

# Memorandum & Rules

**Effective from 1st September 2022**

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Words in italics are explained in paragraph 7 of this Memorandum.

1. The Society's name is 'Furness Building Society'.
2. The Principal Office of the Society is Emlyn Hughes House, Abbey Road, Barrow-in-Furness, Cumbria, LA14 5PQ.
3. The Society's principal purpose is making loans which are secured on residential property and are funded substantially by its members. The other purposes of the Society are:
  - (a) to carry on the businesses of banking, investment, insurance and the provision of financial services and facilities;
  - (b) to carry on any businesses connected with the provision of housing or other accommodation or the provision of any services relating to housing or other accommodation;
  - (c) to carry on any businesses in the fields of information technology, data processing and communications;
  - (d) to carry on any businesses involving the provision of goods or other services (whether for consumers or others) or dealing in any property;
  - (e) to act as a parent undertaking and investment body and to assist and co-ordinate the activities of any undertakings in which it holds an interest;
  - (f) to promote and support community and charitable purposes;
  - (g) to carry on or participate in any business or other activity which, in the opinion of the Board of Directors or any duly authorised officer or employee of the Society, may conveniently be carried on in connection with any other activity of the Society or for developing, taking advantage of or protecting any of the property or income of the Society or any connected undertaking of the Society or managing any risks associated with the activities of the Society or any connected undertaking of the Society.
4. The powers of the Society are set out below. These may be exercised in connection with any of the Society's purposes:
  - (a) to do all things which, in the opinion of the Board of Directors or any duly authorised officer or employee of the Society, are necessary or may help the Society to achieve any of its purposes (including, for example, raising capital and other funds in any manner, whether or not involving the issue of securities);
  - (b) to guarantee or enter into any indemnity or other arrangement relating to the discharge of any other person's obligations;
  - (c) to provide for pensions, insurance and benefits of any kind for individuals who are or at any time were officers or employees of the Society or a related undertaking and for any relatives or dependants of such individuals or for anyone having any relationship with such an individual. For this paragraph, any connected undertaking or former connected undertaking of the Society and any predecessor in business of any of them is a related undertaking. Also, insurance includes directors' and officers' liability insurance;
  - (d) to make donations and provide assistance of any kind to any person having any charitable, public or community purpose or object;
  - (e) to exercise any power of the Society for any consideration of any kind (including, for example, in the form of securities or obligations of another person) or for no consideration;
  - (f) to act as trustee, personal representative, custodian, director, receiver, manager, agent or intermediary of any kind and for any purpose.
5. Anything which the Society may do may be done by it in any part of the world (subject to the restriction as to principal office in the Building Societies Act 1986) and either alone or in partnership, association or joint venture with one or more other persons and either directly or indirectly. In carrying out any of its purposes or exercising any of its powers, the Society may act in any capacity and this includes acting as agent for another person and carrying out any functions for any other person. In addition, the Society has power to dispose of all or any part of its business or property. The Society also has power to take any lawful steps with a view to a merger with another entity, a transfer of all or part of its business to another entity or a winding up of the Society or distribution of all or any of its property.

6. The purposes and powers set out in paragraphs 3, 4 and 5 above are to be interpreted by using the following principles:
- (a) each sub-paragraph and each activity referred to in any sub-paragraph is to be interpreted in the broadest possible sense and any examples given are not to be interpreted as restricting the meaning of the purpose or power which they relate to; and
  - (b) each sub-paragraph and each activity referred to in any sub-paragraph is to be interpreted separately and (without qualifying the fact that the Society's principal purpose is making loans which are secured on residential property and are funded substantially by its members) none of the sub-paragraphs or activities is to be interpreted in a way which would make it subordinate or incidental to another sub-paragraph or activity, unless the wording expressly requires this; and
  - (c) any words in the singular include the plural and vice versa.

7. The words in italics have the meanings set out against them below:

<b><i>Acquire (or acquiring)</i></b>	To acquire in any way, including purchasing, leasing, licensing, exchanging, borrowing, receiving or otherwise obtaining rights in respect of the property in question. The acquiring can be direct or indirect and on any terms and conditions and can be of all the rights in the property in question or of only an interest or share in it;
<b><i>Connected undertaking</i></b>	Has the meaning set out in section 119 of the Building Societies Act 1986;
<b><i>Deal (or dealing)</i></b>	To acquire, dispose of, issue, grant, negotiate, discount, guarantee, transfer, subscribe for, borrow or lend;
<b><i>Dispose (or disposing or disposed)</i></b>	To dispose in any way, including selling, leasing, licensing, exchanging, lending, charging or otherwise granting rights in respect of the property in question. The disposing can be direct or indirect and on any terms and conditions and can be of all the rights in the property in question or of only an interest or share in it;
<b><i>Member</i></b>	A person who is a member under the Society's Rules;
<b><i>Parent undertaking</i></b>	Has the meaning set out in section 1162 of the Companies Act 2006;
<b><i>Persons</i></b>	Any individual or body corporate;
<b><i>Property</i></b>	Any real or personal property (including securities, intellectual property and money) of any kind and any interest or rights in such property;
<b><i>Provide (or provision)</i></b>	Provide or supply or make arrangements for another person to provide or supply. This can be by any means and on any terms and conditions and may or may not involve any property being disposed of;
<b><i>Residential property</i></b>	Has the meaning set out in section 5 of the Building Societies Act 1986;
<b><i>Securities</i></b>	Any shares (or other participation rights), stocks, debentures, deposit receipts, bills, bonds, notes, warrants, options, instruments (whether negotiable or not) or any other right or obligation. These can be fully, partly or nil paid.

Any reference in this paragraph to any legislation includes that legislation as amended or re-enacted from time to time.

## The Rules of Furness Building Society

### All Previous Rules Rescinded

The headings contained in these Rules are for reference only and shall not affect the interpretation of these Rules.

