



ANALYSIS

Title	
1. Short Title and commencement	13. Surrendered shares not to exceed one-fifth of issued shares
2. Interpretation	14. Shareholder may surrender shares
3. Model articles of association	15. Compulsory surrender of shares
4. Memorandum of association to be read subject to model articles of association	16. Consideration for surrender of shares
5. Approval of Minister	17. Supply contracts
6. Registration of co-operative forestry company	18. Effect of registration of supply contract
7. Areas of operation	19. Levies and subscriptions
8. Dispensing with numbering of shares	20. Federations, etc., of co-operative forestry companies
9. Use of word "co-operative" in name of co-operative company	21. Limiting or determining the application of Companies Act 1955
10. Only qualifying shareholders entitled to vote	22. Amalgamation of co-operative forestry companies
11. Surrender of shares	23. Exercise of powers of Minister
12. Reissue of shares surrendered under this Act	24. Regulations Schedules

1978, No. 78

An Act to promote the establishment, care, marketing and use of productive forests by the formation of co-operative forestry companies
 [18 October 1978]

BE IT ENACTED by the General Assembly of New Zealand in Parliament assembled, and by the authority of the same, as follows:

- 1. Short Title and commencement**—(1) This Act may be cited as the Co-operative Forestry Companies Act 1978.
 (2) This Act shall come into force on the 1st day of April 1979.

2. Interpretation—(1) In this Act, unless the context otherwise requires,—

“Articles” has the same meaning as in the Companies Act 1955:

“Company” means a company incorporated under the Companies Act 1955 or under any former Companies Act:

“Co-operative forestry company” means a company (whether incorporated before or after the commencement of this Act), which has adopted regulations in the form of regulations specified in subsection (2) of this section and which has for its principal object all or any of the following objects:

(a) The establishment of forests for its shareholders; or

(b) The protection and management of forests for its shareholders; or

(c) The utilisation or marketing of forest produce for its shareholders:

“Crop” means any planting of trees to be harvested at a common time or at specified periods, or any planted or existing stand of trees to be harvested at a common time or at specified periods:

“Forest produce” means trees and materials produced from trees:

“Forestry land” means any land which has planted or growing on that land or will have planted or growing on that land within 2 years of the time of that land being submitted as land that qualifies a person to be a member of a co-operative forestry company, trees that are being grown as a commercial crop:

“Maturity” means the time when the majority of the trees to be harvested in any crop is of merchantable size:

“Minister” means the Minister of Justice:

“Principal object” in relation to any company, means the principal business which the company for the time being carries on, notwithstanding that by its memorandum of association or by any Act the company may be authorised to carry on any other business:

“Qualifying shareholder” means a shareholder of a co-operative forestry company who, at the date

during the financial year of the company on which his status as a shareholder under this section is to be determined, has an estate, interest, easement, licence, permit, or title in forestry land which relates to or corresponds with his qualifying shares in terms of the articles of the co-operative forestry company whereby that shareholder is or will be entitled to the use and occupation of that land or the right to dispose of the forest produce on that land until the maturity of the crop on that land:

Provided that—

(a) In no case shall the area of forestry land be less than 4 hectares; and

(b) A qualifying shareholder is so qualified only in respect of shares which relate to or correspond with forestry land:

“Registrar” means the Registrar of Companies under the Companies Act 1955:

“Titles Registrar”, in relation to any land the title to which is registered in the Land Registry Office or the Deeds Register Office (including the land comprised in a mining privilege that is registered under the Land Transfer Act 1952), means the District Land Registrar or the Registrar of Deeds, as the case may require, for the land registration district within which the land is situated; and, in relation to any land comprised in a mining privilege that is not registered under the Land Transfer Act 1952, means the Mining Registrar in whose office the mining privilege or lease or right is registered or recorded.

(2) The regulations referred to in the definition of the term “co-operative forestry company” in subsection (1) of this section, are, in the case of a company which has not established special groups of shareholders, regulations 4, 30, 31, 69, 82 (1), 89, 126, 135 to 141, 143, and 147 to 149 of the model Articles of Association set out in the First Schedule to this Act.

(3) The regulations referred to in the definition of the term “co-operative forestry company” in subsection (1) of this section are, in the case of a company which has established special groups of shareholders, the regulations specified in subsection (2) of this section and regulations 153 to 158 of the said model Articles of Association.

3. Model articles of association—(1) Any company which has as its principal object any one or more of the objects specified in paragraphs (a) to (c) of the definition of the term “co-operative forestry company” in section 2 (1) of this Act, may by special resolution adopt all or any of the regulations contained in the model Articles of Association set out in the First Schedule to this Act.

(2) In the case of a company incorporated before the commencement of this Act, those regulations or any of them may be adopted in substitution for all or any of the existing articles of the company, notwithstanding that the existing articles may constitute a contract or provide evidence of the terms of a contract between the company and its shareholders or any of them, and the undistributed funds of the company at the date of the adoption shall thereupon be administered in accordance with the provisions of the regulations so adopted.

(3) Any company (whether incorporated before or after the commencement of this Act) may from time to time by special resolution modify or exclude any such regulation adopted under subsection (1) of this section:

Provided that if, in the case of a company which is registered as a co-operative forestry company under this Act, the company modifies or excludes any of the regulations specified in subsection (2) or subsection (3), as the case may require, of section 2 of this Act, the company shall thereupon be deemed for the purposes of section 6 (5) of this Act to have ceased to be a co-operative forestry company within the meaning of this Act.

4. Memorandum of association to be read subject to model articles of association—Where a company registered under this Act has adopted regulations in the form of any of the regulations in the model Articles of Association set out in the First Schedule to this Act, the memorandum of association of the company shall be read subject to the provisions of the regulations so adopted.

5. Approval of Minister—(1) Every co-operative forestry company shall, before applying for registration under section 6 of this Act, obtain the approval of the Minister pursuant to this section.

(2) Every application for the approval of the Minister shall be forwarded to the Secretary for Justice and shall state

the number of qualifying shareholders in the company, the total nominal value of the issued shares and the paid-up capital in the company, the total area of forestry land which enables the shareholders to become qualifying shareholders, and the area in which the company is to operate, and shall be accompanied by a copy of the memorandum of association and articles of the company and a duplicate of the application.

(3) The Secretary may require such other information as he considers necessary from the applicant in connection with the application for approval.

(4) The Minister may, in his discretion, approve the company for registration under this Act, subject to such conditions as he shall specify for the time being in relation to—

- (a) The geographical limits of the area within which forestry land held by qualifying shareholders of the company shall be situated; and
- (b) The minimum aggregate area of forestry land to be held by the qualifying shareholders of the company; and
- (c) Subject to the Companies Act 1955, the minimum number of qualifying shareholders of the company; and
- (d) Such other matters as, in the opinion of the Minister, are likely to promote the economic viability of the company.

6. Registration of co-operative forestry company—(1) A co-operative forestry company may at any time on application to the Registrar become registered as such under this Act and when so registered shall become subject to the provisions of this Act accordingly.

(2) For every such registration there shall be paid a fee of \$20 or such other amount as may be prescribed.

(3) The Registrar shall issue to the company when so registered a certificate of registration under this Act, and that certificate shall be conclusive evidence of the validity of the registration.

(4) Every application for the registration of a company under this Act shall be accompanied by the approval of the Minister pursuant to section 5 of this Act and a statutory declaration, made by the secretary and at least one director of the company, that the company is a co-operative forestry

company within the meaning of this Act and that the company complies with the conditions under which the aforesaid approval of the Minister was granted.

(5) No application for registration under this Act shall be received unless registration under this Act is provided for by the Articles or by a special resolution of the company.

(6) Any registration of a company under this Act may at any time be cancelled by the Registrar if he is of the opinion that the company is not or has ceased to be a co-operative forestry company within the meaning of this Act or that the company has failed and continues to fail to comply with all or any of the conditions under which the approval of the Minister was granted under section 5 of this Act or any other requirement imposed by or under this Act and upon the cancellation being notified to the company the company shall cease to be subject to this Act.

7. Areas of operation—(1) Every co-operative forestry company registered under this Act shall limit its membership and its operations to shareholders whose qualifying forestry land or growing forest produce are within the area of such geographic limits as the Minister determines in respect of that company and not more than one co-operative forestry company registered under this Act shall operate within such area:

Provided that—

- (a) Any co-operative forestry company registered under this Act may operate outside that area in a joint enterprise with any other co-operative forestry company registered under this Act; and
- (b) Where no other co-operative forestry company is entitled to operate in any area, a co-operative forestry company registered under this Act may carry out forestry operations in that area but shall not have qualifying shareholders from that area.

(2) The Minister may, from time to time, vary the boundaries of any area so as to enlarge or reduce the area within which any co-operative forestry company registered under this Act operates but shall at all times have regard for the need for an adequate area of forestry land to make the co-operative forestry company economically viable.

8. Dispensing with numbering of shares—So long as a company is registered under this Act none of its shares need have a distinguishing number.

9. Use of word “co-operative” in name of co-operative company—(1) Any company entitled to be registered under this Act as a co-operative forestry company may be registered under the Companies Act 1955 by a name which includes the word “co-operative”.

