



CREDIT UNION HEALTH

The attached complete amendment of the Rules of Credit Union Health replacing all previous Rules, was approved by members at the Annual General Meeting of Credit Union Health on Thursday 28 June 2007.

The amendment comprises pages 1 to 19.

We declare that the amendment has been fully made in accordance with the Rules of Credit Union Health and to the best of our knowledge and belief, is not contrary to the Friendly Societies and Credit Unions Act 1982, or any other relevant legislation.

[Signature]

Member

[Signature]

Member

[Signature]

Member

[Signature]

Secretary

Registered this 2nd day
of July 2007.
[Signature]
Deputy Registrar of Friendly Societies and Credit Unions



CREDIT UNION HEALTH

RULES

FIRST REGISTERED	(22 September 1976)
LAST FULL AMENDMENT	(02 April 1985)
LAST PARTIAL AMENDMENT	(22 June 2006)
FULL AMENDMENT	(28 June 2007)



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RULES
of
CREDIT UNION HEALTH

1. The name of the Credit Union shall be: CREDIT UNION HEALTH

INTERPRETATION

2. In these Rules, unless the context otherwise requires-

'Act' means the Friendly Societies and Credit Unions Act 1982 and any amendment thereof;

'Association' means the New Zealand Association of Credit Unions;

'Board' means the Board of Directors which is the Committee of Management as defined in the Act;

'Director' means any member of the committee of management as defined in the Act and appointed in accordance with these Rules;

'Effect Insurance' includes pay, whether directly or indirectly, the costs of the insurance;

'Exemption Notice' means any exemption notice for or applicable to credit unions issued by the Securities Commission pursuant to the Securities Act 1978;

'Indemnify' includes relieve or excuse from liability, whether before or after the liability arises; and 'Indemnity' has a corresponding meaning;

'Member' means any person who is a member, or who is admitted to membership, of the Credit Union pursuant to these Rules and includes a 'non-qualifying member' as defined in Rule 8;

'Prudential Supervisor' means a trustee corporation appointed by the Trustees which has entered into a trust deed with the credit union;

'Officer' means an Officer as defined in the Act and includes a former officer;

'Receiver' means a receiver, or a manager, or a receiver and manager appointed under the trust deed in respect of any property;

'Registrar' means the Registrar of Friendly Societies and Credit Unions.

'Trust Deed' means a trust deed entered into between the credit union and the Prudential Supervisor for the monitoring of the affairs of the credit union pursuant to the Securities Act 1978;

'Trustees' means the trustees of the credit union appointed in accordance with sections 28 and 104 of the Act.

OBJECTS

3. The objects of the Credit Union shall be:-
 - (a) The promotion of thrift among its members by the accumulation of their savings; and

- (b) The use and control of the members' savings for their mutual benefit and to make loans to members for provident or productive purposes; and
- (c) The training and education of the members in the wise use of money and in the management of their financial affairs; and
- (d) At the discretion of the Credit Union and as a minor adjunct to its other objects, the welfare of its members and the making of donations for charitable, cultural, benevolent, or philanthropic purposes.

REGISTERED OFFICE

4. The registered office of the Credit Union shall be at C/- Tauranga Hospital, Cameron Road, Tauranga or at such other place as the Board may from time to time decide. Notice of any change in the registered office shall be sent to the Registrar within 14 days.

MEMBERSHIP

5. Admission to membership of the Credit Union shall be limited to:
- (a) All persons who were born, currently reside or formerly resided, within the boundaries of the Bay of Plenty District Health Board, including any such person aged 16 years or younger.
 - (b) Any person who is a member of the same household as, and is a relative of, a person who has been admitted to membership and who continues to qualify for admission to membership, of the Credit Union under paragraph (a) hereof.
 - (ba) A charitable entity as defined by the Charities Act 2005.
 - (bb) An incorporated society registered under the Incorporated Societies Act 1908.
 - (c) In paragraph (b) of this Rule, the term 'relative', in relation to any person, means:
 - (i) The spouse of that person including any former spouse or de facto spouse;
 - (ii) Any lineal ancestor, lineal descendent, brother, sister, uncle, aunt, nephew, niece, or first cousin of that person or that person's spouse;
 - (iii) The spouse (including any former spouse or de facto spouse) or any relative specified in subparagraph (ii) hereof.
6. An applicant shall be admitted to membership provided:
- (a) The applicant has completed an application in writing on a form prescribed by the Board; and
 - (b) The applicant qualifies for admission to membership under Rule 5; and
 - (c) The applicant has paid any entrance fee payable in accordance with these Rules; and
 - (d) The application has been approved by the Board.
7. A person, charitable entity, or incorporated society that fails to hold, at least one fully paid-up share in the Credit Union, or such higher number as may be determined by the Board but not exceeding \$1.00 in fully paid-up shares, shall not be permitted to become or to remain a member of the Credit Union.
- 7A. The minimum amount that a member can deposit by way of a single transaction with the Credit Union is \$1.00 [provided this restriction shall not apply to deposits lodged through a school banking programme].