## 1. Interpretation

(a) In these Rules, unless the context otherwise requires –

**“Annual Accounts”** has the meaning given by Rule 30(3);

**“Annual General Meeting”** means the meeting held by the Society in the first four months (or such other period as permitted by the Statutes) of each Financial Year at which the Annual Accounts are presented and which is specified as such in the notice convening the meeting;

**“Board”** means the Board of Directors of the Society;

**“Borrower”** means a Person (other than a guarantor) who owes money to the Society;

**“Borrowing Member”** has the meaning given by Rule 4(1)(b);

**“Borrowing Members’ Resolution”** –

(i) in relation to a resolution proposed or to be proposed, means a resolution that the Statutes require to be passed as a Borrowing Members’ Resolution if it is to be effective for its purpose,

(ii) in relation to a resolution passed, means a resolution passed as a Borrowing Members’ Resolution in accordance with the requirements of the Statutes, that is, when it has been passed by a majority of the Borrowing Members of the Society voting in person or by proxy on a poll on the resolution at a meeting of the Society of which notice specifying the intention to move the resolution as a Borrowing Members’ Resolution has been duly given, and for a purpose that the Statutes require to be effected by the passing of a Borrowing Members’ Resolution.

For the purposes of a Borrowing Members’ Resolution, the meaning of Borrowing Member applied to Individuals by Rule 4(1)(b) shall include any body corporate where that body corporate became so indebted, or so entitled and accepted, to the Society before 1 October 1998;

**“Chief Executive”** means an Individual who is employed by the Society and who is or will be responsible under the immediate authority of the Board for the conduct of the business of the Society and also means, if the office is vacant or if there is for any other reason no Chief Executive capable of acting, an Individual authorised by the Board to act as the deputy or assistant to or in the stead of the Chief Executive;

**“Core Capital Deferred Share”** means a type of Deferred Share issued after 31 December 2013 described in its terms as a core capital deferred share which qualifies or is intended to qualify as common equity tier 1 capital (or equivalent) under the rules relating to capital adequacy or prudential requirements published by the Prudential Regulator or other law or regulation (including any regulation of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms) applicable to the Society from time to time;

**“Corporate Representative”** means an Individual authorised by resolution of the directors or other governing body of a body corporate to represent it;

**“Deferred Share”** means a Share which by its terms of issue is a deferred share as defined in the Statutes and includes a permanent interest bearing share and a Core Capital Deferred Share;

**“Deferred Share Certificate”** means a share certificate issued by the Society in respect of a Deferred Share;

**“Deferred Shares Register”** (which term may include a separate register for each class of Deferred Shares, if applicable) means the records of the Society maintained for the purposes of Deferred Shares, not being the Register;

**“Deposit”** means a deposit with the Society by any Person and includes a loan to the Society and a subordinated deposit (that is, a deposit which, on a winding up, would fall to be repaid only after repayment in full had been made to the holders of Shares other than Deferred Shares);

**“Director”** means a member of the Board;

**“Directors’ Report”** has the meaning given by Rule 30(2);

**“Electronic Communication”** means an electronic communication as defined by the Electronic Communications Act 2000 the processing of which on receipt is intended to produce writing;

**“Electronic Platform”** means such electronic and/or telecommunications facilities as may be approved by the Board from time to time that enable Members to attend and participate simultaneously in a general meeting without attending a physical meeting place;

**“Financial Year”** means the 12 months ending on 31st December in any year;

**“Heritable Security”** means a security capable of being constituted over any land, by disposition or assignation of that interest, in security of any debt, and of being recorded in the Register of Sasines or, as the case may be, in the Land Register of Scotland, and includes a security constituted by a standard security, and any other charge enforceable in the same manner as a standard security;

**“Individual”** means a natural person;

**“Loan”** means a loan from the Society which is substantially secured on land within the meaning of the Statutes and these Rules. For the purposes of these Rules, “substantially” means where not less than 50% of the Loan is secured on land;

**“Manager”** means an Individual (other than the Chief Executive) employed by the Society who, under the immediate authority of a Director or the Chief Executive, exercises managerial functions or is responsible for maintaining accounts or other records of the Society;

**“Member”** means a Person who is a Shareholding Member or a Borrowing Member or both;

**“Memorandum”** means the Memorandum, for the time being in force, of the purposes and the extent of the powers of the Society agreed upon by the Society pursuant to the Statutes;

**“Month”** means calendar month;

**“Mortgage”** includes a charge and, in Scotland, a Heritable Security over land;

**“Mortgage Debt”** means the total amount outstanding in respect of –

- (i) the principal of a Loan,
- (ii) interest on the Loan, and
- (iii) any other sum which the Borrower is obliged to pay the Society under the terms of the Loan;

**“Officer”** means any Director, Chief Executive, Secretary or Manager and all Officers of the Society shall be bound by these Rules and by the Memorandum;

**“Ordinary Resolution”** –

- (i) in relation to a resolution proposed or to be proposed, means a resolution that the Statutes require to be passed as an Ordinary Resolution if it is to be effective for its purpose,
- (ii) in relation to a resolution passed, means a resolution passed as an Ordinary Resolution in accordance with the requirements of the Statutes, and for a purpose that the Statutes require to be effected by the passing of an Ordinary Resolution,
- (iii) in relation to (i) and (ii) above, means a resolution which will be effective without being passed as a Special Resolution, Shareholding Members’ Resolution or a Borrowing Members’ Resolution;

**“Periodic Distributions”** means the distributions (if any) from time to time paid to holders of Core Capital Deferred Shares;

**“Periodic Distributions Cap”** means the maximum amount of Periodic Distributions which may be paid on each Core Capital Deferred Share in respect of any given Financial Year. The initial Periodic Distributions Cap applicable to Periodic Distributions in respect of the Financial Year to 31 December 2014 will be £15 per Share, and (subject as stated below) in respect of each subsequent Financial Year will be adjusted for inflation by reference to the United Kingdom Consumer Price Index (overall index, 2005=100) (“CPI”) published by the Office for National Statistics (or any successor to, or replacement of, that index). Such adjustment will be made by applying the CPI annual inflation percentage published by the Office for National Statistics in its statistical bulletin for the last full calendar month of the Financial Year in respect of which the Periodic Distributions are payable (being the percentage increase or decrease over the twelve months to and including that month) to the prevailing Periodic Distributions Cap. If the CPI ceases to be published and no direct successor or replacement index is published, the Board shall be entitled to determine an appropriate replacement index for determining inflation-based adjustments to the Periodic Distributions Cap, and shall have sole discretion to determine any modifications to the method of determining inflation-based adjustments to the Periodic Distributions Cap during the transition from CPI to the replacement index. The Society shall in each year determine the adjustment to the Periodic Distributions Cap promptly following publication of the relevant CPI (or successor or replacement index) data by the Office for National Statistics (or such successor or other organisation as may be responsible for publishing official data with respect to the relevant index) and will (following the Society first issuing Core Capital Deferred Shares and while the Society has Core Capital Deferred Shares in issue) notify Members of the adjusted Periodic Distributions Cap not later than at the first Annual General Meeting following publication of the relevant data. In the event that adjustment of the Periodic Distributions