(2) If at any time after a company is so registered under the Companies Act 1955 or under any former Companies Act it ceases to be entitled to be registered under this Act, or its registration under this Act is cancelled, subsection (1) of this section shall cease to apply to the company, and sections 31 and 32 of the Companies Act 1955 shall apply accordingly.

10. Only qualifying shareholders entitled to vote—No shareholder of a company which is registered under this Act who is not for the time being a qualifying shareholder of the company shall be entitled to vote at any meeting of the company or on any postal ballot conducted by the company.

11. Surrender of shares—It shall be lawful for any company registered under this Act to require or accept from any of its shareholders, in accordance with the provisions hereinafter contained, a surrender of all or any of the shares held by them in the company and to pay for the shares so surrendered out of the assets of the company in the manner hereinafter provided.

12. Reissue of shares surrendered under this Act—Any shares surrendered under this Act may be reissued by the company to any person in the same manner as if they had not been previously issued.

13. Surrendered shares not to exceed one-fifth of issued shares—(1) The number of shares surrendered to a company under this Act and not reissued shall not at any time exceed one-fifth of the total number of shares issued by the company, exclusive of the said shares so surrendered and not reissued.

(2) Any director of a company who accepts, authorises, or consents to the surrender of any share in breach of the provisions of this section commits an offence, and shall be liable on summary conviction to a fine not exceeding \$200 in respect of each share so unlawfully surrendered.

14. Shareholder may surrender shares—(1) Any shareholder of a company which is registered under this Act who is no longer a qualifying shareholder in respect of any shares in the company may surrender them to the company and, subject to section 13 of this Act and the articles of the company, the company shall accept that surrender.

(2) In any case not provided for in subsection (1) of this section, a company registered under this Act may, in its discretion and subject to section 13 of this Act and the articles of the company, accept the surrender of any shares from any shareholder who agrees to surrender the shares to the company.

15. Compulsory surrender of shares—(1) Any company registered under this Act may at any time (subject to any restrictions or conditions imposed by its articles and to section 13 of this Act) require any shareholder to surrender to the company the shares held by him in the company or so many of them as the company thinks fit.

(2) No demand for the surrender of any share shall be made under subsection (1) of this section except in pursuance of a resolution of the qualifying shareholders of the company.

(3) On the expiration of one month after a written notice of any resolution under subsection (2) of this section has been received by any shareholder the shares to be surrendered by him pursuant to the resolution shall be deemed to have been duly surrendered to the company.

16. Consideration for surrender of shares—There shall be payable to every shareholder whose shares are surrendered under this Act out of the assets of the company by way of consideration for that surrender the amount paid up or deemed to be paid up on the shares so surrendered.

17. Supply contracts—(1) A company registered under this Act may enter into a contract (in this section referred to as a supply contract) with any person, whether a member of the company or otherwise, for the exclusive right to harvest, purchase, or sell or arrange for the harvesting, purchase, or sale of all or any or part of the forest produce owned by that person.

(2) A supply contract shall be in the terms of the supply contract set out in the Second Schedule to this Act, subject to such variations as may be agreed between the parties or as are necessary to comply with subsection (3) of this section.

(3) Where the owner or occupier of any land has entered into a supply contract, that contract may be registered against the title of that owner or occupier to the land to which the supply contract relates but no such contract shall be so registered unless notice has been given to every mortgagee and other person having a charge on any estate or interest in the land at the date of registration. Registration of a supply contract may be effected by registering with the Titles Registrar a duplicate of the supply contract, complying as to size and quality of paper with the requirements of the statute from which the Titles Registrar derives his authority. There shall be endorsed on or attached to the duplicate of the supply contract an application signed by all parties to the contract, which application shall specify the land against which it is desired to register the supply contract and shall certify that the supply contract is one that may be registered pursuant to this section and that all notices have been given, and that the duplicate is a true copy of the original.

(4) The Titles Registrar shall enter a memorial of the supply contract upon the register against the title of the owner or occupier whose land is specified in the supply contract and upon the outstanding duplicate of the instrument evidencing title (if any) of the owner or occupier. The memorial may sufficiently describe the contract as a supply contract under the Co-operative Forestry Companies Act 1978.

(5) Upon the expiration, termination, cancellation, or discharge of a supply contract, a discharge in the form set out in the Third Schedule hereto, executed by the company and the owner or occupier for the time being of the land against the title whereof the supply contract is registered, may be registered with the Titles Registrar, who shall enter an appropriate memorial upon the register against the title of the land.

(6) In the absence of a discharge in the form set out in the Third Schedule to this Act, the Titles Registrar, on application to him by the owner or occupier of the land affected or by any party to the execution of the supply contract, may, on being satisfied by such evidence as he considers

adequate that the supply contract is no longer of any force or effect against the land affected, cancel the registration of the supply contract.

18. Effect of registration of supply contract—(1) Any supply contract registered pursuant to section 17 of this Act shall burden, in favour of the company named in the supply contract, the land against which it is registered and shall bind all persons subsequently acquiring estates or interests in the land burdened and shall be enforceable against such persons as if they had been parties to the supply contract. The supply contract, while in force, shall continue to apply to any substituted or renewed estate or interest in that land.

(2) After the cancellation of the registration of the supply contract pursuant to subsection (5) or subsection (6) of section 17 of this Act, the supply contract shall have no effect in respect of the land burdened.

19. Levies and subscriptions—(1) Any company registered under this Act may make levies on its members and may determine an annual subscription to be paid by its members in addition to any amounts payable by its members by way of share capital. No such levy shall be made and no such annual subscription determined except as authorised by a general meeting of members at which prior notice of intention to make a levy or determine an annual subscription has been given, including the proposed amounts of the levy or the annual subscription.

(2) No levy shall be made or annual subscription determined of an amount which is in excess of the maximum amount of levy or annual subscription prescribed by the Minister.

(3) The Minister may prescribe by notice in the *Gazette* the maximum amounts of levy that may be made by a company on its members and the maximum amounts of annual subscription payable by members that may be determined by a company and may prescribe terms and conditions as to the time, place, manner, and method of payment and, in the matter of levies, the frequency with which they may be made.

20. Federations, etc., of co-operative forestry companies—Co-operative forestry companies registered under this Act may form and join and participate in any federation, asso-

ciation or like body having as its objects all or any of the purposes of this Act, including the object of examining, reporting on, and making representations on all or any proposals, whether legislative or otherwise, which may affect or refer to the operations of co-operative forestry companies or of the timber and forestry industries generally, or of any timber and forestry associated industries.

21. Limiting or determining the application of Companies Act 1955—(1) Except where this Act expressly provides to the contrary, the provisions of this Act shall take effect notwithstanding anything contained in the Companies Act 1955 or in any rule of law, or in the memorandum of association or articles of any company.

(2) The following provisions of the Companies Act 1955 shall not apply to a co-operative forestry company which is registered under this Act, namely:

- (a) Section 90, which relates to the duties of companies with respect to share certificates:
- (b) Section 140, which relates to proxies:
- (c) Section 184, which relates to restrictions on the appointment or advertisement of directors:
- (d) Section 185, which relates to the share qualifications of directors.

(3) A co-operative forestry company registered under this Act shall be deemed to be a farmers' co-operative association for the purposes of section 449 (1) (a) of the Companies Act 1955.

22. Amalgamation of co-operative forestry companies—Any 2 or more co-operative forestry companies registered under this Act may amalgamate so as to form a single co-operative forestry company, on such terms and conditions as the respective companies shall agree upon and are accepted in general meeting of each company:

Provided however that every such amalgamation shall obtain the prior consent of the Minister which may be granted subject to such conditions as the Minister thinks fit to impose.

23. Exercise of powers of Minister—(1) Before exercising any of his powers under this Act, the Minister of Justice shall obtain the advice of the Minister of Forests.

(2) Before exercising his powers under section 7 (2) of this Act, the Minister shall give to any co-operative forestry company adversely affected a reasonable opportunity to make representations.

24. Regulations—(1) The Governor-General may from time to time, by Order in Council, make such regulations as are necessary in order to give full effect to this Act.

(2) Without limiting the general power hereinbefore conferred, it is hereby declared that regulations may be made under this section for the purpose of making such provisions in relation to the accounts of forestry co-operative companies, and the audit thereof, and in particular for requiring reports, balance sheets, profit and loss accounts, and other accounts and statements to be prepared, prescribing forms therefor, and regulating their preparation, certification, audit, and publication, notwithstanding anything in the Companies Act 1955.

(3) Regulations made under this section may prescribe penalties for offences against the regulations, not exceeding a fine of \$1,000, and may contain such incidental and supplementary provisions as are necessary or expedient for the purposes of the regulations.

SCHEDULES

FIRST SCHEDULE

Section 3

MODEL ARTICLES OF ASSOCIATION OF A CO-OPERATIVE FORESTRY COMPANY

1. These Articles adopted by special resolution of the Company on the.....day of.....19..... are in substitution for the Articles of the Company heretofore in force.

2. The Company shall be entitled to be registered as a co-operative forestry Company under the Co-operative Forestry Companies Act 1978.

3. Table A in the Third Schedule to the Companies Act 1955 shall not apply to the Company, but these shall be the Articles of Association of the Company subject to alteration as by law provided.

