any of them were disqualified, shall be as valid as if every such Person had been duly appointed and was qualified to be a Director.

9. RESOLUTION IN WRITING

9.1 A resolution in writing signed by a majority of the Directors for the time being entitled to vote on that resolution (or their alternate Directors) shall be as valid and effective as if it had been passed at a meeting of the Directors duly called and constituted provided prior notice of the resolution has been given to Directors entitled to vote and those Directors have acknowledged in writing that they do not require a meeting to be held. Any such resolution may consist of several documents in like form each signed by one or more Directors.

10. MINUTES

10.1 The Directors shall cause minutes to be made in books provided for the purpose of recording:

- (a) the names of the Directors present at each meeting of the Directors and of any committee of the Directors; and
- (b) all resolutions and proceedings at all meetings of the Society and of the Directors and of committees of Directors.

Any such minutes of any meeting of the Directors or of any committee if purporting to be signed by the Chairman of such meeting or by the Chairman of the next succeeding meeting shall be receivable as prima facie evidence of the matters stated in such minutes.

11. VACANCIES AND REDUCTION OF NUMBERS

11.1 Directors may act notwithstanding any vacancy in their body, but if and for so long as their number is reduced below the number fixed by these Rules as the minimum number of Directors, the continuing Directors may act for the purpose of increasing the number of Directors to that number or of summoning an annual meeting of the Society, but for no other purpose.

SCHEDULE 2 – MEMBERS’ MEETINGS

All meetings of Members shall be conducted in accordance with following provisions:

1. METHODS OF HOLDING MEETINGS

1.1 A meeting of Members may be held either:

- (a) by a number of Members, who constitute a quorum, being assembled together at the place, date and time appointed for the meeting; or
- (b) if determined by the Board, by means of audio, or audio and visual, communication by which all Members participating and constituting a quorum, can reasonably be expected to be able to hear each other simultaneously throughout the meeting.

2. POWERS EXERCISABLE BY ORDINARY RESOLUTION

2.1 Unless otherwise specified in the Act or these Rules, a power or right of approval reserved to Members may be exercised by an Ordinary Resolution.

3. MEETINGS OF MEMBERS

3.1 **Annual Meetings:** The Society shall hold annual meetings of Members during the first 4 months of every Financial Year. No business shall be transacted at an annual general meeting and no resolution shall be brought forward at any such annual general meeting except as may arise upon:

- (a) the consideration of the annual financial statements of the Society laid before the meeting and the report of the Auditors thereon, together with the Directors’ report thereon as submitted to the meeting;
- (b) the election of Directors and the appointment of Auditors in place of those retiring at such meeting in accordance with these Rules;
- (c) a motion for a Special Resolution, notice of intention to move which has been given by a Member to the Society more than 56 days before the day on which the annual general meeting is held;
- (d) such other business as shall be brought before the meeting on the motion of Members holding together not less than 5% of the voting rights entitled to be exercised on any of the questions to be considered at the meeting;
- (e) such business as shall be brought before the meeting on a resolution of the Directors.

3.2 **Special Meetings:** All meetings of Members, other than annual meetings, shall be called special meetings.

3.3 **Calling of Special Meeting:** A special meeting of Members entitled to vote on an issue:

- (a) may be called by the Board at any time;
- (b) shall be called by the Board on the written request of Members holding together not less than 5% of the voting rights entitled to be exercised on any of the questions to be considered at the meeting, or by at least 100 Members entitled to vote.

3.4 **Time and Place of Meetings:** Each meeting of Members shall be held at such time and place as the Board appoints.

3.5 **Members entitled to attend:** Members of all classes are entitled to attend meetings of Members and to receive copies of all notices, reports and financial statements issued generally to the Persons entitled to vote at meetings of Members.

4. NOTICE

- 4.1 Notice:** Notice of the time and place of a meeting of Members shall be sent to every Member entitled to receive notice of the meeting, to every Director, and to the Auditors, not less than 14 clear days nor more than 56 clear days before the meeting.
- 4.2 Contents of Notice:** A notice of meeting shall:
- (a) state the nature of the business to be transacted at the meeting in sufficient detail to enable a Member to form a reasoned judgment in relation to it;
 - (b) state the text of any Special Resolution to be submitted to the meeting; and
 - (c) state that a Member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend and vote instead of the Member and that a proxy need not be a Member; and
 - (d) if in relation to a proposed change to these Rules, state sufficiently explicitly the effect of such changes to be understood without reference to the existing or proposed constitution.
- 4.3 Form of Resolutions:** So far as reasonably practicable, the resolutions to be proposed at a meeting shall be framed in a way which facilitates the giving of two way voting instructions to proxies.
- 4.4 Waiver of Notice Irregularity:** An irregularity in a notice of a meeting is waived if all the Members attending the meeting in person or by proxy attend the meeting without protest as to the irregularity, or if all such Members agree to the waiver.
- 4.5 Accidental Omission of Notice:** The accidental omission to give notice of a meeting to, or the non-receipt or late receipt of notice of a meeting by, any Person entitled to receive notice, does not invalidate the proceedings at the meeting.
- 4.6 Notice of Adjourned Meeting:** If a meeting of Members is adjourned for less than 30 days it is not necessary to give notice of the time and place of the adjourned meeting other than by announcement at the meeting which is adjourned. In any other case, notice of the adjourned meeting shall be given in accordance with clause 4.1.