Cap in the manner described above would prejudice the regulatory capital treatment of the Core Capital Deferred Share, the Society will disapply those adjustment provisions and the Periodic Distributions Cap will remain at (or revert to) £15 per Share;

**"Person"** means any Individual or body corporate;

**"Principal Office"** means the principal office of the Society for the time being;

**"Prudential Regulator"** means the regulatory authority entitled to exercise supervision over the Society with respect to prudential matters, including the Prudential Regulation Authority or any successor or successors established by the Statutes;

**"Register"** means the Register of Members maintained pursuant to the Statutes, showing the name and postal address of each Member, any electronic address notified by the Member and the purposes for which it has been notified, and whether each Member is a Shareholding Member or a Borrowing Member or both;

**"Registered Address"** in relation to any Member means –

- (i) the postal address currently shown in the Register, except where paragraph (ii) below applies,
- (ii) where a Member has requested that communications from the Society be sent to some other postal address, that other address;

**"Regulator"** means the relevant body established under the Financial Services and Markets Act 2000;

**"Representative Joint Borrower"** means that Borrowing Member who is named first in the records of the Society in respect of a Loan;

**"Representative Joint Shareholder"** means that Shareholding Member who is named first in the records of the Society in respect of a Share;

**"Rules"** means the Rules of the Society for the time being in force;

**"Secretary"** means the Officer appointed by the Board to be the Secretary of the Society and also means, if the office is vacant or if there is for any other reason no Secretary capable of acting, an Individual authorised by the Board to act as the deputy or assistant to or in the stead of the Secretary;

**"Secondary Meeting Place"** means a secondary physical meeting place (or more than one such place) for a general meeting at which Members may attend and participate in the general meeting simultaneously via an audiovisual link to the principal physical meeting place, as an alternative to attending the principal physical meeting place;

**"Share"** means a share account opened or a share issued by the Society –

- (i) in return for payment (whether in cash or otherwise) or other consideration, or
- (ii) in pursuance of the fulfilment by the Society of the engagements of another building society, or
- (iii) by way of capitalisation of interest credited or application of reserves,

and includes stock and a part or fraction of a Share;

**"Shareholder"** means a Person who has a Shareholding;

**"Shareholding"** means the holding by a Member of a Share or Shares (whether in a class or not);

**"Shareholding Member"** has the meaning given by Rule 4(1)(a);

**"Shareholding Members' Resolution"** –

- (i) in relation to a resolution proposed or to be proposed, means a resolution that the Statutes require to be passed as a Shareholding Members' Resolution for it to be effective for its purpose,
- (ii) in relation to a resolution passed, means a resolution passed as a Shareholding Members' Resolution in accordance with the requirements of the Statutes, that is, when it has been passed by not less than three-quarters of the number of the Shareholding Members of the Society qualified to vote on a Shareholding Members' Resolution and voting in person or by proxy on a poll on the resolution at a meeting of the Society of which notice specifying the intention to move the resolution as a Shareholding Members' Resolution has been duly given, and for a purpose that the Statutes require to be effected by the passing of a Shareholding Members' Resolution;

**"Society"** means Furness Building Society;

**“Special Resolution” -**

- (i) In relation to a resolution proposed or to be proposed, means –
  - (a) any resolution that the Statutes or these Rules require to be passed as a Special Resolution if it is to be effective for its purpose, or
  - (b) any resolution which:
    - (A) is specified in a Members’ requisition referred to in Rule 31(3)(a) or in a Members’ Notice referred to in Rule 34(1)(c);
    - (B) expresses (in whatever terms) the wish that the Directors or any other Person should investigate, consider, promote or take any other steps relating to, a transfer of the Society’s business to a commercial company (“a transfer”) or a merger of the Society with another building society (“a merger”), or expresses (in whatever terms) support for a transfer or a merger, or expresses (in whatever terms) the wish that Members should be supplied with information to enable them to evaluate the merits of the Society proceeding with a transfer or a merger, or in any other way relates to the possibility of a transfer or merger; and
    - (C) would, apart from anything in these Rules, be capable of taking effect as a valid resolution under the general law,
- (ii) in relation to a resolution passed, means a resolution passed as a Special Resolution in accordance with the requirements of the Statutes, that is, when it has been passed by not less than three-quarters of the number of the Members of the Society qualified to vote on a Special Resolution, and voting –
  - (a) in person or by proxy on a poll on the resolution at a meeting of the Society, or
  - (b) in a postal ballot or electronic ballot,

of which notice specifying the intention to move the resolution as a Special Resolution has been duly given, and for a purpose that the Statutes or these Rules require to be effected by the passing of a Special Resolution; and

**“Statutes”** means the Building Societies Act 1986, or other Act or Acts, or statutory instruments or other statutory provisions from time to time in force relating to building societies, and any reference in these Rules to the provisions of any particular statute shall be construed as if these Rules were an enactment to which section 17(2) of the Interpretation Act 1978 applies.