Interpretation

4. In these Articles, unless the context otherwise requires,—
- “The Act” means the Companies Act 1955, as modified by any statute for the time being in force:
- “These Articles” include any amendment or extension thereof for the time being in force:
- “The Company” means the (*name*) Co-operative Forestry Company Limited:
- “Directors” means the directors for the time being of the Company:
- “Financial year” means the period of 12 months ending on the expiration of theday of.....:
- “Forest produce” has the same meaning as in the Co-operative Forestry Companies Act 1978:
- “Member” or “shareholder” means the holder for the time being of a share in the Company:
- “Qualifying shareholder” means a shareholder who at the date during the financial year of the Company on which his status as a shareholder under these Articles is to be determined held in relation to his qualifying shares the forestry land fixed in accordance with the Co-operative Forestry Companies Act 1978 or any notices thereunder relating to the area of forestry land in respect of which a member is required to hold one share in the Company on initial application to become a shareholder in the Company, but not being less than is necessary for an initial application to join the Company and “qualifying shares” shall have a corresponding meaning:
- “Person” includes a body corporate:
- “Standard of shareholding” or “share standard” means the area of forested land from time to time fixed in accordance with these Articles in respect of which a shareholder thereof is required to hold one share in the Company.

FIRST SCHEDULE—*continued*

Expressions defined in the Act have the meanings so defined.

Shares

5. Subject to these Articles, the shares shall be under the control of the directors, who may dispose of the same to such persons on such terms and conditions and at such times as they think fit; and in particular, but without in any way limiting their powers, the directors may divide the said shares into classes, groups, or sections, and may attach to any class, group, or section such special rights and privileges or make any class, group, or section subject to such special restrictions or obligations as they think fit.

6. (1) If at any time the capital is divided into different classes, groups, or sections of shares, the rights attached to any class, group, or section, unless otherwise provided by the terms of issue of the shares of that class, group, or section, may be varied with the consent in writing of the holders of three-fourths of the issued shares of that class, group, or section then held by qualifying shareholders or with the sanction of an extraordinary resolution passed at a separate general meeting of those holders of the shares of the class, group, or section who are qualifying shareholders.

(2) To every such separate general meeting the provisions of these Articles relating to general meetings shall, with the necessary modifications, apply, but so that the necessary quorum shall be 5 qualifying shareholders holding or representing by proxy one third of that portion of the issued shares of the class, group, or section held by qualifying shareholders, and that any holder of shares of the class, group, or section present in person or by proxy (being a qualifying shareholder) may demand a poll.

7. The Company shall be entitled to treat the person whose name appears on the register in respect of any share as the absolute owner thereof, and shall not be under any obligation to recognise any trust or equity, or partial, equitable, or other claim to or interest in any share, whether or not it shall have express or other notice thereof.

8. If several persons are registered as joint holders of any share, any one of those persons may give effectual receipts for any money payable in respect of that share.

9. The directors may cancel the allotment or issue of shares on any terms not involving an illegal reduction of capital.

Certificates

10. Every person whose name is entered as a member in the register of members shall, without payment, if the directors deem it expedient to issue certificates, be entitled to a certificate under the seal of the Company specifying the share or shares held by him and the amount paid up thereon:

Provided that in respect of a share or shares held jointly by several persons the Company shall not be bound to issue more than one certificate, and delivery of a certificate for a share to one of several joint holders shall be sufficient delivery to all.

FIRST SCHEDULE—continued

11. If a share certificate is defaced, lost, destroyed, or worn out it may be renewed on payment of such fee, if any, not exceeding \$1, and on such terms, if any, as to evidence and indemnity and delivering up of a defaced or worn out certificate, as the directors think fit.

Calls

12. Unless otherwise expressly determined by the directors, the whole of the money payable on every share shall forthwith on allotment, without any call being formally made, thereupon become due and payable to the Company at the registered office of the Company. The directors may, however, for as long as a member is supplying forest produce to the Company, refrain from requiring payment forthwith of the money payable on shares in cash and may deduct on account of the said money such amounts by way of instalments as the directors think fit from the progress or other payments due by the Company to the member until the whole amount of the money payable by the member on shares held by him has been paid: Provided, however, should any member cease or fail to supply forest produce in accordance with any contract made between him and the Company or in accordance with these Articles in respect of the supply of forest produce as aforesaid, the directors may serve upon him notice in writing to pay to the Company forthwith the amount due by him on any or all of the shares held by him in the capital of the Company, and that amount shall thereupon become payable as herein provided.

13. Subject to the last preceding regulation, the directors may from time to time make such calls as they think fit upon the members in respect of all money unpaid on the shares held by them respectively and which are not by the conditions of allotment thereof made payable at fixed times. Each member shall pay the amount of every call so made on him to the persons and at the times and places appointed by the directors. A call may be made payable by instalments.

14. Fourteen days' notice of any call shall be given specifying the time and place of payment and the person or persons to whom the call shall be paid. The directors may deduct from any money due by the Company to any member, whether as monthly payments or otherwise, the whole or any part of the amount due by the member to the Company for or in respect of arrears of calls on the shares held by the member.

15. The joint holders of a share shall be jointly and severally liable to pay all calls in respect thereof.

16. A call shall be deemed to have been made at the time when a resolution of the directors authorising the call was passed.

17. If the call payable in respect of any share is not paid on or before the day appointed for payment thereof, the holder for the time being of the share shall be liable to pay interest on the same at such rate as the directors may determine not exceeding the rate of 7.5 percent per annum from the day appointed for payment thereof to the time of actual payment, but the directors shall be at liberty to waive payment of that interest wholly or in part.

FIRST SCHEDULE—*continued*

18. On the trial or hearing of any action for the recovery of any money due for any call, it shall be sufficient to prove that the name of the member sued is entered in the register of members of the Company as the holder or one of the holders of the shares in respect of which the debt accrued, that the resolution making the call is duly recorded in the minute book, and that notice of the call was duly given to the member sued in pursuance of these articles. It shall not be necessary to prove the appointment or qualification of the directors who made the call nor any other matter whatsoever. Proof of the matters aforesaid shall be *prima facie* evidence of the debt.

19. Notwithstanding anything contained herein or in any rule of law the directors may, if they deem it advisable to do so, call up the balance due by any member upon his shares without the necessity of making a similar call on all or any of the other members for the time being.

Forfeiture of Shares

20. If any member fails to pay any call or instalment of a call on or before the day appointed for payment thereof, the directors may at any time thereafter during such time as the call or instalment remains unpaid serve notice upon the member requiring him to pay the call or instalment, together with interest and any expenses that may have accrued by reason of the non-payment.

21. The notice shall name a further day (not being less than 10 days from the date of the notice) on or before which the call or instalment and all interest and expenses (if any) that have accrued by reason of the non-payment are to be paid.

22. It shall also name the place where payment is to be made, the place so named being either the registered office of the Company or some other place at which calls of the Company are usually made payable. The notice shall also state that, in the event of non-payment at or before the time and at the place appointed, the shares in respect of which the call or instalment is made will be liable to be forfeited.

23. If the requirements of any such notice as aforesaid are not complied with, any shares in respect of which the notice has been given may at any time thereafter, before payment of all calls or instalments, interest, and expenses due in respect thereof has been made, be forfeited by a resolution of the directors to that effect.

24. Any share or shares so forfeited shall be deemed to be the property of the Company, and may be disposed of in such manner as the directors think fit and as these Articles permit.

25. Any member whose shares have been forfeited shall cease to be a member in respect of the forfeited shares, but shall nevertheless be liable to pay and shall forthwith pay to the Company all calls, instalments, interest, and expenses owing upon or in respect of the shares at the time of the forfeiture, together with interest thereon from the time of forfeiture until payment at the rate of 7.5 percent per annum; but his liability shall cease if and when the Company receives payment in full of the amount so owing by the member.

FIRST SCHEDULE—*continued*

26. A statutory declaration in writing that the declarant is a director of the Company, and that a share in the Company has been duly forfeited on a date stated in the declaration shall be conclusive evidence of the facts therein stated as against all persons claiming to be entitled to the share. The Company may receive the consideration, if any, given for the share on any sale or disposition thereof, and may execute a transfer of the share in favour of the person to whom the share is sold or disposed of, and he shall thereupon be registered as the holder of the share, and shall not be bound to see to the application of the purchase money, if any, nor shall his title to the share be affected by any irregularity or invalidity in the proceedings in reference to the forfeiture, sale, or disposal of the share.

27. The provisions of these Articles as to forfeiture shall apply in the case of non-payment of any sum which, by the terms of issue of a share, becomes payable at a fixed time, whether on account of the payment of the share or by way of premium, as if the same had been payable by virtue of a call duly made and notified.

28. If all calls, instalments, and interest due in respect of any forfeited share are paid before the share has been disposed of, together with such sum as the directors may require to repay expenses incurred in respect of the non-payment as aforesaid, the forfeiture may be remitted by the directors at their discretion; and if the forfeiture be so remitted and an entry thereof made in the minutes of the directors, the share shall then revert to the person entitled thereto before the forfeiture and be held by him thereafter in the same manner as if no such forfeiture had taken place.

Transfer of Shares

29. The instrument of transfer of any share shall be in such form as the directors may from time to time prescribe. It shall be executed by both transferor and transferee, and the transferor shall be deemed to remain a holder of any share until the transferee is entered in the register book in respect thereof.