8. (a) A member who ceases to fulfil the qualifications for membership under Rule 5 shall be entitled, subject to Rule 9, to retain that membership and in these Rules shall be referred to as a 'non-qualifying member' provided that a member shall not cease to fulfil the qualifications for membership by reason merely of retirement from following a particular occupation or employment for a particular employer.
 - (b) The savings accounts of any member who ceases to operate at least one savings account and/or loan account during any period of twelve consecutive months shall be deemed to be dormant accounts.
 - (c) An annual account fee for dormant accounts may be prescribed in accordance with these Rules, provided however that if the member operates the account at any time within five years of the account becoming dormant or if the member is terminated pursuant to Rule 9, whichever occurs first, the annual account fees deducted under this rule shall be refunded in full. For the purposes of this rule the dormancy of the account shall be deemed to commence at the beginning of the 12 month period in which the account is first found to be dormant.
9. The number of non-qualifying members shall not at any time exceed 10 percent of the total membership of the Credit Union. In such event the Board shall have power to terminate the membership of as many non-qualifying members as are necessary to reduce the number to 10 percent of the total membership. The Board in exercising its power under this Rule shall terminate the membership of those persons which it considers to have had the least involvement in the Credit Union. In the event that the Board is unable to make a distinction on such ground the persons whose memberships are to be terminated shall be selected by means of a ballot conducted from a group of non-qualifying members selected by the Board as having had the least involvement in the Credit Union.
 10. A member, or the member's personal representative, may withdraw from the Credit Union at any time. In such event all amounts paid in on shares shall be paid to the member as funds become available and only after deducting therefrom any amounts due from the member to the Credit Union.
 11. A member may be expelled from membership of the Credit Union by a two-thirds majority vote of the members present at a Special Meeting duly called for the purpose. In the event of such expulsion the member shall have the same rights and be subject to the same obligations as a member withdrawing from the Credit Union under Rule 10.

CAPITAL AND LIABILITY

12. The Credit Union shall issue shares in its capital subject to the following:
 - (a) Each share shall have a par value of one dollar which may be paid for in whole or in part. A part payment shall be deemed to be a subscription in advance and no share shall be allotted to a member until it has been fully paid.
 - (b) The maximum amount of shares which may be held by any one member shall be fixed by the Board but in any event shall not exceed the sum of \$250,000 (or any such sum as may from time to time be authorised by the Act).
 - (c) Money paid in on shares may be withdrawn at any time by any means including, without limitation, automatic payment, direct debit or cheque or other bill of exchange (whether payable to the member or any other person at the member's discretion) but the Board shall have the right at any time to require members to give 60 days' notice of their intention to withdraw the whole or any part of the money so paid.
 - (d) If a withdrawal of shares would reduce member's paid-up holding in the Credit Union to less than the member's total liability (including any contingent liability) to the Credit Union whether as borrower, or guarantor, or otherwise, then:
 - (i) In the case of a non-qualifying member, the withdrawal shall not be permitted; and

- (ii) In any other case the withdrawal shall be permitted only at the discretion of the Board.
 - (e) Shares in the Credit Union shall not be transferable and the Credit Union shall not issue a certificate to a member denoting ownership of a share.
 - (f) A share may be held by two or more members jointly. For the purposes of the Act the person first named on the Credit Union's ledger shall be deemed to be the member to whom the share was allotted.
13. Notwithstanding that shares are not transferable a member may nominate a person or persons to receive any shares that the member may have in the Credit Union at his or her death or any sum of money payable by the Credit Union at that time. Such nomination shall be in writing on a form prescribed by the Board and delivered or sent to the registered office. The maximum value of shares or sum of money so nominated shall not exceed the sum of \$2,000 in total (or such other sum as may from time to time be authorised by the Act).
14. In the case of the death of a member, the survivor or survivors where the deceased was a joint holder of shares, and the legal personal representative of the deceased where the deceased was a sole holder of shares, shall be the only persons recognised by the Credit Union as having any title to the deceased's interests in the shares. In the case of the death of a joint holder of shares his or her estate shall remain liable in respect of any share which had been jointly held by that member with other persons.
15. Where a member dies or becomes bankrupt, the member's personal representative or the assignee of the member's estate, as the case may be, shall be entitled, upon the production of such evidence as may from time to time be properly required by the Board, to be paid all amounts paid in on shares as funds become available and after deducting therefrom any amounts due from the member to the Credit Union.

FEES, LEVIES, AND CHARGES

16. Members shall pay, for services provided by the Credit Union:
- (a) Fees, levies, and charges as determined by the Board, provided that such fees, levies and charges and any changes thereto shall not come into force until such time as they are sent by notice to all members.
 - (b) Where the Credit Union incurs a charge from another organisation when acting on a member's behalf, or incur legal fees, or fees associated with the registration of securities or in respect of credit references obtained with the consent of the member, the Credit Union may pass those costs on to the member.

FINES AND FORFEITURES

17. No fines or forfeitures shall be imposed on any member.

FINANCIAL YEAR

18. The financial year of the Credit Union shall be from the 1st day of April to the 31st day of March each year, both dates inclusive.

MEETINGS OF MEMBERS

19. The Credit Union shall be governed by an Annual Meeting and between these meetings its affairs shall be conducted by the Board. Meetings of the members shall be called as follows:-
- (a) The Annual Meeting shall be held not later than the 30th day of June in each year at such time and place as the Board may prescribe.