- (b) In these Rules, unless the context otherwise requires, for any reference to the value of a Shareholding, that value shall be taken as the amount standing to the credit of the Shareholding Member in respect of –
  - (i) payments (in cash or otherwise) made on, or other consideration provided for, the Shares, and
  - (ii) interest credited by way of capitalisation, and for the purposes of these Rules, the paid-up or current nominal value of a Deferred Share, or the amount paid or deemed to have been paid (in cash or otherwise) on subscription of a Deferred Share, or such other amount as the Board considers appropriate, shall be treated as being to the Shareholding Member’s credit for so long as he is entered in the Deferred Shares Register as the holder of a Deferred Share.
- (c) In these Rules, unless the context requires otherwise:
  - (i) references to a Person’s holding of Shares include references to any Shares which, under section 4(2) of the Dormant Bank and Building Society Accounts Act 2008, that Person is for the time being treated as having in respect of the balance of a dormant share account which the Society has transferred to an authorised reclaim fund in accordance with section 1 of that Act, or which the Society has transferred to such a fund and one or more charities in accordance with section 2 of that Act;
  - (ii) “hold” or “held”, in relation to a Share, shall be construed accordingly; and
  - (iii) references to an amount standing to the credit of a Shareholding Member in respect of any Shares include references to an amount credited in respect of Shares which the Shareholding Member is treated as having as described in sub-paragraph (i) above.
- (d) In these Rules, references to a document being signed, or to a signature, shall include:
  - (i) a signature printed or otherwise reproduced by mechanical or other means;
  - (ii) the use of a stamp or similar item indicating approval by the Person regarded as signing the document; or
  - (iii) an electronic signature or other means of verifying the authenticity of an Electronic Communication where this has been approved by the Board in relation to the relevant document or category of document.
- (e) Any reference in these Rules to a notice, document or other communication being sent, despatched, given, delivered or served shall include its being:

- (i) transmitted to an electronic address;
  - (ii) published on a website; or
  - (iii) otherwise communicated, in a manner and form which, in relation to the particular notice, document or other communication, is approved by the Board from time to time and complies with any applicable requirements of the Statutes.
- (f) In these Rules, unless the context requires otherwise, words importing one gender import any other gender, and words importing the singular include the plural, and vice versa.
- (g) In these Rules, each amount, figure, length of time or percentage shall be read as if followed by the words "or such other amount, figure, length of time or percentage (as appropriate) which is for the time being the maximum permitted for this purpose by the Statutes". Such Rules include -
- (i) paragraphs (1)(d),(1)(e), (4)(a), (4)(b), (5) and (11) of Rule 13;
  - (ii) Rule 14;
  - (iii) paragraph (1)(b) of Rule 24;
  - (iv) paragraph (5)(g) of Rule 30;
  - (v) paragraphs (3)(a), (4)(a) and (4)(b) of Rule 31;
  - (vi) paragraphs (1)(a) and (1)(b) of Rule 34;
  - (vii) paragraph (3)(b) of Rule 36;
  - (viii) paragraphs (3)(c) and (4)(c) of Rule 38; and
  - (ix) paragraph (5)(c) of Rule 43.

## 2. Name

The name of the Society is "Furness Building Society".

## 3. Principal Office

- (1) The address of the Principal Office is Emlyn Hughes House, Abbey Road, Barrow-in-Furness, Cumbria, LA14 5PQ.
- (2) The Board may from time to time by resolution change the place of the Principal Office.

## 4. Membership

- (1) No Person shall be a Member of the Society unless he is a Shareholding Member or a Borrowing Member or both, and -
  - (a) "**Shareholding Member**" means a Person who holds a Share in the Society and, unless the context otherwise requires, includes a Person whose name is entered in the Deferred Shares Register as the holder of a Deferred Share or a fraction of a Deferred Share; and
  - (b) "**Borrowing Member**" means an Individual -
    - (i) who is indebted to the Society in respect of a Loan or a Loan from another building society whose interest in the Loan has, as the result of any amalgamation or transfer of engagements, passed to the Society, or
    - (ii) who is indebted to the Society as mentioned in (i) above and who has taken with the consent of the Society a transfer of any land already in mortgage to the Society, and who shall become a Borrowing Member as from the date the transfer is registered in the records of the Society, or
    - (iii) who, on the death or bankruptcy of a Borrowing Member or otherwise on transfer by operation of law becomes entitled to land already in mortgage to the Society and who (being willing to become a Borrowing Member) is accepted by the Society as a Borrowing Member while such Loan shall be outstanding, from the date of acceptance by the Society.
- (2) Each Member, and all Persons claiming through him or on his behalf or under the Rules, shall be bound by these Rules and by the Memorandum.

- (3) Each Member shall, on demand, be given a copy of these Rules and of the Memorandum –
  - (a) free of charge, if he has not previously been given a copy, or
  - (b) upon payment of £1, or such other fee as may be duly prescribed from time to time by HM Treasury (or any successor authorised for this purpose), if he has already been given a copy.
  
- (4) Each Member shall -
  - (a) notify the Society immediately of any change of name or address and shall produce such evidence of the change as the Society may require,
  - (b) supply a specimen of his signature as and when required,
  - (c) ensure that where he is the Shareholding Member or Representative Joint Shareholder in respect of more than one Shareholding, his name and Registered Address are notified in identical terms in respect of each Shareholding,
  - (d) ensure that where he is the Borrowing Member or Representative Joint Borrower in respect of more than one Loan, his name and Registered Address are notified in identical terms in respect of each Loan,
  - (e) ensure that where he is both a Shareholding Member or Representative Joint Shareholder and a Borrowing Member or Representative Joint Borrower, that his name and Registered Address are notified to the Society in identical terms in respect of the Shareholding and the Loan.
  
- (5) For the purposes of these Rules -
  - (a) where, in relation to any two or more Shareholdings, to any two or more Loans, or to any Shareholding and a Loan, the names or Registered Addresses of the Shareholding Member or Borrowing Member (or the Representative Joint Shareholder or the Representative Joint Borrower as the case may be) have been notified to the Society in terms that are not identical the Society shall, insofar as it is reasonable to do so, be entitled to assume (in the absence of written notice to the contrary) that those Shares are held by different Shareholding Members, that those Loans were made to different Borrowing Members, or that the Shareholding Member and the Borrowing Member are different Persons,
  - (b) where a Shareholding is issued during a Financial Year or up to 56 days prior to the voting date (if applicable) the Society shall, insofar as it is reasonable to do so, be entitled to assume that the Shareholding Member (or Representative Joint Shareholder) was not a Member at the end of the last Financial Year unless either -
    - (i) at the end of the last Financial Year the Register included an entry showing a Person of the same name and Registered Address as a Shareholding Member (or Representative Joint Shareholder) or as a Borrowing Member (or Representative Joint Borrower), or
    - (ii) the Society is given written notice to the contrary,
  - (c) where a Loan is made during a Financial Year, the Society shall be entitled to assume that the Borrowing Member of the Loan (or Representative Joint Borrower) was not a Member during the last Financial Year unless either of the circumstances as set out in sub-paragraphs (i) and (ii) above applies in the same way, the necessary changes being made.
  
