

EXPLANATORY NOTE

Sandringham Community Financial Services Limited

Constitution Review and Update

A review of the Constitution has resulted in a number of amendments. These can be summarised as follows:

- (1) updates to formatting.
- (2) changes to reflect suggested improvements (based on current best-practice).
- (3) changes to reflect changes in law; and
- (4) specific changes to rule 9.

Further details of key changes

The following explanatory comments provide more detail of each category of changes:

(1) Changes to formatting

The changes to formatting are largely to include auto-cross referencing, to make the document more user-friendly.

(2) Changes to reflect improvements (based on current best-practice)

This is the largest category of amendments, which bring the constitution in line with changes in best practice since 2008.

These updates include minor re-wording and additions to clauses, as well as a number of additions that reflect changes to best practice but not a change in the law. Examples include:

- the addition to **Rule 29** (dealing with the refusal to register a transfer of shares).
- the addition of **Rule 50(3)** (to set out a more detailed procedure for incomplete or incorrectly executed proxy forms).
- the amendments to **Rule 76** (dealing with written resolutions of directors); and
- the amended **Rule 87** (regarding in-specie distributions of assets).

(3) Changes to reflect a change in law

There are a few instances where amendments have been made to deal with a change in law. In particular:

- **Former clauses 23-25, 27(ii), 27(iii)**, regarding the company taking out a lien. References to a company's ability to take out a lien or charge over shares of a shareholder have been deleted throughout the constitution on the basis that these provisions may contravene s259B of the Corporations Act (the provision which provides that a company must not take security over shares in itself or a company that it controls).
- **Former clause 94(1)-(3), now clause 99**, regarding the winding up of the company. The clause has been simplified on the basis that a company and its members now generally rely on section 501 of the Corporations Act, such that any surplus on a

winding up will be distributed among the members according to their rights and interests.

(4) **Specific changes to rule 9**

The following specific amendments have been made to rule 9:

- **Additional Examples of Close Connection** – a number of suggested additional examples of 'close connection' in the note to Rule 9(2A) have been added.
- **Change to Base Number** - a minor alteration to Rule 9(2B) to include an option of 75% instead of 90% of the number of shareholders in the company.

Legal Opinion

Independent legal opinion has been obtained and confirms that “by way of these changes, the Board’s position is either clarified, tightened or simplified” with the Board’s power being discretionary and not mandatory.