- (b) Special Meetings of members may be called by the Board, the Trustees, and shall be called by the Chair of the Board on receipt of a written application of members as follows:
 - (i) Where the membership of the Credit Union does not exceed 1000 members, an application made by one-tenth of the whole number of members.
 - (ii) Where the membership of the Credit Union exceeds 1000 members, an application made by 100 members.
 - (c) At least seven days before any meeting of the members the Secretary shall cause notice thereof to be given to each member.
20. The business at Annual Meetings shall be:
- (a) To ascertain that a quorum is present;
 - (b) The minutes of the last Annual Meeting (where appropriate);
 - (c) Report of Directors;
 - (d) Presentation of the Audited Financial Statements
 - (e) Report of Treasurer;
 - (f) Report of the Trustees;
 - (g) Any other reports;
 - (h) Unfinished business;
 - (i) New business other than remuneration and election of Directors;
 - (j) Remuneration of Directors;
 - (k) Elections;
 - (l) Adjournment.
21. The Annual Meeting may suspend or vary the order of business upon a two-thirds majority vote provided that the conduct of elections shall be the final items of business to be transacted at the meeting.
- 21A. A charitable entity or incorporated society that is a member of the Credit Union under these rules shall be entitled to appoint by notice in writing, signed by the Chair and Secretary of the entity or society, its representative at a meeting of members. Such representative if so appointed shall be entitled to vote on behalf of that entity or society, provided that the notice shall not be effective unless it specifies whether the appointment is for a particular meeting or a specified term and a copy of the notice is delivered to the Credit Union not less than 24 hours before the stated commencement time of the meeting.
22. At Annual and Special Meetings 15 members shall constitute a quorum. If no quorum is present, an adjournment may be taken to a date not less than seven, or more than 17 days, thereafter. The members present at any date to which the meeting is so adjourned shall constitute a quorum regardless of the number present. At least five days before the meeting so adjourned the Secretary shall cause notice thereof to be given to each member.

ELECTIONS

23. The procedure for the nomination and election to office of the Directors and Trustees shall be as follows:
- (a) At least 30 days prior to each Annual Meeting the Chair shall appoint a Nominating Committee of three members. It shall be the duty of the Nominating Committee to nominate at the Annual Meeting one or more persons for each vacancy for which elections are being held. Such nominations should be of members who are likely to pass a "fit and proper" assurance check and the Nominating Committee will circulate at the Annual General Meeting, a written Curriculum Vitae for each person so nominated detailing their relevant skills and experience.

- (b) No charitable entity or incorporated society that is a member under these Rules may be nominated for or elected to, any office in the Credit Union provided that this shall not prevent a person appointed to represent under Rule 21A from being nominated and elected to office if a member of the Credit Union in their own right.
- (c) Nominations shall be dealt with in the following order:
 - (i) Nominations for Directors;
 - (ii) Nominations for Trustees;
- (d) All elections shall be determined by a majority vote and shall be by ballot except where there is only one nominee for the office.
- (e) Elections shall be conducted by one ballot for all offices or by separate ballots in which event the elections shall be conducted in the following order:
 - (i) Election of Directors;
 - (ii) Election of Trustees;
- (f) Following the appointment of scrutineers by the Chair the ballot papers shall be distributed, the votes shall be taken and tallied by the tellers and the results announced.

RIGHT OF VOTING

24. On every matter which is determined by a vote of members the following Rules shall apply:
- (a) Every member shall be entitled to vote and shall have one vote only.
 - (b) No member shall be entitled to vote by proxy.
 - (c) In the case of a motion for the expulsion of a member pursuant to Rule 11 or a motion for dissolution of the Credit Union pursuant to Rule 75, the votes of members shall be cast in person. In any other case, where a member resides at a distance of not less than 100 kilometres from the place appointed for any meeting at which (elections are to be conducted or) a special resolution is to be moved, that member may cast a postal vote by means of a ballot paper prepared for this purpose and obtainable on request from the Secretary.
 - (d) A postal vote shall be valid if it is received by the Credit Union not later than 4.00pm. on the day of the meeting. The postal vote shall be handed to the scrutineers appointed to act at the meeting who shall open the ballot paper and ensure the inclusion of the postal vote in the voting tally.

BOARD OF DIRECTORS

25. The Board of Directors shall be constituted as follows:
- (a) The Board shall comprise not less than 7 or more than 9 Directors all of whom shall be members of the Credit Union.
 - (b) The term of each Director shall be two years or until the election and qualification of a successor.
 - (c) In the event of a vacancy on the Board caused by the death or disqualification of a Director so elected, the Board shall appoint a member to fill the vacant office and that member shall hold such office until the next Annual Meeting or until the election and qualification of a successor.
26. (a) The Board shall meet on at least one occasion each month at a time and place (and/or manner) to be determined by the Board. The Chair or in his absence the Vice Chair or in their absence, the Secretary, may call a Special Meeting of the Board at any time and



shall do so upon the written request of any three Directors. The Chair, Vice-Chair or Secretary, as the case may be, shall fix the time and place of any Special Meeting unless the Board by resolution prescribes otherwise. Notice to the Directors of all meetings of the Board shall be given in such manner as the Board may from time to time by resolution prescribe.

- (b) The manner of a meeting of the Board shall include a meeting held by means of audio or audio-visual communication by which all Directors participating and constituting a quorum can simultaneously hear each other throughout the meeting.
27. Fifty per cent in number of the Directors shall constitute a quorum for the transaction of business at any meeting of the Board but fewer than a quorum may adjourn from time to time until a quorum is in attendance. Proxy voting is not permitted. Written notice of an adjourned meeting need not be given to the Directors. If a Director fails to attend 3 consecutive meetings of the Board or otherwise fails to perform any of the duties of the office, the office may be declared vacant by the Board which shall then be filled in accordance with Rule 25(c).
28. The Board may establish such committees as it sees fit to carry out such delegated functions as the Board may direct.
29. The Board may appoint such Associate Directors as it may decide and every Associate Director shall be entitled to have notice of all meetings of the board and shall have speaking rights at those meetings provided however that an Associate Director shall not have voting rights or be counted in the quorum of a meeting of the Board.