5. QUORUM

- 5.1 Requirement for quorum:** Subject to clause 5.3, no business may be transacted at a meeting of Members if a quorum is not present.
- 5.2 Quorum:** Subject to clause 5.3, a quorum for a meeting of Members is 10 Members having the right to vote at the meeting, present in Person or represented by their proxies.
- 5.3 Lack of quorum:** If a quorum is not present within 30 minutes after the time appointed for the meeting:
- (a) in the case of a meeting called by the Board on the written request of Members entitled to exercise that right, the meeting is dissolved;
 - (b) in the case of any other meeting, the meeting is adjourned to the same day in the following week at the same time and place, or to such other date, time and place as the Board may appoint and, if at the adjourned meeting a quorum is not present within 30 minutes after the time appointed for the meeting, the Members or their proxies present are a quorum.

6. REGULATION OF PROCEDURE

- 6.1** Subject to the provisions of the Act, and except as otherwise provided in these Rules, the Chairman may regulate the procedure at meetings of Members.

7. ADJOURNMENT

- 7.1 Adjournment of meeting:** The Chairman may, with the consent of a meeting at which a quorum is present (and shall, if so directed by the meeting), adjourn the meeting from time to time and from place to place, but no business may be transacted at an adjourned meeting other than the business left unfinished at the relevant meeting.
- 7.2 Adjournment or Dissolution of Disorderly Meeting:** If a meeting becomes so unruly, disorderly or inordinately protracted that in the opinion of the Chairman the business of the meeting cannot be conducted in a proper and orderly manner, the Chairman, notwithstanding any provision to the contrary contained in these Rules and without the consent of the meeting, may, in his or her sole and absolute discretion and without giving any reason therefore, either adjourn or dissolve the meeting.
- 7.3 Completion of Unfinished Business if Meeting Dissolved:** If a meeting is dissolved by the Chairman pursuant to clause 7.2, the unfinished business of the meeting shall be dealt with as follows:
- (a) in respect of a resolution concerning the approval or authorisation of a dividend, the Board may, in the exercise of the powers conferred on it by the Act or these Rules, authorise such dividend;
 - (b) in respect of any resolution concerning the remuneration of the Auditors, the meeting shall be deemed to have resolved that the Board be authorised to fix the remuneration of the Auditors;
 - (c) the Chairman may direct that any other item of uncompleted business, which in his or her opinion requires to be voted upon, be put to the vote by a poll without further discussion, in accordance with clause 11.

8. CHAIRMAN

- 8.1 Chairman:** If the Directors have elected a Chairman of the Board and he or she is present at a meeting of Members, he or she shall chair the meeting, unless or except to the extent that the Chairman considers it not proper or desirable to act as Chairman, either in relation to the entire meeting or in relation to any particular business to be considered at the meeting.
- 8.2 Directors may appoint Chairman:** If no Chairman of the Board has been elected or if, at any meeting of Members, the Chairman of the Board is not present within 15 minutes after the time appointed for the commencement of the meeting, or considers it not proper or desirable to act as Chairman, either in relation to the entire meeting or in relation to any particular business to be considered at the meeting, the Directors present may elect one of their number to chair the meeting or that part of the meeting which relates to the particular business, as the case may require.
- 8.3 Members may appoint Chairman:** If at any meeting of Members no Director is willing to act as Chairman or no Director is present within 15 minutes after the time appointed for the commencement of the meeting, the Members present may choose one of their number to chair the meeting.

9. VOTING

- 9.1 Voting at Meeting in One Place:** In the case of a meeting of Members held under clause 1.1(a), unless a poll is demanded in accordance with clause 11, voting at the meeting shall be by the Members signifying individually their assent or dissent by voice.
- 9.2 Voting at Audio-Visual Meeting:** In the case of a meeting of Members held under clause 1.1(b), unless a poll is demanded in accordance with clause 11, voting at the meeting shall be by the Members signifying individually their assent or dissent by voice.