30. The directors may, in their absolute discretion, refuse to register any transfer of a share.

31. If the directors refuse to register a transfer of any share, they shall within 2 months after the date on which the transfer was lodged with the Company send to the transferee notice of the refusal.

32. There shall be payable to the Company on the registration of every transfer of a share such sum as the directors may from time to time fix, but not exceeding the sum of \$1 in respect of each transfer so lodged for registration.

33. Every instrument of transfer shall be left at the registered office of the Company for registration, and the certificate of the share expressed to be transferred shall be produced (if issued) and such other evidence given as the directors may require to show the right of the transferor to make the transfer.

FIRST SCHEDULE—*continued*

34. The transfer books and register of members may be closed during such time as the directors think fit not exceeding in the whole 30 days in each year.

35. No transfer shall be made to a minor or person of unsound mind.

36. All instruments of transfer shall when registered be retained by the Company, but any instrument of transfer which the directors may decline to register shall be returned to the person depositing the same.

Transmission of Shares

37. The legal personal representative of a deceased sole holder of a share shall be the only person recognised by the Company as having any title to the share. In the case of a share registered in the names of 2 or more holders, the survivors or survivor, or the legal personal representative of the deceased survivor, shall be the only person recognised by the Company as having any title to the share. This regulation shall be read subject to section 86 of the Act or of any enactment passed in substitution therefor.

38. Any person becoming entitled to a share in consequence of the death or bankruptcy of a member shall, upon such evidence being produced as may from time to time be properly required by the directors, have the right either to be registered as a member in respect of the share or, instead of being registered himself, to make such transfer of the share as the deceased or bankrupt person could have made; but the directors shall, in either case, have the same right to decline or suspend registration as they would have had in the case of a transfer of the share by the deceased or bankrupt person before the death or bankruptcy.

39. Where the registered holder of any share dies or becomes bankrupt, his personal representative or the assignee of his estate, as the case may be, shall, upon the production of such evidence as may from time to time be required by the directors in that behalf, be entitled to the same rights (whether in relation to meetings of the company, or to voting, or otherwise), as the registered holder would have been entitled to if he had not died or become bankrupt. Where 2 or more persons are jointly entitled to any share in consequence of the death of the registered holder, they shall for the purposes of these Articles be deemed to be joint holders of the share.

Lien on Shares

40. The Company shall have a lien for all debts, obligations, and liabilities of any member of the Company upon all shares held by the member, whether alone or jointly with another person or other persons, and upon all dividends, rebates, bonuses, allowances, and other payments which may be declared in respect of the shares: Provided always that if the Company shall register any transfer of any share upon which it has such a lien as aforesaid without giving to the transferee notice of its claim, the said share shall be freed and discharged from the lien of the Company.

FIRST SCHEDULE—continued

41. The Company may sell, in such manner as the directors think fit, any share on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable, nor until the expiration of 14 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 registered holder for the time being of the share, or the person entitled thereto by reason of his death or bankruptcy.

42. For giving effect to any such sale the directors may authorise some person to transfer the share sold to the purchaser thereof. The purchaser shall be registered as the holder of the shares comprised in any such transfer, and he shall not be bound to see to the application of the purchase money, nor shall his title to the shares be affected by any irregularity or invalidity in the proceedings in reference to the sale.

43. The proceeds of the sale shall be received by the Company and applied in payment of such part of the amount in respect of which the lien exists as is presently payable, and the residue shall (subject to a like lien for sums not presently payable as existed upon the shares prior to the sale) be paid to the person entitled to the shares at the date of the sale.

Increase of Capital

44. The Company in general meeting may from time to time increase the capital by the creation of new shares of such amount as may be agreed upon.

45. Any capital raised by the creation of new shares shall be considered as part of the original capital, and all the regulations in these Articles contained respecting the original capital shall, except where otherwise provided, be applicable thereto.

Reduction of Capital and Subdivision of Shares

46. The Company may by ordinary resolution—

- (a) Consolidate and divide all or any of its share capital into shares of larger amount than its existing shares:
- (b) Subdivide its existing shares, or any of them, into shares of smaller amount than is fixed by the Memorandum of Association, subject, nevertheless, to section 70 (1) (d) of the Act:
- (c) Cancel any shares which, at the date of the passing of the resolution, have not been taken or agreed to be taken by any person.

47. The Company may by special resolution reduce its share capital and any capital redemption reserve fund in any manner and with and subject to any incident authorised and consent required by law.

General Meetings

48. A general meeting shall be held once in every calendar year, at such time (not being more than 15 months after the holding of the last preceding general meeting) and place as may be determined from

FIRST SCHEDULE—*continued*

time to time by the directors. Unless otherwise determined from time to time by the directors, the annual general meeting shall be held in the month of in every year.

49. The above-mentioned general meetings shall be called ordinary general meetings. All other general meetings of the Company shall be called extraordinary general meetings.

50. The directors may, whenever they think fit, and they shall, upon a requisition made in writing by any number of members holding at the date of the deposit of the requisition not less than one-tenth in nominal value of such of the shares of the Company as at the date of the deposit carry the right of voting at general meetings of the Company, convene an extraordinary general meeting.

51. Any such requisition shall specify the objects of the meeting and shall be signed by the persons making the same and shall be deposited at the registered office of the Company. It may consist of several documents in the like form each signed by one or more of the requisitionists. The meeting must be convened for the purposes specified in the requisition and for those purposes only.

52. If the directors do not within 21 days from the date of the deposit of the requisition proceed to convene an extraordinary general meeting to be held within 40 days from the said date, the requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a meeting, but any meeting so convened shall not be held after the expiration of 3 months from the said date.

53. Subject to section 145 (2) of the Act relating to special resolutions, 7 clear days' notice specifying the place, the day, and the hour of meeting, and, in case of special business, the general nature of that business shall be given in manner hereinafter mentioned, or in such other manner, if any, as may be prescribed by the Company in general meeting, to such persons as are, under the regulations of the Company, entitled to receive such notices from the company; but with the consent of all the members entitled to receive notice of some particular meeting, that meeting may be convened by such shorter notice and in such manner as those members may think fit; but the accidental omission to give any such notice to any member or the non-receipt of any such notice by any member shall not invalidate the proceedings at any general meeting.

54. The business of an ordinary general meeting (other than the statutory meeting) shall be to receive and consider the profit and loss account, and the balance sheet, the reports of the directors and of the auditor, and any matters incidental thereto, to elect directors and other officers in the place of those retiring by rotation, to fix the remuneration of the auditors and the directors, and to decide on the recommendation of the directors as regards dividends, and to transact any other business which, by statute, ought to be transacted at an ordinary meeting. All other business transacted at an ordinary general meeting, and all business transacted at an extraordinary general meeting, shall be deemed special.

FIRST SCHEDULE—*continued**Proceedings at General Meetings*

55. No business shall be transacted at any general meeting unless a quorum of members is present at the time when the meeting proceeds to business.

56. A quorum shall consist of not less than.....qualifying shareholders personally present and holding or representing by proxy not less than.....shares of the Company.

57. If within half an hour from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of members as aforesaid, shall be dissolved; but in any other case it shall stand adjourned to the same day in the next week at the same time and place, and, if at the adjourned meeting a quorum be not present, those members who are present shall be a quorum and may transact the business for which the meeting was called.

58. The Chairman of Directors shall be entitled to take the chair at every general meeting, or if there is no such Chairman, or if at any meeting he shall not be present within 15 minutes after the time appointed for holding the meeting, the Deputy Chairman of Directors shall be entitled to take the chair, or if there is no such Deputy Chairman or if at any meeting he shall not be present as hereinbefore provided, the qualifying shareholders present shall choose another director as Chairman of the meeting; and if no director is present, or if all directors present decline to take the chair, then the qualifying shareholders present shall choose one of their number to be Chairman of that meeting.

59. The Chairman of any meeting at which a quorum is present may, with the consent of the meeting (and shall if so directed by the meeting), adjourn any meeting from time to time and from place to place, but no business shall be transacted at any adjourned meeting other than the business left unfinished at the meeting from which the adjournment took place. When a meeting is adjourned for 21 days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. Save as aforesaid, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at an adjourned meeting.

60. The meetings of the Company shall be regarded as private meetings. Persons other than members may be present thereat only during the pleasure of the Chairman of the meeting.

61. Unless a poll is demanded under the next succeeding regulation, every question submitted to a meeting shall be decided in the first instance by a show of hands of the qualifying shareholders; and in the case of an equality of votes the Chairman of the meeting shall, both on a show of hands and at a poll, have a casting vote in addition to the vote or votes to which he may be entitled as a qualifying shareholder.

62. At any general meeting, unless a poll is (before or on the declaration of the result of a show of hands) demanded by the Chairman of the meeting or by at least 5 qualifying shareholders holding or repre-

FIRST SCHEDULE—*continued*

senting by proxy and entitled to vote in respect of at least one-tenth of the issued shares held by the qualifying shareholders represented at the meeting, a declaration by the Chairman that a resolution has been carried or carried by a particular majority or lost or not carried by a particular majority, and an entry to that effect in the book of proceedings of the company, shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution. The provision that the 5 qualifying shareholders demanding a poll shall hold at least one-tenth of the issued shares shall not apply to a poll demanded in respect of a special resolution.