DUTIES OF THE BOARD OF DIRECTORS

30. The Board shall determine, promulgate and implement the policies of the Credit Union and shall be responsible for the general management of the affairs and records of the Credit Union. In addition to the duties customarily performed by a Board of Directors, the Board shall:
- (a) Prescribe the forms to be completed by applicants for membership, to act upon applications for membership and to establish such procedures as will ensure that membership applications are processed with a minimum of delay.
 - (b) Offer to members, on a user pays basis, Life and Loan Protection Insurance Policies
 - (c) Determine the lending policy of the Credit Union to its members and ensure that the details of the lending policies, from time to time in force, are readily available to members.
 - (d) Determine from time to time the rate or rates of interest consistent with the provisions, if any, prescribed by law which should be charged on loans.
 - (e) Establish by-laws under which Christmas Clubs and other types of savings accounts may be established for members provided that subscription shall be by shares which shall rank equally with all and any other shares issued by the Credit Union.
 - (f) Declare dividends from earnings in accordance with Rule 65.
 - (g) Authorise the employment of such person or persons as may be necessary to carry on the business of the Credit Union and fix the remuneration of such persons including the Treasurer.
 - (h) Borrow money within the terms and limits set out in Section 109 of the Act.
 - (i) Ensure that the Treasurer and every other officer having the receipt or charge of money shall, before taking up office, give security in accordance with Section 114 of the Act.
 - (j) Ensure compliance with Section 117 of the Act in relation to investments by the Trustees.
 - (k) Establish and maintain a General Reserve Fund in accordance with Section 119 of the Act.

- (l) Cause proper accounting records to be kept relating to the transactions of the Credit Union and its assets and liabilities in accordance with Sections 60 and 121 of the Act.
- (m) Establish and maintain a satisfactory system of control of the accounting records of the Credit Union, its cash holdings and all its receipts and payments in accordance with Section 121 of the Act.
- (n) Institute and maintain procedures for the prevention and detection of fraud or other dishonesty by any of the officers or employees of the Credit Union and to take out and maintain a policy or policies of insurance providing cover against any such fraud or other dishonesty in accordance with Section 133 of the Act.
- (o) Maintain an appropriate insurance cover over the fixed assets of the credit union and for all other risks as circumstances may warrant
- (p) Maintain a Conflicts Register at the registered office of the Credit Union in the format set out in Schedule "B" of these rules and ensure that it is properly updated and maintained in accordance with Rule 58(d).
- (q) Establish a Marketing Committee to further development of the Credit Union and an understanding of its principles and philosophies and whose functions shall include the promotion of the Credit Union and the fostering of education and training of its members and officers.
- (r) Ensure that the Credit Union joins and maintains its membership of the New Zealand Association of Credit Unions.
- (s) Ensure that the officers and any managers employed in the capacity of chief executive officer, general manager or senior manager become members of the Credit Union Institute of New Zealand Incorporated and retain membership of that institute and abide by its code of ethics whilst holding office.
- (t) Give meaningful effect to the objects of the Credit Union set out in Rule 3 hereof.
- (u) Ensure that the Credit Union complies with all of its obligations under the Act.
- (v) Perform or authorise any action consistent with the provisions of the law and these Rules not specifically reserved by these Rules for the members.
- (w) Perform such other duties as the members, may from time to time require.
- (x) Appoint an Audit Committee in accordance with Rule 42 hereof

REMUNERATION OF DIRECTORS

- 31. Legitimate expenses of elected officers may be reimbursed including any loss of salary or wage from the officer's regular employment if this has directly resulted from having to attend to the business of the Credit Union and payment for such attendance has been approved by the Board.
- 32. Fees, Honoraria and Meeting payments (other than the remuneration of the Treasurer) may be paid to the directors (including any associate director) in such amounts and manner as the Board in its absolute discretion may decide provided however that the total fees, honoraria, and meeting payments so paid shall not exceed that sum which has been approved at an immediately preceding Annual Meeting (or adjourned Annual Meeting) of the members of the Credit Union.

OFFICERS

- 33. The officers of the Credit Union shall be elected and hold office as follows:

- (a) Within seven days following each Annual Meeting, the Directors shall elect from their own number a Chair, Vice-Chair, Treasurer and Secretary provided that no person who is 19 years of age or younger shall hold the office of Treasurer.
 - (b) The offices of Secretary and Treasurer may be combined subject to the consent in writing of the Registrar.
 - (c) Unless sooner removed, as herein provided, the officers so elected shall hold office for a term of one year or until the election and qualification of their respective successors.
 - (d) In the event of a vacancy in the office of Chair, Vice-Chair, Treasurer, and/or Secretary, caused by the death or disqualification of an officer so elected, the Directors shall elect from their own number a person to fill the vacant office and that person shall hold such office until the next Annual Meeting or until the election and qualification of a successor.
34. The Credit Union is authorised by resolution of the Board to effect insurance to indemnify an Officer in respect of:
- (a) Liability, not being criminal liability or liability in respect of a breach of any fiduciary duty owed to the Credit Union, for any act or omission in his or her capacity as an officer; or
 - (b) Costs incurred by that Officer in defending or settling any claim or proceeding relating to such liability; or
 - (c) Costs incurred by that officer in defending any criminal proceedings in which he or she is acquitted.
- 34A. The Board may, subject to section 108(1) of the Act, enter into agreements (whether with the Association or any other person) for the provision of direct credit, direct debit and cheque account facilities to members.

CHAIR AND VICE CHAIR

35. The functions of the Chair shall be as follows:
- (a) The Chair shall preside at all meetings of the members and at all meetings of the Board. In addition the Chair shall perform such other duties as are customarily performed by a Chair or as he or she may be directed to perform by resolution of the Board not inconsistent with the provisions of the law or these Rules.
 - (b) The Vice-Chair shall have and exercise all the powers, authority and duties of the Chair during the absence of the Chair or during any period when the Chair is unable to act.
 - (c) In the absence of the Chair and the Vice-Chair at any meeting of the members, or meeting of the Board, the Directors may elect one of their members to act as Chair of that meeting.
 - (d) The Chair, Vice-Chair or Acting-Chair in addition to their own personal vote shall have a casting vote which may be exercised in the event of equality of voting on any matter before a meeting of members or of the Board provided always that such casting vote shall be exercised in favour of the existing condition.