- (6) Two or more Persons may jointly hold a Share unless the terms of issue forbid a joint holding but no Share shall be issued to the holders, or be held by them at any time, as tenants in common. The Society may decline to issue any Share or lend money to more than four Persons jointly. Joint Shareholding Members or joint Borrowing Members shall be entitled to choose the order in which they are named in the records of the Society.
  
- (7) A Shareholding Member or all joint Shareholding Members may authorise an agent (who may be one of the joint Shareholding Members) to withdraw any Share (to the extent permissible under the terms of issue of the Share) or to receive any interest or bonus paid in respect of it and the receipt of, or evidence of payment to, an agent so authorised shall be a good discharge to the Society.

- (8) The Society may in its absolute discretion and without giving any reason refuse to –
- (a) open a new share or mortgage account for a Person, or
  - (b) accept any Person as a Member except that any fully-paid Deferred Share may be transferred to any Person and such transferee shall be entitled to have his name entered in the Deferred Shares Register following notice by him or on his behalf to the Society of such a transfer, such notice to be made or given in writing or in such other manner as the Society in its absolute discretion may permit.
- (9) If the Society accepts a transfer of engagements of any other building society, any Person who becomes a Member of the Society by virtue of the transfer shall be deemed to have been a Member at any date before the transfer on which he was a member of the transferor society and –
- (a) in the case of a member holding shares in the transferor society, to have had a Shareholding on that date to the value of his shares in the transferor society, or
  - (b) in the case of a member to whom a loan has been made by the transferor society, to have owed the Society on that date the amount of his mortgage debt to the transferor society.

## 5. Death Or Bankruptcy Of Member

- (1) If –
- (a) a Member domiciled in any part of the United Kingdom dies testate or intestate, and
  - (b) at the time of his death the sum of money standing to his credit with the Society in respect of his Shareholding other than in respect of a Deferred Share does not exceed the amount specified in or under the provision of the Statutes<sup>1</sup> regarding payment to a Person who claims to be beneficially entitled without the grant of probate of the will or the grant of letters of administration or confirmation,

then, although there is no probate of the will or letters of administration or confirmation, as the case may be, the Society may pay that sum of money to a Person who claims to be beneficially entitled to that sum of money and who satisfies the requirements of that provision for the production to the Society of appropriate evidence of his entitlement. Such payment shall be valid and effective with respect to any demand against the funds of the Society from any other Person claiming to be entitled to it.

- (2) Any Person becoming entitled to a Share or to land already in mortgage to the Society as a result of the death or bankruptcy of a Member may, subject to Rule 4(8), the applicable terms and conditions of issue in the case of a Deferred Share, and upon such evidence being produced and upon payment of such fee as the Society may from time to time require, be registered as the Shareholding Member (if any) or as the Borrowing Member in respect of the Loan and, if registration is refused in respect of a Share (other than a Deferred Share), the Society shall repay that Share with interest up to the date of repayment at the rate then being paid on that type of Share.

## 6. Cessation of Membership

- (1) Subject to paragraphs (2) and (3) below, a Shareholding Member shall cease to be a Shareholding Member if he ceases to hold a Share in the Society which, in the case of a Person who is a Member by virtue of holding a, Deferred Share, will apply when his name is no longer entered in the Deferred Shares Register as the holder of a Deferred Share or a fraction of a Deferred Share.
- (2) If the Society allows a Shareholding Member to overdraw on his account, he shall not cease to be a Shareholding Member so long as the amount overdrawn does not exceed the limit to which the Society has for the time being consented but, if –
- (a) the amount overdrawn exceeds that limit, or
  - (b) consent to overdrawn is withdrawn, he shall cease to be a Shareholding Member on such date as the Society may decide.
- (3) Subject to the terms applying to the Share and save in relation to a Deferred Share (in respect of which the terms and conditions of issue shall apply), the Society may terminate the membership rights of a Shareholding Member, not being a Director, as follows:

- (a) Unless the Shares have been issued for a fixed term, the Society may give written notice to the Member, terminating his membership rights as a Shareholding Member, either:
- (i) with immediate effect if:
    - he has been physically or verbally abusive to the Society's staff;
    - the Society reasonably suspects that his share account is being used for an illegal purpose; or
    - the Society has any other valid reason for immediately terminating his membership rights as a Shareholding Member; or
  - (ii) at the expiration of a period of not less than one month or (in the case of Shares for which the Shareholding Member would be required by the terms of issue to give more than one month's notice of withdrawal) a period not less than the period of notice which the Shareholding Member would be required to give of his intention to withdraw the Shares.
- (b) If the Shares have been issued for a fixed term, the Society may at any time give the Shareholding Member written notice terminating his membership rights as a Shareholding Member with effect from the expiration of the fixed term.
- (c) Upon a notice given under paragraph (a) or (b) above taking effect, the Society may pay to the Shareholding Member the whole of his Shareholding together with interest on it, up to and including the date of payment, at the applicable rate or rates. Payment may be made by any means the Society considers appropriate and may be posted, delivered or otherwise transmitted to the Shareholding Member or (in the case of Shares which are jointly held) to the Representative Joint Shareholder. Upon that payment being posted, delivered or otherwise transmitted, the Shareholding Member or (as the case may be) the joint Shareholding Members shall cease to be Shareholding Members.
- (4) A Borrowing Member shall cease to be a Borrowing Member at any time if at that time the Society -
- (a) takes possession of, or exercises its power of sale in relation to, the whole or any part of the land on which the Loan is secured, or
  - (b) obtains an order for foreclosure absolute or, in Scotland, foreclosure in respect of the whole or any part of that land, or
  - (c) serves upon him written notice that it has transferred or assigned its interest in his Mortgage.

## 7. Raising of Funds

The Society may raise funds in accordance with and subject to the Statutes.

