



## **Amendment to the Constitution**

### **Agenda Item 3 – Explanatory Notes**

The CUA Constitution currently provides Demutualisation Approval Procedure Rules which have two objectives:-

- To identify proposals that would constitute a demutualisation; and
- To ensure that a significant number of members participate in any decision to demutualise the credit union.

These Rules will cease to have effect from the end of the 2009 AGM unless members approve the Board proposed special resolution to extend the date to the end of the 2011 AGM.

#### **Explanation of the Demutualisation Approval Procedure Rules**

The Demutualisation Approval Procedure Rules set out a number of circumstances where proposed changes to members' rights are to constitute a demutualisation.

The Rules set out a process to ensure that an approval for demutualisation can only be effective if a minimum number of members participate in the decision to demutualise. The Rules provide that 25% of members must vote on the demutualisation proposal, and that at least 75% of the members who vote approve the demutualisation. To enable sufficient members to participate, the Rules require the vote to be carried out by postal ballot. This postal ballot is in addition to, and does not replace, any legal requirement to obtain member approval by special resolution at a general meeting.

#### **CUA to remain a Mutual**

The Board of CUA is committed to maintaining the mutual structure of CUA for the benefit of members. The Principles of Mutuality described in our constitution ensure that:

- Members have an equal number of shares;
- Members each have 1 vote; and
- Members each share equally in the credit union's surplus assets in the event that the credit union is ever wound up.

As the name implies, demutualisation is a process which destroys the credit union's mutual structure and the equality of members.

The maintenance of the Demutualisation Approval Procedure Rules in the constitution strengthens our members' position in maintaining CUA as a Mutual. Your Board strongly recommends you vote in favour of this special resolution.