DUTIES OF THE TREASURER

36. The Treasurer shall:
- (a) Make or cause all payments received by the Credit Union and all cash held that is surplus to its cash operating requirements as may be determined by the Board to be deposited within 3 working days in such Bank Accounts as are authorised by the Board.



- (b) Make or cause to be prepared each month, an informative financial statement showing the cash and deposited funds of the Credit Union, operational gains and losses, assets and liabilities, and the key prudential ratios of the Credit Union as at the close of business on the last day of the month, such statement to be presented by the Treasurer at the next available Board meeting
 - (c) Cause to be prepared in respect of each financial year, the annual financial statements in accordance with the Financial Reporting Act 1993, and the prospectus documents required to be filed under the Securities Act 1978.
 - (d) Cause to be sent to the Registrar of Companies no later than three months after the close of the Credit Union's reporting period, the prospectus document required to be filed under the Securities Act 1978.
 - (e) Within three months of the close of each financial year send to the Registrar an Annual Return for that financial year in accordance with Section 127 of the Act.
 - (f) Make available on the application of a member or person interested in the funds of the Credit Union, without charge, a copy of the last Annual Return together with a copy of the report of the auditors in accordance with Section 129 of the Act.
 - (g) Keep available for inspection at the registered office:
 - (i) An indexed register of members which shall be open to inspection by any member, in accordance with Section 130 of the Act;
 - (ii) The books and accounts of the Credit Union which shall be open to inspection by any member or other person having an interest in the funds of the Credit Union provided that no person (unless he or she is an official of the Credit Union acting in the course of his or her duties) shall inspect any accounts of another member without the written authority of that member, in accordance with Section 131 of the Act;
 - (iii) A copy of the last Annual Financial Statements together with report of the auditor which shall be open to inspection by any member, or other person having an interest in the funds of the Credit Union, in accordance with Section 132 of the Act.
 - (h) Perform such other duties as he or she may be directed to perform by resolution of the Board not inconsistent with the provisions of the law or these Rules.
37. The Board may appoint one or more persons to act as Assistant Treasurer and authorise such person or persons under the direction of the Treasurer to perform any of the duties devolving on the Treasurer. An Assistant Treasurer may also act as Treasurer during the absence of the Treasurer or in the event that the Treasurer is unable to act.

DUTIES OF THE SECRETARY

38. The Secretary shall:
- (a) Prepare and maintain full and correct records of all meetings of the members and the Board;
 - (b) Give, or shall cause to be given, in the manner provided in these Rules, proper notice of all meetings of the members;
 - (c) Supply to any member upon demand a copy of the current registered Rules of the Credit Union;
 - (d) Perform such other duties as the Secretary may be directed to perform by resolution of the Board not inconsistent with the provisions of the law or of these Rules.

TRUSTEES

39. The Trustees of the Credit Union shall be elected and hold office as follows:
- (a) There shall be three Trustees who shall have attained the age of 20 years and who shall be elected by the members from the Board.
 - (b) The term of each Trustee shall be two years provided that no person shall be elected for a term of office as Trustee which exceeds the term then remaining of that person as a Director of the Board.
 - (c) The same person shall not hold the office of Secretary and/or Treasurer of the Credit Union while holding at the same time a position as Trustee of the Credit Union.
 - (d) The Trustees shall choose from among their number a Chair and Secretary which offices may be held by the same person. The Secretary shall be responsible for the maintenance and safe custody of full and correct records of every action taken by the Trustees.
 - (e) Within 14 days after the election of a Trustee the Secretary shall send to the Registrar a copy of the Resolution signed by the Trustee so elected and by the Secretary.
 - (f) As soon as practicable after the death or disqualification of a Trustee, a new Trustee shall be elected by the members from the Board.
40. The Trustees shall meet on at least one occasion each month at a time and place to be determined by the Trustees. Notice of such meetings shall be given to the Trustees in such manner as they may from time to time by resolution prescribe. The Trustees shall keep a record of all such meetings.
41. The Trustees shall:
- (a) Act as the Credit Committee for the Credit Union and fulfil all statutory duties required of the Trustees. In the event of a vacancy on the Credit Committee caused by the death or disqualification of a Trustee the Board may elect from their own number a person to fill the vacant office and that person shall hold such office until the election and qualification of a successor.
 - (b) Supervise all loans made by the Credit Union to members and review any loan application they deem fit to determine whether the security offered by the member is sufficient and the terms upon which such loan shall be made.
 - (c) Control all bank accounts under such terms as may be determined by resolution of the Trustees.
 - (d) Hold all property belonging to the Credit Union which shall be vested in the Trustees for the use and benefit of members and all persons claiming through any of them according to these Rules.
 - (e) Pay any moneys received by the Trustees on account of any investment of the Credit Union within three working days to the Treasurer with full particulars so as to enable the accounts to be correctly kept.
 - (f) Subject to Section 109 of the Act, borrow money on such terms and conditions as are approved by the Board.
 - (g) Ensure compliance with Section 110 of the Act and these Rules in relation to the making of loans to members.
 - (h) Invest the funds of the Credit Union in accordance with these Rules and the provisions of Sections 49 and 117 of the Act.

- (i) Make a monthly report on loan matters to the Board and a general report to the members at the Annual Meeting.