## 8. Shares

- (1) The power of the Society to raise funds by the issue of Shares shall be exercised, subject to these Rules and the Statutes, by the issue of Shares or classes of Shares as the Board may from time to time in its absolute discretion determine and the Board may decide to discontinue, suspend, limit or resume the issue of any Shares or class of Shares.
- (2) Deferred Shares and preferential Shares may be issued on such terms and conditions as the Board may from time to time in its absolute discretion determine, but the Society's liabilities in respect of such Shares immediately following any such issue shall not exceed 25% of the Society's aggregated share, deposit and loan liabilities.
- (3) The terms and conditions of issue on which Shares or classes of Shares are to be issued shall be determined by the Society. Different classes of Deferred Shares may be issued on different terms and conditions including as to ranking, distributions, loss absorbency (including permanent or temporary write-down and re-instatement), conversion into Shares or debt and sharing in surplus assets on a winding-up or dissolution of the Society.
- (4) (a) Except in relation to Deferred Shares (in respect of which the terms and conditions of issue shall apply), the Society may at any time change the terms on which Shares or any particular class of Shares already issued are held, in the manner and subject to the conditions set out in the terms applying at that time to such Shares or class of Shares.

The Society shall notify each Shareholding Member of a change in the terms on which his Shares are held in the manner specified in the terms which apply to those Shares, or, if those terms do not specify (or do not validly specify) the manner in which such changes are to be notified, then by giving personal notice of the change to the Shareholding Member not less than two months before the date on which the change is to take effect,

- (b) An accidental omission to give notice under (a) above shall not affect the validity of the alteration.

- (5) Except in relation to Deferred Shares, in respect of which the terms and conditions of issue shall apply, if it appears to the Society that any Shareholding Member is suffering from mental disorder or is through mental infirmity arising from disease or age incapable of managing his affairs, any Person appearing to the Society to have the care of such Shareholding Member or the management of his affairs may, with its consent, withdraw the whole or any part of the amount standing to the credit of that Shareholding Member's account but this will be subject to the terms and conditions applying to any Share.
- (6) A Shareholding Member may transfer his Deferred Shares to any Person and no fee shall be charged in respect of a transfer of a Deferred Share. Subject to paragraph (7) below, a Shareholding Member may transfer all or any of his Deferred Shares in any manner which is permitted by the terms and conditions of issue and is from time to time approved by the Board.  

A fully-paid Deferred Share shall be free from all liens in respect of liabilities to the Society.
- (7) The Board shall have power to implement any procedures as it thinks fit for the transfer of Deferred Shares and for the regulation of those procedures and to permit Deferred Shares to be transferred other than by a written instrument. Nothing in these Rules shall require a Deferred Share to be transferred by a written instrument if the Board has resolved that no such instrument be required.

## 9. Deposits with and Loans to the Society

- (1) The power of the Society to borrow money from any Person on deposit or by way of loan may be exercised, subject to these Rules and the Statutes, by the receipt of deposits or loans or classes of deposits or loans as the Board may in its absolute discretion from time to time determine.
- (2) The Society shall have power to determine the terms on which deposits or loans or classes of deposits or loans are to be received and the Board may determine the rates of interest or bonus (if any) to be paid on deposits or loans or on classes of deposits or loans, and the conditions subject to which the same shall be payable.
- (3) The Society may give such security upon any of its assets for any deposits or loans as the Board may from time to time consider expedient.
- (4) Except where the Board requires otherwise, the receipt of a deposit taken by the Society in accordance with the Statutes shall be, insofar as it is permissible by the Statutes to do so, on terms that Rule 4(4) to (8), Rule 5, Rule 6(1) to (3), Rule 8(4) and (5), Rule 12(5) and Rule 48 apply (with any necessary consequential amendments being made) to a depositor and a deposit as those Rules apply to a Shareholding Member (other than a holder of Deferred Shares) and a Share (other than a Deferred Share).

## 10. Lending

The Society may lend money, with or without security, upon such terms and conditions as the Board may determine from time to time, subject to the Statutes, the Memorandum and these Rules, and may suspend, reduce or waive any repayment of principal, or the payment of interest, or other payment on such terms and from such date (whether then already past or not) as the Society may think proper.

## 11. Repayment of Money Owed to the Society

If a Person wishes to repay the whole or any part -

- (a) of a Mortgage Debt, or
- (b) of any sum owing, before the time agreed, he may do so in accordance with the terms on which the money was lent and in the case of a repayment in full he shall pay to the Society the Mortgage Debt and all sums owing under the terms of the mortgage.

## 12. Direction and Management

- (1) The business of the Society and any business that the Society proposes to carry on shall be under the direction of a Board of Directors consisting of not more than 12 nor (subject to the provisions of Rule 25(6)) less than 8 Members and the Board may from time to time resolve the number who together shall constitute the Board within these limitations.