63. If a poll is demanded as aforesaid, it shall be taken in such manner and at such time and place as the Chairman of the meeting may direct and either at once or after an interval of adjournment or otherwise, and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded. The demand of a poll may be withdrawn.

64. Any poll duly demanded on the election of a Chairman of a meeting or on any question of adjournment shall be taken at the meeting and without adjournment.

65. The demand of a poll shall not prevent the continuance of a meeting for the transaction of any business other than the question on which a poll has been demanded.

Votes of Members

66. Votes may be given either personally or by proxy.

67. On a show of hands every qualifying shareholder present in person shall have one vote.

68. Upon a poll, every qualifying shareholder present in person or by proxy shall be entitled to the number of votes following, that is to say:

- (a) Where he holds 200 qualifying shares or less in the Company, he shall be entitled to one vote for each of those shares:
- (b) Where he holds more than 200 but not more than 400 qualifying shares in the Company, he shall be entitled to 200 votes, plus one additional vote for every 2 of those shares in excess of 200 shares:
- (c) Where he holds more than 400 qualifying shares, he shall be entitled to 300 votes, plus one additional vote for every 3 of those shares in excess of 400 shares.

69. Notwithstanding anything herein contained, no qualifying shareholder may hold or exercise voting rights either personally or by proxy in respect of more than 5 percent of the total qualifying shares of the Company, whether or not the qualifying shares held or controlled by that shareholder are held or controlled legally, beneficially or by proxy.

70. Upon the holding of a postal ballot, every qualifying shareholder shall be entitled to the number of votes as set out in regulation 68 thereof, but subject to the terms of regulation 69 hereof.

FIRST SCHEDULE—*continued*

71. All other members shall be entitled to be present at all meetings, but shall not be entitled to any vote in respect of the shares held by them, whether on a show of hands or upon a poll or otherwise.

72. If any person otherwise entitled by these Articles to a vote is a minor, a mentally defective person, or an aged or infirm person, he may vote by his guardian or his committee or his manager or his administrator, as the case may be.

73. Where there are joint registered holders of any share and where those joint holders are otherwise qualified to vote, any one of those joint holders may vote at any meeting, either personally or by proxy, in respect of the share as if he were solely entitled thereto; and if more than one of those joint holders be present at any meeting, personally or by proxy, that one of the said persons so present whose name stands first in the register in respect of the share shall alone be entitled to vote in respect of the same. Several executors or administrators of a deceased member in whose sole name any share stands shall, for the purposes of this article, be deemed to be joint holders thereof. In the event of a postal ballot, the person whose name stands first in the register in respect of the share shall alone be entitled to vote in respect of the same.

74. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing. If the appointer is a corporation, the instrument appointing a proxy shall be under its common seal or the hand of its attorney. All instruments of proxy shall be attested. No person shall be appointed a proxy who is not a qualifying shareholder of the Company and qualified to vote, save that a corporation being a member of the Company and qualified to vote may appoint as its proxy any officer of the corporation, whether a qualifying shareholder of the company or not.

75. A proxy may be appointed generally or for a specified period or specified meeting; and every instrument of proxy shall, as nearly as the circumstances will admit, be in the form or to the effect following:

I,....., of....., being a qualifying shareholder of the Forestry Co-operative Company Limited, hereby appoint of being a qualifying shareholder, or, failing him, being also a qualifying shareholder, as my proxy to vote for me and on my behalf at the ordinary (or extraordinary, as the case may be) general meeting of the Company to be held on the day of 19, and at any adjournment thereof.

As witness my hand, this.....day of.....19.....

76. The instrument appointing a proxy and the power of attorney (if any), under which it is signed or a certified copy thereof shall be deposited at the registered office of the Company not less than 48 hours before the time for holding the meeting or adjourned meeting (as the case may be) at which the person named in the instrument proposes to vote, and in default the instrument of proxy shall not be treated as valid.

77. The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll.

FIRST SCHEDULE—*continued*

78. A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death of the principal, or revocation of the proxy, or transfer of the share in respect of which the vote is given, if no intimation in writing of the death, revocation, or transfer has been received at the office of the Company before the meeting.

79. Any instrument appointing a proxy given by a qualifying shareholder shall be deemed to be revoked on receipt from the qualifying shareholder of a notice in writing to that effect at the office of the Company not less than one hour before the time fixed for the holding of the meeting or of the adjourned meeting for which the proxy is given.

80. Any corporation which is a member of the Company, may, by resolution of its directors or other governing body, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of any class of members of the Company, and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual member of the Company.

Directors

81. The number of directors, until altered as herein provided, shall be not less than.....nor more than....., and for this purpose the Managing Director for the time being shall be included in both the numbers.

82. (1) No person shall be qualified to act as a director (other than as Managing Director) unless he is a qualifying shareholder of the Company or unless he is a member of another company or of a partnership which is a qualifying shareholder of the Company and, in the case of such other company, unless he is qualified to be a director of that other company. Only one member of another company or a partnership holding shares in the capital of the Company shall be qualified to act as a director of the Company under this subclause.

(2) Notwithstanding subclause (1) of this regulation, not more than one-third of the directors shall be deemed qualified to act as directors, although not being qualifying shareholders of the Company, if the persons proposed for the directorships available pursuant to this subclause possess, in the opinion of the other directors or in the opinion of the general meeting at which their election takes place, specialist qualifications or abilities in some field of forestry operations or company management.

83. A director may retire from his office at any time on giving one month's notice in writing to the Company of his intention to do so, and his retirement shall take effect upon the expiration of the notice or the earlier acceptance of his resignation.

84. No director shall be disqualified by his office from holding any office or place of profit under the Company nor from contracting with the Company either as a vendor, purchaser, or otherwise, nor shall any such contract or arrangement, or any contract or arrangement entered into by or on behalf of the Company with any other company or part-

FIRST SCHEDULE—*continued*

nership of or in which any director of the Company is a member or otherwise interested, be avoided, nor shall any director so contracting or being such a member or so interested be liable to account for any profit realised by any such contract or arrangement by reason only of the director holding that office or of the fiduciary relation thereby established, provided the nature of his interest is disclosed by him at the meeting at which the contract or arrangement is determined on (if his interest then exists) or in any other case at the first meeting of the directors after the acquisition of his interest.

85. No director shall as a director vote in respect of any contract or arrangement in which he is so interested as aforesaid, and if he does so vote his vote shall not be counted; but this prohibition may at any time or times be suspended or relaxed to any extent by a general meeting, and this prohibition shall not apply to any contract by or on behalf of the Company to give to the directors or any of them any security for advances or by way of indemnity:

Provided that the restriction contained in this and the last preceding regulation shall not apply in respect of any contract for the supply by any director or by any company or partnership of which a director is a member of any forest produce to the Company.

86. A general notice that a director is a member of a specified firm or company and is to be regarded as interested in all transactions with that firm or company shall be a sufficient disclosure under regulation 84 hereof as regards that director and the said transactions, and after that general notice it shall not be necessary for that director to give a special notice relating to any particular transaction with that firm or company.

87. The remuneration of the directors (except that of the Managing Director) shall be determined by the Company in general meeting and shall continue and remain at the amount so fixed unless and until otherwise fixed and determined from time to time by the Company at any subsequent annual general meeting.

88. The directors shall also be entitled to be paid their reasonable travelling, hotel, and other expenses incurred in consequence of their attendance at board meetings or otherwise in the execution of their duties as directors.

Disqualification of Directors

89. The office of a director shall be vacated—

- (a) If he, not being the Managing Director, or a director holding office pursuant to regulation 82 (2) hereof, ceases to be a qualifying shareholder or if, in any case where he holds office as a director of the Company by virtue of being a member of another company or a partnership which is a qualifying shareholder of the Company, he ceases to be a member or to be qualified to be a director of that other company, or to be a member of that partnership, as the case may be, or if that other company or partnership ceases to be a qualifying shareholder or;

FIRST SCHEDULE—*continued*

- (b) If he becomes bankrupt; or
- (c) If he becomes of unsound mind, or becomes a protected person under the Aged and Infirm Persons Protection Act 1912; or
- (d) If he resigns his office in accordance with regulation 83 hereof; or
- (e) If he is directly or indirectly interested in any contract with the Company or participates in the profits of any contract with the Company, unless he is exempt from disqualification under regulation 84 or regulation 85 hereof; or
- (f) If he becomes prohibited from being a director by reason of any order made under section 189 of the Act.

Rotation of Directors

90. At the next ordinary general meeting,.....of the directors, being the who have been longest consecutively in office, shall retire. At the next following ordinary general meeting the..... directors who have then been longest consecutively in office shall retire, and so on in alternate years.....directors and.....directors respectively shall retire from office. As between 2 or more directors who have been in office an equal length of time, the director to retire shall, in default of agreement between them, be determined by lot. The length of time a director has been in office shall be computed from his last election or appointment where he has previously vacated office.

Eligibility for Office as Director

91. A retiring director shall be eligible for re-election. Subject to regulation 94 hereof, he shall retain office until the dissolution or adjournment of the meeting at which his successor is appointed.