9.3 Postal votes: Unless the Board determines otherwise, Members may not exercise the right to vote at a meeting by casting postal votes. If the Board determines that postal voting will be permitted at a meeting, the provisions of clause 7 of the First Schedule to the Companies Act shall apply, with such modifications (if any) as the Board thinks fit.

Entitlement to vote: A Member may exercise the right to vote either in Person or by representative. Only those Members entitled to vote under the Act may vote at any meeting of Members. In addition, a Member will be entitled to vote on a resolution at a meeting of the Members only if at the end of the last Financial Year before the date of the meeting and at the date of the meeting that Member had a Membership Interest of at least \$500.00 with the Society; or

9.4 **Number of votes:** Subject to clauses 9.5, 10.1 and 10.2 and to any rights or restrictions for the time being attached to any Membership Interest:

(a) where voting is by show of hands or by voice every Member present in Person or by representative has one vote; and

(b) on a poll every Member present in Person or represented by proxies has one vote.

9.5 **Maximum Voting Rights:** No Person or group of Persons who are Associated Persons of each other may exercise, or control the exercise of, more than 5% of the maximum number of votes that may be exercised at a meeting of the Members (or, at a class meeting of Members, 5% of the maximum number of votes that may be exercised for that class). For the purposes of this clause 9.5 and for the right to vote under clause 9.4, a Person shall be deemed to control the exercise of votes attributable to any Membership Interest if:

(a) Such Membership Interest has been declared a Restricted Holding under clause 23 of these Rules; or

(b) an Associated Person of that Person may exercise or control the exercise of the votes attributable to such Membership Interest; or

(c) that Person has a Relevant Interest in such Membership Interest; or

(d) that Person is appointed as the proxy of the holder of the relevant Membership Interest.

9.6 **Calculation of Voting Rights:** For the purposes of determining the Membership Interests having the right to vote under clause 9.5 the following principles shall be applied:

(a) The total number of Membership Interests having the right to vote shall be ascertained (called 'Total Voting Membership Interests');

(b) The number of such Membership Interests having the right to vote and held by a Person or group of Persons who are Associated Persons of each other or otherwise fall within subclause 9.6(a) to (d), or where the relevant Membership Interests have been declared a Restricted Holding under clause 23 of the Rules, shall be ascertained and any such Membership Interests in excess of 5% of the Total Voting Membership Interests shall not have the right to vote.

(c) After excluding the Membership Interests not having a right to vote under subclause (b) the calculation of Total Voting Membership Interests shall not be recalculated to deduct the said number of Membership Interests excluded from voting.

9.7 **Vote of Overseas Protected Persons:** A Member who is not living in New Zealand, and who is Mentally Disordered or in respect of whom an order has been made by any court having appropriate jurisdiction, may vote in respect of any Membership Interests held by that Member, by his or her committee, manager, or other Person of a similar nature appointed by that court, voting in Person or by proxy.

9.8 **Declaration by Chairman:** A declaration by the Chairman of a meeting that a resolution is carried by the requisite majority is conclusive evidence of that fact unless a poll is demanded in accordance with clause 11.1.

- 9.9 Chairman's Casting vote:** The Chairman of a meeting of Members is not entitled to a casting vote.
- 9.10 Joint Members:** Where two or more Persons are registered as joint Members, the vote of the Person named first in the Register of Members and voting on a matter must be accepted to the exclusion of the votes of the other joint Members.
- 10. RESTRICTIONS ON VOTING**
- 10.1 No vote when Amount Owning:** A Member is not entitled to vote at any meeting of Members in respect of any Membership Interest if any amount is due and payable on that Membership Interest by the Member to the Society.
- 10.2 Deadline for Challenge:** Without prejudice to any remedy (other than those which take legal effect against the Society) which any Member may have against any disqualified Person who casts a vote at a meeting in breach of clause 10.1, no resolution of, or proceeding at, that meeting may be impugned on the basis of a breach of that clause. Any objection by a Member to the accuracy or completeness of any list of Members who are disqualified from voting on a resolution pursuant to clause 10.1, which has been supplied by the Society to any Member on request pursuant to these Rules, shall be disregarded by the Society and the Chairman of the relevant meeting if it is notified to the Society later than one full Business Day before the time fixed for commencement of the meeting.
- 11. POLLS**
- 11.1 Right to Demand Poll:** At a meeting of Members a poll may be demanded by:
- (a) the Chairman; or
 - (b) not less than 5 Members having the right to vote at the meeting; or
 - (c) Members representing not less than 10% of the total voting rights of all Members having the right to vote at the meeting
- 11.2 When Poll May be Demanded:** A poll may be demanded either before or after the vote is taken on a resolution. The demand for a poll may be withdrawn.
- 11.3 When Poll Taken:** A poll demanded on the election of a Chairman of a meeting or on a question of adjournment shall be taken immediately. A poll demanded on any other question shall be taken at such time as the Chairman directs and any business, other than that upon which a poll is demanded, may proceed pending the taking of the poll.
- 11.4 Poll Procedure:** A poll shall be taken in such manner as the Chairman directs and the result of the poll is deemed to be a resolution of the meeting at which the poll is demanded.
- 11.5 Votes: On a poll:**
- (a) votes may be given either personally or by proxy;
 - (b) votes shall be counted on the basis of one vote per Member in respect of each Member present in Person or represented by proxy and voting in respect of those Membership Interests.
- 11.6 Scrutineers:** The Auditors shall be scrutineers unless they are unable or unwilling to act, or the Chairman of the meeting directs otherwise, in which case the scrutineers shall be appointed by the Chairman.
- 11.7 Declaration of Result:** The Chairman is entitled to declare the result of a poll upon receipt of a certificate from the scrutineers stating that sufficient votes to determine the result of the resolution have been counted and setting out the basis of that determination.