- (2) The Board may exercise all those powers of the Society that are not, by the Statutes or by these Rules, required to be exercised by the Society in general meeting.
- (3) No Rule or alteration to a Rule made by the Society in general meeting shall invalidate any act of the Board prior to the date on which the Rule or alteration takes effect that would have been valid if that Rule or alteration had not been made.
- (4) Without prejudice to the generality of the foregoing paragraphs (1), (2) and (3), the Board –
  - (a) shall ensure the direction and management of all affairs and business of the Society by a sufficient number of Individuals fit and proper to be Directors or other Officers, in their respective positions, with prudence and integrity, in the best interests of the Society, in accordance with the Statutes, the Memorandum and these Rules,
  - (b) may appoint, and terminate the appointment of, any Members of the Society as members of a local board with such powers, duties, discretions and authorities as the Board may at any time delegate to that board but so that –
    - (i) each Director shall be a member ex officio of any such local board but no Director shall receive any remuneration by reason of his being an ex officio member of such local board,
    - (ii) two members of a local board shall form a quorum, and
    - (iii) no Member shall be eligible for appointment to, or continue as a member of, any local board unless he shall have a Shareholding in his own right of not less than £1,000
  - (c) may, without prejudice to the generality of the foregoing sub-paragraph (b)(i), remunerate out of the funds of the Society, and pay the reasonable expenses and any professional and other fees of, the members of any local board,
  - (d) may pay out of the funds of the Society the expenses of the Society and such sums as the Board may deem necessary or expedient to be paid in the interests of the Society, but no Director (other than a holder of any executive office) shall receive any payment save as is authorised by these Rules,
  - (e) may make, vary or revoke regulations for the conduct of its meetings and all affairs and business of the Society, provided that the same are not inconsistent with the Statutes, the Memorandum and these Rules,
  - (f) may authorise the use of all forms, instruments and other documents that it may deem necessary for the proper conduct of the business of the Society,
  - (g) may delegate any of its powers, duties, discretions and authorities relating to the business of the Society to –
    - (i) one or more Directors,
    - (ii) committees consisting of such Director or Directors, other Officer or Officers and/or employee or employees as it thinks fit,
    - (iii) one or more Officers or employees,provided that where the powers of the Board are delegated to a committee pursuant to (ii) above, the Board may make, vary or revoke without notice regulations for the membership of the committee and the conduct of its meetings (including but not limited to the quorum).
- The Board may also, by power of attorney or otherwise, appoint a Person or Persons to be the agent of the Society and may delegate to such Person or Persons any of its powers, duties, authorities or discretions for such purposes, for such time and on such terms and conditions (including as to remuneration) as it thinks fit. The Board may grant the power to sub-delegate and may retain or exclude the right of the Board to exercise the delegated powers, duties, authorities or discretions collaterally with the agent. The Board may at any time revoke or alter the terms and conditions of the appointment or delegation.
- (5) The Board may demand payment or reimbursement from any Person in respect of any cost, expense or liability that the Society may incur directly resulting from any act, default or neglect of such Person, or the carrying out of tasks considered by the Board to be outside the normal servicing of that Person's account.
- (6) The Board may determine and from time to time publish the policy of the Society in relation to the Periodic Distributions on any Core Capital Deferred Shares, which may include an expectation of future Periodic Distributions having regard to the ongoing profitability and long term viability of the Society, the need for the Society to ensure that it has adequate capital resources and such other factors as the Board considers appropriate. The policy must provide that any such expectation (if given) is indicative only and not legally binding on the Society and that Periodic Distributions may be paid at the absolute discretion of the Board. Periodic Distributions may be paid either out of profits made by the Society in the relevant Financial Year or, subject to applicable law and regulation, out of the reserves of the Society available for distribution.

## 13. Eligibility and Election of Directors

- (1) No Individual shall be elected or appointed as a Director unless –
- (a) his election or appointment complies with any binding requirement of the Statutes regarding the age of a Director at the time his election or appointment takes effect,
  - (b) he is qualified under Rule 14 at the date of his election or, in the case of appointment under Rule 25, the date of his appointment,
  - (c) he is not a minor,
  - (d) such Individual maintains in his own right a Shareholding with the Society of an amount not less than £1,000, and
  - (e) (except in the case of appointment under Rule 25, or nomination under paragraph (12) below, or where a Director retires under Rule 26), a nomination form in the form required by the Society, signed by not less than 150 Members who comply with the requirements of paragraph (4) below and addressed to the Secretary, has been delivered at the Principal Office. A nomination may be made at any time but, if made after the end of the Financial Year preceding the Annual General Meeting at which the vacancy in respect of which he is nominated is to be filled, the nomination shall be carried forward (unless the candidate otherwise requires) as a nomination for the next election of Directors at the next Annual General Meeting.

- (2) The nomination form shall contain the full name, address, age and occupation of the Individual nominated and his consent to be so nominated. The nomination form shall also –
- (a) give the full names and addresses of the Members proposing the Individual's nomination, and
  - (b) identify, in relation to each such Member, a share or mortgage account, or a holding of Deferred Shares, which will evidence the fact that the Member fulfils the condition set out in paragraph 4(a) below, and one or other of the conditions set out in paragraph 4(b) below.

If the Board wishes to object to a nomination form by virtue of any of the requirements of this Rule 13(2) not being met, it must do so within 14 days of the form being delivered to the Principal Office under Rule 13(1)(e).

- (3) In exercise of its duties pursuant to Rule 12(4)(a), the Board may require any Individual nominated for election as a Director to supply in writing in such form as the Board may specify, evidence as to his qualifications, financial and managerial experience, creditworthiness, competence and character and to complete in draft any form or questionnaire that, if elected, he would be required to submit to any regulatory authority in accordance with the Statutes.
- (4) The requirements with which a Member must comply in order to be eligible to nominate an Individual as a Director are as follows –
- (a) he must have been a Member for not less than 2 years before the date of nomination, and
  - (b) either –
    - (i) if he claims eligibility as a Shareholding Member, he must hold at that date Shares to the value of not less than £200, or
    - (ii) if he claims eligibility as a Borrowing Member, he must owe at that date a Mortgage Debt of an amount not less than £200, and, at all times during that period of 2 years, he must have been such a Shareholding Member or such a Borrowing Member, and

- (c) he must not be a minor at that date,

and for the purposes of paragraph (4)(a) above, the holder of a Deferred Share shall be treated as being a Member from the date on which such Member's name is entered in the Deferred Shares Register as the holder of that Deferred Share.

- (5) An Individual duly nominated for election as a Director shall deposit £500 with the Society not later than one week after the end of the Financial Year referred to in paragraph (1)(e) above, and an Individual so nominated who fails to lodge the required deposit money with the Society within the time required by this paragraph shall not be eligible for election.
- (6) An Individual duly nominated for election as a Director may furnish the Society with an election address or a revised election address and the Society shall be under a duty to send a copy of the address or revised address to each Member entitled to vote in the election if –
- (a) the address or revised address does not exceed 500 words,

- (b) the Society is furnished with the address or revised address before the end of the Financial Year referred to in paragraph (1)(e) above,
- (c) publicity for the address or revised address is not likely to diminish substantially the confidence in the Society of investing members of the public,
- (d) the right conferred by this paragraph on the Individual seeking election is not being abused to seek needless publicity for defamatory matter or for frivolous or vexatious purposes, and
- (e) the address or revised address relates directly to the affairs of the Society, and the Regulator shall hear and determine any dispute arising from sub-paragraph (c) above.