92. No person (not being a retiring director) shall, unless recommended by the directors for election, be eligible for election to the office of director at any general meeting unless he has been nominated in writing. Every such nomination must be made and signed by two qualifying shareholders (other than the person nominated) as nominator and seconder, and must be signed by the person nominated signifying his acceptance of nomination. Every nomination paper must be left at the registered office of the Company, addressed to the secretary, not later than 3 clear days before the meeting.

Filling of Vacancies

93. Subject to regulation 95 hereof, the Company at any general meeting at which any directors retire in manner aforesaid shall fill up the vacated offices by electing a like number of qualified persons to be directors, and without notice in that behalf may fill up any other vacancies.

94. If at any general meeting at which an election of directors ought to take place the places of the retiring directors are not filled up, the retiring directors or such of them as have not had their places filled up shall, if willing and not disqualified, continue in office until the ordinary general meeting in the next year, and so on from year to year until their places are filled up, unless it shall be determined at any such

FIRST SCHEDULE—*continued*

meeting to reduce the number of directors. If any question should arise as to which directors have not had their places filled up, the matter shall be determined by the directors then in office, whose decision shall be final.

Increase or Reduction in Number of Directors

95. The Company in general meeting may from time to time increase or reduce the number of directors and may also determine in what rotation the increased or reduced number is to go out of office.

Removal of Directors

96. The Company may by extraordinary resolution remove any director before the expiration of his period of office and appoint another person in his stead. The person so appointed shall hold office during such time only as the director in whose place he is appointed would have held the same if he had not been removed.

Casual Vacancies

97. Any casual vacancy occurring among the directors may be filled up by the directors, or in their discretion they may call an extraordinary general meeting for the purpose of filling up any such casual vacancy, but any person so chosen shall retain his office so long only as the vacating director would have retained the same if no vacancy had occurred.

98. The remaining directors may continue to act notwithstanding any vacancy in their number by death, resignation, or otherwise; but if the number of directors in such case falls below the minimum fixed by these Articles the directors shall not, except for the purpose of filling vacancies, act so long as the number is below the said minimum.

Indemnity of Directors

99. Any director, manager, officer, or auditor shall be indemnified against any liability incurred by him as such director, manager, officer, or auditor in defending any proceedings, whether civil or criminal, in which judgment is given in his favour or in which he is acquitted or in connection with any application under section 468 of the Act in which relief is granted to him by the Court.

100. If the directors or any of them or any other person shall become personally liable for the payment of any sum primarily due from the Company, the directors may execute or cause to be executed any mortgage, charge, or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the directors or person so becoming liable as aforesaid from any loss in respect of that liability.

FIRST SCHEDULE—*continued**Managing Director*

101. The directors may from time to time appoint a suitable person to be the Managing Director of the Company for such term (not exceeding 7 years), at such remuneration, and generally on such terms and conditions as they may think fit; and may, subject to any contract between him and the Company, from time to time remove or dismiss him from office and appoint another in his place. Subject to the terms and conditions of any agreement between the Company and its Managing Director, the general and routine business of the Company shall be managed by the Managing Director, who shall at all times faithfully observe and obey all resolutions of the directors, but, subject thereto, he shall have full power and authority to engage, suspend, or discharge all or any of the employees and servants of the Company and to fix their respective salaries, wages, or remuneration, to buy and sell, and to enter into all contracts, and generally to do all such acts and things that he may deem expedient in carrying on the ordinary business of the Company.

102. A Managing Director shall not while he holds office as such be subject to retirement by rotation, and shall not be taken into account in determining the rotation or retirement of directors, but (subject to any contract between him and the company) he shall be subject to the same provisions as to resignation and removal as the other directors of the Company.

Proceedings of Directors

103. The directors may meet together for the despatch of business, adjourn, and otherwise regulate their meetings as they think fit, and may determine the quorum necessary for the transacting of business. Until otherwise determined, 3 directors shall be a quorum. A director interested in any contract with the Company is to be counted in a quorum, notwithstanding his interest.

104. Two directors may at any time, and the secretary upon the request of 2 directors shall, convene a meeting of directors.

105. Questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes, the Chairman of that meeting shall have a second or casting vote.

106. The directors shall elect one of their number as Chairman of the Company, and, if they think fit, one of their number as Deputy Chairman of the Company. The directors shall determine the period for which the Chairman and the Deputy Chairman (if appointed) are to hold office, and, unless otherwise determined, they shall be elected annually.

107. The Chairman of the Company shall preside at each meeting of the directors, and in case of his absence or incapacity to act at any meeting, the Deputy Chairman, if there has been one appointed, shall preside. In the absence from any meeting of the directors or the inability to act of the Chairman of the Company and of the Deputy Chairman (if any) the directors present shall choose one of their number to be Chairman of the meeting.

FIRST SCHEDULE—*continued*

108. The directors may delegate any of their powers to the Managing Director or to a committee or committees consisting of such members or member of their body as they think fit, and may from time to time revoke any such delegation. The Managing Director of any such committee or committees shall, in the exercise of the powers so delegated, conform to any regulations that may be imposed on him or it or them by the directors.

109. The regulations herein contained for the meetings and proceedings of directors shall, so far as they are not altered by any regulations made by the directors, apply also to the meetings and proceedings of any committee.

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

111. A resolution in writing signed by all the directors shall be as valid and effectual as if it had been passed at a meeting of the directors duly called and constituted.

Minutes

112. The directors shall cause minutes to be duly entered in a book provided for the purpose—

(a) Of the names of the directors present at each meeting of the directors and of any committee of directors; and

(b) Of all resolutions and proceedings of general meetings and of the meetings of the directors and committees,—

and any such minutes of any meeting of the directors, or of any committee, or of the Company, if purporting to be signed by the Chairman of the meeting, or by the Chairman of the next succeeding meeting, shall be receivable as *prima facie* evidence of the matters stated in the minutes.

Powers of Directors

113. The management of the business of the Company shall be vested in the directors, and the directors may exercise all such powers and do all such acts and things as the Company is by its Memorandum of Association or otherwise authorised to exercise and do and are not hereby or by statute directed or required to be exercised or done by the company in general meeting, but subject nevertheless to the Act and of these presents and to any regulations not being inconsistent with these presents from time to time made by the Company in general meeting:

Provided that no such regulation shall invalidate any prior act of the directors which would have been valid if that regulation had not been made.

FIRST SCHEDULE—*continued**Secretary*

114. The secretary shall be appointed by the directors for such term, at such remuneration, and upon such conditions as they may think fit; and any secretary so appointed may be removed by them.

115. No person shall be appointed or hold office as secretary who is—

- (a) The sole director of the company; or
- (b) A corporation, the sole director of which is the sole director of the company; or
- (c) The sole director of a corporation which is the sole director of the company.

116. A provision of the Act or these regulations requiring or authorising a thing to be done by or to a director and the secretary shall not be satisfied by its being done by or to the same person acting both as director and as, or in place of, the secretary.

Branch Registers

117. The Company may cause to be kept in any place a branch register or branch registers, and may make such provisions as it may think fit respecting the keeping or discontinuance of branch registers, subject to any law in force regulating the keeping or discontinuance of branch registers.

Seal

118. The seal of the Company shall not be affixed to any document except by the authority of the board of directors or of a committee of directors, empowered thereto, and in the presence of at least 2 directors, or of one director and the secretary, who shall affix their signatures to every document so sealed.

Accounts

119. The directors shall cause proper books of account to be kept in which shall be kept full, true, and complete accounts of the affairs and transactions of the Company.

120. The books of account shall be kept at the registered office of the Company, or, subject to section 151 (2) of the Act, at such other place or places as the directors think fit, and shall always be open to the inspection of any director.

121. The directors shall from time to time determine whether and to what extent and at what times and places and under what conditions or regulations the accounts and books of the Company or any of them shall be open to the inspection of members not being directors, and no member (not being a director) shall have any right of inspecting any account or book or document of the Company except as conferred by statute or authorised by the directors or by the Company in general meeting.

FIRST SCHEDULE—*continued*

122. The directors shall from time to time, in accordance with section 152 of the Act and any regulations in that behalf made under the Co-operative Forestry Companies Act 1978, cause to be prepared and to be laid before the company in general meeting such profit and loss accounts, balance sheets, and reports as are referred to in that section and in any such regulations.

123. A copy of every balance sheet (including every document required by law to be annexed thereto) which is to be laid before the Company in general meeting, together with a copy of the auditor's report, shall, not less than 7 days before the date of the meeting, be sent to all persons entitled to receive notices of general meetings of the Company.

Audit

124. Auditors shall be appointed and their duties regulated in accordance with sections 163 and 165 of the Act and any regulations in that behalf made under the Co-operative Forestry Companies Act 1978.

Trade Secrets

125. No member (not being a director of the Company) shall be entitled to require or receive any information concerning any detail of the Company's business, trading, or customers, or any matter that is or may be in the nature of a trade secret, mystery of trade, or secret process which may relate to the business of the Company and which in the opinion of the directors it will be inexpedient in the interests of the Company to communicate, beyond such information as is by these Articles or by statute directed to be laid before the Company in general meeting; and no such member shall be entitled to inspection of any books, papers, correspondence, or documents of the Company except so far as inspection thereof is expressly authorised by statute or by these presents.