12. PROXIES

- 12.1 Right to Appoint:** A Member may appoint a proxy to vote on behalf of the Member at a meeting of Members. The proxy is entitled to attend and be heard at the meeting, and to demand or join in demanding a poll, as if the proxy were the Member.
- 12.2 Notice of Appointment:** A proxy shall be appointed by written notice signed by the appointing Member and the notice shall state whether the appointment is for a particular meeting or for a specified term. The notice shall (so far as the subject matter and form of the resolutions to be proposed at the relevant meeting reasonably permit) provide for two way voting on all resolutions, enabling the appointor to instruct the proxy as to the casting of the vote.
- 12.3 Information to be Sent with Notice of Meeting:** The Society shall send to Members with the notice convening any meeting a statement that the Member entitled to attend and vote is entitled to appoint a proxy to attend and vote instead of him and that a proxy need not also be a Member.
- 12.4 Proxy Form Must Not Name Proxy:** The Society shall not issue any form of notice of appointment with a proxy named in it, either by name or by reference to an office which that proxy holds, but the Society may indicate in a footnote that certain Persons or officers are willing to act as a proxy if a Member desires to appoint them or any of them.
- 12.5 Production of Notice:** No appointment of a proxy is effective in relation to a meeting unless a copy of the notice of appointment is received by the Society at its registered office, at such address as is specified for that purpose in the form of notice of appointment or in the notice convening the meeting, not later than 48 hours before the start of the meeting.
- 12.6 Validity of Proxy vote:** A vote given in accordance with the terms of a notice of appointment of a proxy is valid notwithstanding the previous death or Mental Disorder of the principal, or the revocation of the appointment or of the authority under which the notice of appointment was executed, or the transfer of the Membership Interest in respect of which the proxy is appointed, if no written notification of such death, Mental Disorder, revocation, or transfer is received by the Society at its registered office, before the commencement of the meeting or adjourned meeting for which the proxy is appointed.

13. CORPORATIONS MAY ACT BY REPRESENTATIVES

- 13.1** A corporation which is a Member may appoint a Person to attend a meeting of Members on its behalf in the same manner as that in which it could appoint a proxy.

14. PERSONS ENTITLED

- 14.1** Where two or more Persons are entitled to the rights of a deceased or bankrupt Member the right of one of them to vote shall be determined by the order in which their names appear in the probate, letters of administration, order of Court or other documents evidencing their rights.

15. MENTAL DISORDER

- 15.1 Mentally Disordered Person:** A Member who is Mentally Disordered may vote by any Person having authority to administer such Person's estate. Subject to the provisions of any Court order or other order to administer property made pursuant to the Protection of Personal and Property Rights Act 1988 a Member may vote in respect of any shares that are subject to the order by any Person appointed in that order. Any such Person may vote either on a show of hands or on a poll and may vote by proxy.
- 15.2 Application Outside New Zealand:** The provisions of this clause 15.2 apply in respect of Members who are not living in New Zealand and to whom the provisions of clause 15.1 are accordingly not applicable. Every such Member who is Mentally Disordered or in respect of whom an order has been made by any Court having jurisdiction in respect of such a Mentally Disordered Person may vote whether on a show of hands or on a poll by any Person in the nature of a manager appointed by that Court and any such manager appointed by that Court and any other Person may on a poll vote by proxy.