AUDIT COMMITTEE

- 42. There shall be an Audit Committee which shall be appointed by the Board as a committee of the Board and shall consist of two or more members [at least one of whom shall be a member of the Board] as the Board in its absolute discretion may decide.
- 43. The Audit Committee shall:
 - (a) Ascertain that all actions by the Trustees and the Board are in conformity with:
 - (i) These Rules;
 - (ii) the Friendly Societies and Credit Unions Act 1982;
 - (iii) the Securities Act 1978; and
 - (iv) the International Credit Union Operating Principles.
 - (b) Make or cause to be made a routine operating inspection of the affairs of the Credit Union at least once every three months, which shall include an examination of its books including the system of control maintained under Sections 121 of the Act, and an inspection of the securities, cash, accounts, and loans.
 - (c) Inspect the Conflicts Register and ensure that it is properly updated and maintained by the Board in accordance with Rule 58(d).
 - (d) Report to the Board with its recommendations on the appointment (or non-appointment) of an Internal Auditor, and the duties, job description, and requirements incidental to such position.
- 44. The Audit Committee shall cause to be expeditiously made, annual and/or six-monthly audits of the Credit Union's Financial Statements and written reports in accordance with Sections 122 to 125 of the Act and with the Securities Act 1978.
- 45. The Audit Committee shall make recommendations on the appointment of the External Auditor and regularly liaise with and consider the advice and recommendations of the External Auditor with regard to the matters set out in Rule 43.

APPOINTMENT OF EXTERNAL AUDITOR

- 46. The Credit Union shall appoint a properly qualified and independent external auditor to audit the Financial Statements of the Credit Union each year in accordance with Sections 122 and 123 of the Act and in accordance with the Securities Act 1978.

PRUDENTIAL SUPERVISION

- 47. In order to comply with the Securities Act 1978, the Securities Regulations 1983 and any Exemption Notice issued thereunder the Trustees may on the recommendation of the Board enter into a Trust Deed with a Prudential Supervisor in a form approved by the Board pursuant to which:
 - (a) The Prudential Supervisor covenants to monitor the affairs of the credit union for the benefit of Members;
 - (b) The Prudential Supervisor may in certain circumstances give directions in respect of the administration of the affairs of the credit union which are binding on the Trustees and the Board and on the Credit Union; and



- (c) The Credit Union agrees to provide security to the Prudential Supervisor for the benefit of members by way of an agreement to assign its undertaking to the Prudential Supervisor.
48. Upon entry into any such Trust Deed the Prudential Supervisor shall be deemed to be a person claiming through the Members pursuant to section 112(1) of the Act and the Trustees and Board will act accordingly.
49. Any directions given by the Prudential Supervisor to the Trustees and/or the Board under the powers conferred on the Prudential Supervisor in the Trust Deed shall be given effect to by the Trustees and each Director and be binding on all Members.
50. The Credit Union and the Trustees are authorised to appoint from time to time by deed in a form to be approved by the Board the Prudential Supervisor, any Receiver appointed by the Prudential Supervisor and each of the Prudential Supervisor's officers for the time being severally to be the Credit Union's attorney or attorneys for such purposes and with such powers, authorities and discretions and for such period and subject to such conditions as the Board may think fit, and any such powers of attorney may contain such provisions for the protection and convenience of persons dealing with any such attorney as the Board may think fit and may also authorise any such attorney to delegate all or any of the powers, authorities and discretions vested in him or her.
51. The Prudential Supervisor, through any of its agents, attorneys or representatives, may attend at any meeting of the Credit Union and shall have the standing and right to speak and be heard at any such meeting, whether in relation to any matter arising during the course of the business of that meeting or any other matter which the Prudential Supervisor wishes to raise at the meeting.
52. At any time, the Prudential Supervisor may call a meeting of Members to raise and discuss any issue relating to the administration of the affairs of the Credit Union. The Prudential Supervisor shall be responsible for chairing any such meeting.
53. The share capital of the Credit Union shall be issued on the condition that its value may be written down and that any shares may be consolidated with other shares held by the Members in reduction of any accumulated losses of the Credit Union in the same proportion as all other shares issued in the capital of the Credit Union are written down and consolidated provided always that any such write down by capital and consolidation of shares is recommended by the Board and approved of by a special resolution of Members.
54. The Credit Union shall to the extent necessary to comply with the Securities Act 1978, the Securities Regulations 1983, any Exemption Notice issued thereunder or any provision of the trust deed entered into with the Prudential Supervisor, amend these Rules provided that no amendment of these Rules shall be valid until registered pursuant to section 23 of the Act.
55. A Director or Trustee shall vacate his or her office by resignation immediately he or she receives a notice of disqualification from the Prudential Supervisor pursuant to the Trust Deed.

CONFLICT OF INTEREST

56. For the purposes of Rules 57, 58, and 59 only, and no other rules:

'Officer' includes a Director or member of the Board (including any other person who by precedent or agreement is an ex officio member), a member of a committee of the Board, or a Trustee,

'Conflicts Register' means the document set out in Schedule "A" of these rules.