Winding Up

126. (1) If the Company is wound up and the assets available for distribution among the members as such are insufficient to repay the whole of the paid-up capital, those assets shall be distributed so that, as nearly as may be, the losses shall be borne by the members in proportion to the capital paid up or which ought to have been paid up at the commencement of the winding up on the shares held by them respectively other than amounts paid in advance of calls.

(2) If in a winding up the assets available for distribution among the members are more than sufficient to repay the whole of the capital paid up at the commencement of the winding up, the excess shall be distributed among the members in proportion to—

- (a) The capital paid up at the commencement of the winding up or which ought to have been paid up on the shares held by them respectively, other than amounts paid in advance of calls; or
- (b) The forest produce supplied to or through the company over the 10 year period immediately preceding the winding up by each member; or

FIRST SCHEDULE—*continued*

(c) The paid services provided by the company to each member over the 10 year period immediately preceding the winding up,— or in such combination of those proportions as the Company shall in general meeting determine.

(3) The Company may, in general meeting during the course of a winding up, direct the distribution of some part of the surplus assets remaining after repayment of capital to persons who have been members during the 10 years immediately preceding winding up but are not members at the time of winding up, but during the 10 year period hereinbefore referred to have as members supplied or made available to the Company substantial amounts of forest produce, or used the services of the Company such distribution to be on a similar basis as that provided for in subclause (2) of this regulation.

(4) This regulation shall not affect the rights of the holders of shares issued upon special terms or conditions.

Notices

127. (1) A document may be served on the Company by leaving it at the Company's registered office, or by sending it through the post in a registered letter addressed to the Company at that office.

(2) Any document to be served by post on the Company shall be posted in such time as to admit of its being delivered in the due course of post within the period (if any) prescribed for the service thereof; and in proving service of any such document it shall be sufficient to prove that it was properly directed and that it was duly put into the post office as a registered letter.

128. Any notice requiring authentication by the Company may be signed by a director, manager, or other officer of the Company, and need not be under the common seal of the Company; and the same may be in writing or in print or partly in writing and partly in print. The signature to any notice to be given by the Company may be written, typewritten, or printed.

129. A notice may be given by the Company to any member either personally or by sending it by ordinary post addressed to him at his registered address, or (if he has no registered address within New Zealand) to the address (if any) within New Zealand supplied by him to the Company for the giving of notices to him. Where the notice is sent by post, service of the notice shall be deemed to have been effected in the case of a notice of a meeting at the expiration of 24 hours after the letter containing the same is posted as aforesaid, and in any other case at the time at which the letter would be delivered in the ordinary course of post.

130. A notice may be given by the Company to the joint holders of a share by giving the notice to the joint holder named first in the register of members in respect of the share.

131. A notice may be given by the Company to any person entitled to a share in consequence of the death or bankruptcy or other incapacity of a member by sending it through the post in a prepaid letter addressed

FIRST SCHEDULE—*continued*

to him by name or by the title of representative of the deceased or assignee of the bankrupt or otherwise, as the case may require, at the address (if any) within New Zealand supplied for the purpose by the person claiming to be so entitled or (until such an address has been so supplied) by giving the notice in any manner in which the same might have been given if the death or bankruptcy or incapacity had not occurred.

132. Every person who by operation of law, by transfer, or by other means whatsoever shall become entitled to any share shall be bound by every notice in respect of that share which previously to his name and address being entered on the register has been duly given to the person from whom he derives his title to that share.

133. Where a given number of days' notice or notice extending over any period is required to be given, the day of service shall not be, but the day upon which the notice will expire shall be, included in the number of days or other period.

134. Each member whose registered place of address is not in New Zealand may from time to time notify in writing to the Company some place in New Zealand which shall be deemed his registered place of address for the purpose of regulation 129 hereof; but in the absence of any such notification he shall not be entitled to have any notice or voting paper sent to him from the Company, whose registered office shall be deemed the registered address of the member for all purposes whatever, and all proceedings taken without other notice to any such member shall be as valid as if he had due notice thereof.

Terms of Supply

135. All forest produce supplied to the Company by any person shall, except as may otherwise be agreed upon in writing, be deemed to be supplied upon the terms set out in these Articles.

Payment for Shares and Services

136. (1) At the discretion of the directors, payment for shares allotted to members may be made either in full by cash on allotment, or by instalments or calls made over a period, or paid for wholly or in part by money withheld by the Company from any money owing by the Company to the member, and the Company is authorised to withhold such money and apply them in payment or partial payment for shares allotted to the member concerned.

(2) All services or advice given to any member by the Company in respect of any forestry activity shall be payable in cash not later than one month after receipt by that member of an account for those services.

137. All forest produce supplied or made available to the Company shall be disposed of by the Company in such manner and on such terms and in such places or markets, whether within or outside New Zealand, as the directors shall in their uncontrolled discretion consider advisable or as may be required by law.

FIRST SCHEDULE—*continued*

138. (1) The net annual returns arising from or in relation to such forest produce shall, as at the last day of each financial year, be arrived at by adding to the gross returns all penalties or charges of the kind specified in regulations 149 and 150 hereof and deducting from that sum the whole or so much thereof as the directors consider equitable of the following:

- (a) The costs, charges, and expenses incurred in or about the carrying out of any of the objects, powers, or authorities of the Company;
- (b) All premiums and allowances of the character specified in regulations 147 and 149 hereof;
- (c) Depreciation of any of the Company's assets;
- (d) Such sums as the directors may consider necessary or desirable to set aside as a reserve fund or for meeting contingences of any description or for stabilising or making more uniform progress, final, or other payments to persons supplying forest produce to the Company or for any capital expenditure incurred or to be incurred in that or in any other year or for such other purposes as the directors in their absolute discretion think fit:

Provided that nothing contained in this paragraph shall authorise the payment of any dividend on shares out of returns arising from or in relation to forest produce supplied to the company.

(2) The directors may from time to time use all or any part of the money so deducted for all or any of the purposes referred to in subclause (1) of this regulation.

Progress Payments

139. (1) The directors may at any time in respect of the forest produce received by the Company make to each person supplying that forest produce such progress payments as they deem advisable, having regard to their estimate of the net returns for that forest produce after making such deductions as they consider ought to be made under the last preceding regulation.

(2) The directors may if they think fit from time to time in any financial year make further progress payments in respect of forest produce supplied to the Company.

(3) Notwithstanding the foregoing provisions of this regulation, the directors in their discretion may decide not to make any progress payment if they consider it advisable in the interests of the Company not to make any such payment.

Distribution of Net Returns

140. (1) If the net returns for forest produce for any financial year after making such deductions as the directors think fit under regulation 135 hereof exceed the total amount paid out by the company as progress payments under the last preceding regulation, the directors shall in the month of in the next financial year, or in such

FIRST SCHEDULE—*continued*

other month in that year as they from time to time determine, make a final payment (whether by instalments or otherwise) to each qualifying shareholder of his due share of those returns in proportion to the forest produce supplied by him on such basis as the directors from time to time determine in the following manner:

- (a) By making a payment at a rate or rates fixed by the directors from time to time on the quantity and quality of forest produce supplied or made available by the qualifying shareholder which forest produce is produced from forest areas in respect of which he holds qualifying shares, in accordance with the provisions of these Articles:

Provided that the directors may if they think fit make a similar payment in respect of any forest produce supplied or made available by any such qualifying shareholder from forest areas in respect of which he does not hold qualifying shares, if the qualifying shareholder takes out shares in respect of such forest areas in respect of which he does not hold shares on such terms and conditions as the company prescribes:

- (b) Subject to the proviso to the preceding paragraph, forest produce supplied or made available to the company by a qualifying shareholder from forest areas from which he does not hold qualifying shares shall be treated as forest produce supplied by a non-member:
- (c) By making payment of the balance (whether by instalments or otherwise) at the times hereinbefore fixed to the shareholder in proportion to the quantity of forest produce supplied by him on such basis as the directors from time to time determine.

(2) If the net returns for forest produce for any financial year after making such deductions as the directors think fit under regulation 138 hereof are less than the total amount paid out by the Company as progress payments under the last preceding regulation, the directors may require each qualifying shareholder to refund his proportion, based on the progress payments received by him, of the total amount so paid in excess of the net returns for that year; and upon demand therefor being made by notice in writing to the shareholder the amount which he is so required to refund to the company shall constitute a debt owing by him to the Company and shall be recoverable accordingly in any Court of competent jurisdiction, or may be retained by the Company out of any future payments for forest produce due by the Company to that shareholder.

(3) Upon all payments having been made in accordance with subclause (1) of this regulation the company shall thereupon be deemed to have fully accounted to each qualifying shareholder for his full share of the net returns of the forest produce supplied by him to the company in the financial year concerned; but, should the company later receive further returns or realisations in respect of that forest produce, the directors may if they think fit make a further distribution in accordance with the said subclause (1), or they may retain those further returns or realisations as part of the returns of the Company in the financial year in which they are received.

FIRST SCHEDULE—*continued**Supply from and Dealings with Non-members*

141. The directors may, if they think fit to do so, purchase, act as agents for, or otherwise deal in forest produce supplied by any person who is not a member of the Company or provide goods and services for such persons on such terms and conditions including prices commission and agency fees that can be negotiated with that person without requiring him to take up shares in the Company.