'Conflict of Interest' is a situation where there exists a relationship between an Officer and those listed below where such relationship is likely to affect the interests of the Credit Union or that Officer's independence and impartiality:

- (i) A member;
- (ii) A staff member;

- (iii) A spouse, defacto partner, child, or member of immediate household;
 - (iv) A parent, uncle, aunt, brother, sister, or immediate relationship through marriage;
 - (v) A cousin in the first degree of blood relationship;
 - (vi) A business partner or former business partner;
 - (vii) A relative or close personal friend or associated person in circumstances which is deemed by the other members of the Board or Committee or sub-committee to constitute a conflict of interest.
57. In all cases where a conflict of interest or possible conflict of interest arises concerning any matter or transaction there should be a disclosure by the Officer concerned to the Board or Committee of which the officer is a member or ex-officio member.
58. In circumstances where a conflict of interest exists and whether or not it has been disclosed;
- (a) The Officer should not participate in any discussion or decision-making except by consent of the Board or Committee;
 - (b) The Officer should not be present during any discussion which relates to a staff member's employment and where a conflict of interest is required to be disclosed;
 - (c) The minutes of any Board, Committee, or record of meeting shall disclose the voting participation as well as the name of any Officer abstaining for reason of conflict of interest rather than record a consensus decision;
 - (d) The disclosure of a conflict of interest at any Board or Committee meeting shall be promptly entered in the Conflicts Register of the Credit Union.
59. Any decision which is made or taken in breach of Rule 58 shall be invalid and ultra vires the Rules of the Credit Union.

DISQUALIFICATION OF DIRECTORS, TRUSTEES OR AUDIT COMMITTEE MEMBERS

60. A Director, Trustee, or Audit Committee member shall vacate his or her office immediately he or she:
- (a) Ceases to be a member of the Credit Union, if in these Rules membership is prerequisite to holding such office; or
 - (aa) Becomes a member of the Credit Union if not being a member was a prerequisite condition to appointment or election as an independent director on the Board; or
 - (b) Becomes bankrupt or makes any arrangements or composition with his or her creditors generally; or
 - (c) Becomes a protected person under the Protection of Personal Property Rights Act 1988 or of unsound mind under the Mental Health (Compulsory Assessment and Treatment) Act 1992; or
 - (d) Resigns his or her office by notice in writing to the Credit Union; or
 - (e) Has been convicted of an offence involving fraud or dishonesty; or
 - (f) Has received a notice of disqualification from the Prudential Supervisor pursuant to the Trust Deed; or
 - (g) Is barred from holding office under legislation affecting financial institutions, or if any public disclosure is required to be made by the Credit Union in respect of that officer concerning previous bankruptcy, conviction for a crime of dishonesty, prohibition as a director or manager by a Court or Tribunal, or conviction for failing to make such a disclosure.



LOANS

61. The Credit Union shall only make loans to its members, which loans shall be subject to the following:
- (a) Applications for loans shall be on forms prescribed by the Board and shall in each case set forth the purpose for which the loan is desired, the security offered (if any) and such other information as the Board may require.
 - (b) The Credit Union may make loans for such purposes and upon such security (or without security) and conditions as shall be determined by the Board.
 - (c) The Board may fix the maximum amount of any loan, secured or unsecured, which may be made by the Credit Union to a member, and the total amount that may be outstanding on loans to members. In any event such amounts shall not exceed any maximum amount or total amount notified in the Gazette pursuant to Section 111 of the Act.
 - (d) The Board may fix the maximum amount by which the indebtedness of a member (other than a non-qualifying member as defined in Rule 8) may exceed the total amount of the member's shareholding in the Credit Union, but in any event the indebtedness of a member shall not exceed 10 percent of the value of the assets of the Credit Union in the case of a secured loan, or 5 percent in the case of an unsecured loan, as provided in Section 110 of the Act.
 - (e) In the case of a non-qualifying member no loan shall be made by the Credit Union if the making of the loan would cause that member's total liability (including contingent liability) to Credit Union, whether as borrower, guarantor, or otherwise, to exceed his or her total paid up shareholding in the Credit Union at that time.
 - (f) The maximum period within which a loan by the Credit Union must be repaid shall be fixed by the Board but in any event shall not exceed 10 years, in the case of a secured loan, or five years, in the case of a unsecured loan, or such other period as may from time to time be authorised by the Act or approved by the Registrar in accordance with Section 110 of the Act.
 - (g) In the event of insufficient funds being available to meet loan applications which would otherwise be approved it shall be the policy of the Credit Union to give preference in all cases to those applications for a lesser amount.

DONATIONS

62. The Directors may in their absolute discretion, but having due regard to the Credit Union's liquidity, apply in any financial year up to:
- (a) 2% per cent of the Credit Union's profits, after provision for reserves under Section 119 of the Act, available at the end of the previous year; or
 - (b) \$3,000: whichever sum is the lesser in making donations for charitable, cultural, benevolent, or philanthropic purposes having links with or affecting [some reasonable proportion of] the Credit Union's membership]

GENERAL RESERVE

63. The Credit Union shall out of its profits from year to year, establish and maintain a General Reserve Fund in the manner prescribed by Section 119 of the Act. The General Reserve Fund shall not be distributed until the Credit Union is being wound up or is dissolved, but may be applied for the following purposes:
- (a) To offset realised losses arising from loans made by the Credit Union to members.

- (b) To such persons of such amounts in such special circumstances as the Registrar, on application, may approve.
64. In addition to the General Reserve Fund the Board or the members may establish from time to time one or more Special Reserve Funds.

DIVIDENDS

65. Dividends may be paid to members as follows:
- (a) In the course of, and/or at the end of, each financial year, the Board may declare a dividend from the net earnings received by the Credit Union after making proper provision for transfer to the General Reserve Fund of such amount as may be required by Section 119 of the Act.
- (b) In the course of any financial year, the Directors may declare a special dividend to be paid on shares withdrawn prior to the end of that financial year.
- (c) Dividends may be paid on all fully paid-up shares held for a period of not less than one month during that financial year or for such other period, whether continuous or broken, as the Board may direct. A fully paid-up share shall be deemed to have been held by the member for one month provided payment in full is received on or before the third working day of that month and the share remains fully paid-up until the last working day of that month.
- (d) Fully paid-up shares which at the end of the financial year have been held for a period of less than 12 months shall be entitled to payment of a dividend, if declared, of an amount in direct proportion to the period that the shares were so held.
- (e) Where, at the end of any financial year, the Board declares a dividend of not less than 4 percent, the Board may direct the payment of a refund, either in whole or in part, of the interest paid by members in the course of that financial year on loans made by the Credit Union. The rate of any such interest rebate fixed by the Board shall be applied to each and every loan made by the Credit Union without variation or adjustment.
- (f) A member shall be deemed to have one fully paid share for each sum of one dollar paid to the Credit Union irrespective of the number of shares for which the member has subscribed.

SERVICE OF NOTICES

66. It shall be the duty of each member to advise the Credit Union of any change in his or her address.
67. Where notice of any meeting is required to be given to a member, notice shall be deemed to have been duly given if, within the time prescribed by these Rules, written notice of the meeting and the business to be transacted at such meeting is delivered, whether by post or otherwise, to the member's last address which appears in the records of the Credit Union. (Where previous communication delivered by the Credit Union in such manner to a member has been returned unclaimed notice shall be deemed to have been duly given to such member if, within the time prescribed by these Rules, written notice of such meeting is advertised at least once in the Public Notices column of the Bay of Plenty Times newspaper.)

TRANSFER OF ENGAGEMENTS

68. In the event of a proposal being received for the transfer of a Credit Union's engagements to the Credit Union, the Board of Directors may on behalf of the members accept such a transfer of engagements in accordance with Sections 83 and 135 of the Act provided that such



acceptance is by resolution passed by not less than 75 percent of the Board of Directors voting in person.

69. In considering a transfer of engagements the Board of Directors shall have regard to the consequential effects on the Credit Union's common bond and the requirements of Section 135 (4) of the Act.
70. It shall be within the power of the Board of Directors when accepting a transfer of engagements to enter into an arrangement whereby the persons holding office as Directors on the Board of the transferring Credit Union (or a simple majority thereof) at the time of the transfer will have the sole right to retain the appointment of one or more (but not exceeding 3) directors who shall then hold office as additional Directors of the Credit Union for an agreed period which shall not in any case exceed 4 years. Such appointments shall be formally advised in writing and are in addition to the number of Directors specified in Rule 25(a) of these rules.

RULES AND ALTERATIONS TO RULES

71. No new Rule shall be made nor shall any of these Rules be altered or abandoned unless notice of the motion to make such new Rule, alteration or abandonment and notice of the date, place and time of the meeting called to consider such motion has been given to each member. Such meeting may adopt such new Rule, alteration or abandonment only on the vote of 75 percent of the members present and voting.
72. No amendment of these Rules shall be valid until registered pursuant to Section 23 of the Act.

DISPUTES

73. (a) The following disputes shall be settled by arbitration:
 - (i) Every dispute between a member, or person claiming through a member or under these Rules, and the Credit Union or an officer thereof, including any dispute as to whether a member is entitled to be, or to continue to be a member.
 - (ii) Every dispute between a person aggrieved who has ceased to be a member, or a person claiming through such person aggrieved, and the Credit Union or an officer thereof, provided that the dispute is on a question which arose when the person aggrieved was a member, or arises out of that person's membership, and includes any dispute as to whether a person aggrieved is entitled to be reinstated as a member.
- (b) One arbitrator shall be nominated by the Board on behalf of the Credit Union or the officer thereof and one by the other party. If the arbitrators are able to agree their decision shall be binding and conclusive on all parties.
- (c) If the arbitrators are unable to agree they shall appoint an umpire whose decision shall be binding and conclusive on all parties.
- (d) If either party shall neglect or refuse to appoint an arbitrator for a period of ten days after the receipt of notice of appointment of an arbitrator by the other party, such last named arbitrator may make a final decision alone and the decision so made shall be binding and conclusive on all parties.
- (e) Subject to the right of an arbitrator or umpire to state a case for the opinion of the High Court and to the right of a person to refer a dispute to the Court where no decision is made on the dispute within forty days as provided in the Act, any decision which is binding and conclusive on all parties shall not be open to appeal and shall not be removable into any court of law or restrainable by injunction and application for enforcement of the decision may be made to a court of competent jurisdiction.

INVESTIGATION

74. Application may be made to the Registrar for an investigation into the affairs of the Credit Union or for the calling of a Special Meeting of the Credit Union in accordance with Section 89 of the Act as follows:
- (a) Where the membership of the Credit Union does not exceed 1000 members, on application made by one-fifth of the whole number of members.
 - (b) Where the membership of the Credit Union exceeds 1000 members, on application made by 200 members.

DISSOLUTION

75. On the requisition of 50 percent of the members a Special Meeting shall be called by the Chair to consider the motion that the Credit Union be dissolved. Should such motion be carried by 75 percent of the members present then the meeting shall stand adjourned for a period of one month. The Secretary shall cause notice to be given to each member of such adjourned meeting and the business proposed. If at the resumption of the meeting the resolution is then confirmed by 75 percent of the members present, the consent to dissolution shall be testified by the signature of an instrument of dissolution in the form prescribed by Section 94 of the Act.
76. In the event of the dissolution of the Credit Union any assets remaining after the payment of debts, the repayment of share capital and the discharge of other liabilities of the Credit Union shall be transferred to another Credit Union, the Association, or alternatively, shall be applied for charitable purposes in the event of a resolution to that effect being carried by 50 percent of the members present at the adjourned meeting held in accordance with Rule 75.