Rebates

142. The directors may from time to time allow to members purchasing goods, supplies, or services from the Company such rebate, allowance, or commission as they think fit; and they may, in addition thereto, if they think proper, from time to time allocate to and distribute on such basis as they consider equitable by way of bonus or otherwise among those members all or any part of the surpluses resulting from those operations.

Other Income

143. All income of the Company or any part thereof (other than income arising from or in relation to supply or sale of forest produce) may, at the discretion of the directors, be transferred and added to the net annual returns set out in regulation 138 (1) hereof, or, if so recommended by the directors, the company in general meeting may distribute the same among all members in proportion to the capital paid up on the shares held by them respectively. Should such other income of the Company or any part thereof be so divided among all members in proportion to the capital paid up on the shares held by them respectively, no interest shall be payable thereon by the Company if any such dividend should remain unclaimed for any period. If any such dividend should remain unclaimed for a period of 5 years after the declaration thereof, the directors may forfeit the same for the benefit of the Company.

Lien on Goods Supplied

144. The Company shall have a first and paramount lien for money due by any shareholder or member for goods, stores, merchandise, or other chattels or services supplied to him and for the debts, liabilities, and engagements (whether solely or jointly with any other person to or with the Company) of any shareholder or member upon the money due to the shareholder or member for any forest produce and upon all the shares aforesaid in the name of the member, whether solely or jointly with any other person. The lien shall extend to all dividends from time to time declared in respect of those shares. Unless otherwise agreed, the registration of a transfer of shares shall operate as a waiver of the Company's lien on the shares. Regulations 40 to 43 hereof shall apply to any lien on shares under this regulation.

FIRST SCHEDULE—continued*Right to Deduct for Goods Supplied*

145. The Company may before payment deduct from the money which would otherwise be due or become due to a supplier or member for forest produce supplied the money due for goods, stores, merchandise, or other chattels or services supplied to him, and the balance only shall accrue due to the supplier or member.

Assignments of Money Payable to Members

146. The Company shall be entitled to make such charge as it may be permitted by law to do so to cover the cost of accounting in respect of any assignments given or orders made by any person or member on money payable to him for forest produce supplied or made available by him to the Company.

Premiums in Respect of Forest Produce

147. The directors may fix and pay from time to time such premiums or allowances to individual members or persons or sections or groups of members or persons in respect of the supply of forest produce of any particular type or in any particular form or at any particular time or during any particular period or at any particular place as they from time to time consider to be necessary.

Grading of Forest Produce

148. The directors may from time to time, in their sole discretion, grade or class, and regrade or reclass, all forest produce supplied to the Company, and they may in such manner as they think fit, subject to the provisions of any Act or rule of law, fix the various grades or classes into which the said produce so supplied shall be placed. In fixing those grades and classes the directors may take into consideration the quality and effect of that produce upon any articles produced by the Company, and may also have regard to such other matters as they think fit in the best interests of the Company.

149. The directors may grant and pay from time to time premiums or allowances for various quality grades or classes of forest produce, and may fix and deduct various penalties for grades or classes of forest produce not of the finest grade or quality, and for these purposes the directors may employ the grading and classification fixed under the last preceding regulation.

Small Supplies of Forest Produce

150. The directors may from time to time, for the purpose of meeting or partly meeting the additional cost (if any) of the transport, handling, manufacture, and administration of small supplies of forest produce, make such charge per supplying member or person or at such varying rates in respect of different quantities of forest produce supplied during the particular financial year as they deem equitable.

FIRST SCHEDULE—*continued**Control of Supply of Produce*

151. Notwithstanding that the directors will make best endeavours to sell members' forest produce to best advantage, the directors shall be at liberty to refuse to accept any forest produce or part or portion thereof supplied, tendered or made available by any member or members or other persons, firms or corporations, at any works or place of business of the Company in any case where the directors in their own sole discretion consider it advisable and in the interests of the Company to refuse the acceptance of the same, and they shall be under no liability to make any recompense to such member or members or others for any such refusal and such member or members or others shall have no recourse against either the Company or the directors whatsoever.

152. If any or all of the operations of the Company at any one or more of its branches, or works, should be delayed, hampered, or in any way prevented by any strike, lock-out or other stoppage, whether of the employees of the Company or otherwise, the directors, if possible, shall immediately do all in their power and take all necessary steps to remove or alleviate the cause of such delay, hampering, or prevention of work. During the continuance of such strike, lock-out or other stoppage of work as aforesaid, the directors may in their discretion, refuse to accept any forest produce tendered by any member or members or other person or persons, or by any firm or corporation at any one or more branches or works that are or may be in the opinion of the directors prejudicially affected by such strike, lock-out, or other stoppage as aforesaid. The directors may continue so to refuse to accept the said forest produce for so long a period as they in their discretion may deem advisable having regard to the best interests of the Company; and during the term of such refusal they shall be under no duty or liability to make any recompense to any such member, person, firm, or corporation in respect of any such refusal as aforesaid, and the said member, person, firm or corporation shall have in respect of such refusal no recourse whatsoever against the Company or its directors.

Special Groups

153. (1) The directors may from time to time establish and carry on any activity which the Company is legally entitled or empowered to do. These functions may be operated by separate and distinct classes, groups, or sections of members (hereinafter referred to as special groups). Save as herein provided, all the provisions of these Articles shall, so far as they are applicable and with any necessary modifications, apply to those special groups.

(2) Any adjustments as between the Company and any special group or as between one special group and another special group shall be clearly shown in the accounts laid before the annual general meeting of the Company.

FIRST SCHEDULE—*continued*

154. The directors may at any time and from time to time amalgamate any special group with any other special group or may conduct the operations of any of the special groups on behalf of the Company as a whole or extend the operations of any existing group as they think fit.

155. The net annual returns arising from or in relation to the forest produce supplied to any special group shall at the last day of each financial year be ascertained by deducting from the gross returns such part of the deductions provided for in regulation 138 (1) hereof as the directors may consider equitable and shall be distributable among the qualifying shareholders supplying forest produce to that special group as if that special group were a separately operated and conducted co-operative forest company, and regulations 138, 139, 140 and 141 hereof shall, so far as applicable and with any necessary modifications, apply thereto.

156. The whole or any part of any reserve now heretofore or hereafter set aside out of the returns of any special group may during the financial year in which it is so set aside or in any subsequent financial year be transferred to the gross returns of the Company as a whole or to those of any other special group or groups, in any case where in the opinion of the directors it is equitable to do so because of the assistance given by the Company as a whole in the financing and conducting of the operations of any such special group.

Committees of Qualifying Shareholders of Special Groups

157. (1) Without in any way limiting the authority of the directors, they may from time to time set up a committee of qualifying shareholders from any special group of the Company for the purpose of advising the directors upon matters and things relating to the conduct and management of their own special group.

(2) Notwithstanding that there may be a committee of qualifying shareholders for the group, the directors may at any time and from time to time if they think fit call a meeting of the qualifying shareholders of any special group so that they might obtain an expression of its views upon any matters and things relating to its affairs. Any meetings of the qualifying shareholders of any group shall be conducted as nearly as possible in accordance with the rules set out in these Articles for the conduct of general meetings. In lieu of calling a meeting of the qualifying shareholders as hereinbefore set out, the directors may conduct a postal ballot among the qualifying shareholders of any special group in such manner as the directors think fit. Any resolution passed at any such meeting or by three-fourths of the valid votes cast in a postal ballot as aforesaid shall be deemed to be a resolution of all and every one of the members of the special group and shall be binding upon them accordingly.

158. The directors may from time to time make such rules as they think fit for the election, term of office, and all other matters as to members' representatives upon committees of the different special groups and as to the conduct of any postal ballot as aforesaid.

Section 17 (2)

SECOND SCHEDULE

Form A

SUPPLY CONTRACT

MEMORANDUM OF AGREEMENT dated BETWEEN (hereinafter called "the owner") and the CO-OPERATIVE FOREST COMPANY LIMITED (hereinafter called "the company"): WHEREAS the owner is the registered proprietor of that estate or interest being [*Describe estate or interest*] in [*Describe land*] (hereinafter called "the said land");

AND WHEREAS on a portion of the said land containing approximately hectares as shown or delineated in the locality plan endorsed on or annexed to this agreement (hereinafter called "the supply area") there is growing or planted or is intended to be planted trees of the species

AND WHEREAS the owner has agreed with the company that the company will have the exclusive right to enter on to the said land and remove such trees growing or planted on the supply area when the trees on the supply area are merchantable which time shall be between and at the discretion of the company but subject to the company entering into and observing the terms and conditions hereinafter agreed:

NOW THEREFORE the owner doth hereby grant to the company the right during the period to to enter on the said land and to remove such trees growing on the supply area by the most practical and convenient route as agreed between the owner and the company subject to the terms and conditions hereinafter set out:

- (a) Price
- (b) Companies fees and charges
- (c) Other conditions

Signed by A. B. the owner

Witness:

Signed by the company

Witness:

Section 17 (5)

THIRD SCHEDULE

Form B

DISCHARGE OF SUPPLY CONTRACT

Supply Contract No. registered in at is hereby discharged.

A. B. the owner

Witness:

The Co-operative Forest Company Ltd.

Witness:

This Act is administered in the Department of Justice.