(7) Any Individual nominated for election as a Director may withdraw his name only by delivering a written notice of his withdrawal addressed to the Secretary at the Principal Office not later than 28 days after the end of the Financial Year during which his nomination was delivered at the Principal Office. In the event of such withdrawal the Board shall decide within one month after the date on which the Society received notice of his withdrawal whether all or any part of any deposit lodged by that person under paragraph (5) above shall be forfeited or returned to him.

(8) Elections of Directors shall be conducted either on a poll taken at the Annual General Meeting or, if the Board so determines, by postal ballot or electronic ballot (conducted in accordance with Rule 41) of the Members conducted during that part of the Financial Year which precedes the date of the Annual General Meeting. If an election is conducted by postal ballot or electronic ballot the following provisions of this Rule shall apply to the ballot by making any necessary consequential amendments.

Subject to paragraph 10(c) below, the vacancies shall be filled by those candidates obtaining the most votes in their favour. The Persons entitled to vote in an election of Directors are those Members who, on the voting date, are entitled to vote on an Ordinary Resolution.

The following provisions of this Rule shall apply to the poll –

- (a) the voting papers shall include the number of vacancies on the Board, the full names of all the candidates and any declarations required by the Statutes,
- (b) subject to paragraph (a) above, the Board shall prescribe or approve the form of the voting paper and may include such other declarations and denoting of retiring Directors as it thinks fit,
- (c) the voting shall be effected by the placing of an X after the names of the candidates for whom the votes are to be cast,
- (d) the voting paper shall be void if a Member votes for more candidates than there are vacancies to be filled.

(9) If on the election of Directors there are more candidates than vacancies to be filled by the election, each Member entitled to vote in the election -

- (a) shall have one vote in respect of every vacancy, but
- (b) cannot be required to cast all or any of his votes.

(10) If on the election of Directors there are not more candidates than vacancies to be filled by the election -

- (a) each Member entitled to vote in the election shall have one vote in respect of every candidate, but cannot be required to cast all or any of his votes,
- (b) each vote shall be capable of being cast either for or against the candidate concerned, and
- (c) a candidate shall be elected if, and only if, more votes are cast for him than against him.

(11) Within 14 days after the date of the election the Society shall return to an Individual who –

- (a) has been nominated for election as a Director, but
- (b) has not been elected,

the deposit money lodged by him under paragraph (5) above if, but only if, he secured not less than –

- (i) 5 percent of the total number of votes cast for all the candidates in the election, or
- (ii) 20 percent of the number of votes cast for the candidate who has been elected with the smallest number of votes,

whichever is the smaller, and the Society shall also return within a like period to a Member who has been nominated for election as a Director, and who has been elected as such, the deposit money so lodged by him.

- (12) If a vacancy arises on the Board after the last day of the Financial Year and before the conclusion of the Annual General Meeting held in the succeeding Financial Year for any reason including the death, disqualification or resignation of any retiring Director who was seeking re-election the Board may either -
- (a) without giving notice under Rule 33 substitute in that Director's place some other Member who has filled the vacancy under Rule 25 and who is at the date of that meeting -
    - (i) of an age such that no breach occurs of any binding requirement of the Statutes regarding the age of a Director, and
    - (ii) not a minor, and
    - (iii) qualified under Rule 14,to take the place of such retiring Director as a candidate for election and such Member shall be deemed to be a retiring Director, or
  - (b) reduce the number of vacancies to be filled at the Annual General Meeting by one in respect of each such event and any remaining vacancy on the Board shall be and become a vacancy which the Directors have power to fill under Rule 25.

## 14. Qualification of Directors

The qualification of a Director shall be that he holds in his own right a Shareholding to the value of not less than £1,000.

## 15. Appointment of Chairman and Vice-Chairman

- (1) At its first meeting after every Annual General Meeting the Board shall elect from its number a Chairman and if thought fit a Vice-Chairman who shall, subject to paragraph (3) below, hold office until the commencement of the first meeting of the Board held after the next Annual General Meeting unless either shall cease in the meantime to be a Director or shall resign the office. The Chairman shall preside at all meetings of the Board at which he is present and in the absence of the Chairman the Vice-Chairman shall take his place.
- (2) If the Chairman and the Vice-Chairman, if any so elected shall both be absent from a meeting of the Board or shall both decline to act as Chairman, the Directors present at that meeting shall elect a Director to be Chairman for the purposes of that meeting.
- (3) The Board may at any time remove the Chairman or the Vice-Chairman, if any, from office.
- (4) The Board shall fill from its number any casual vacancy (whether or not arising from the exercise of its power under paragraph (3) above) in the office of Chairman or Vice-Chairman and a Chairman or Vice-Chairman so elected shall, subject to paragraph (3) above, hold office until the commencement of the first meeting of the Board held after the next Annual General Meeting unless he shall cease in the meantime to be a Director or shall resign the office.

## 16. Meetings of Directors

- (1) The Board shall meet for the despatch of business as often as it shall find necessary and 5 Directors present at any Board meeting shall, subject only to the provisions of Rule 25(6), form a quorum.
- (2) Questions arising at a meeting shall be resolved by a majority of votes and, in the case of an equality of votes, the Chairman of the meeting shall have a second or casting vote.
- (3) A Director may, and the Secretary at the request of a Director shall, call a meeting of the Board.
- (4) This paragraph applies to any Board meeting, other than one at which it is intended to move a resolution of the kind specified in Rule 24(2). Where this paragraph applies, notice of a Board meeting shall be deemed to be duly given to a Director if:

- (a) it is given to him personally or by word of mouth, or
- (b) it is given to him by electronic means at an electronic address which he has supplied to the Society for the purpose, or
- (c) it is sent in writing to his last known address within the United Kingdom or any other address within the United Kingdom which he has supplied to the Society for the purpose.

It shall not be necessary to give notice of a Board meeting to a Director who is absent from the United Kingdom unless the Director has notified the Society in writing of an address in the United Kingdom or an electronic address at which notice of such meetings is to be given to him when he is absent from the United Kingdom. A Director may waive the requirement that notice of any Board meeting be given to him, either prospectively or retrospectively.

- (5) A notice given under paragraph (4) above shall state the business to be transacted at the meeting.
- (6) Subject to paragraphs (1) to (5) above and the approval of the Chairman of the meeting, all or any members of the Board, or any committee of the Board, or any local board, may participate in a meeting of the Board, or that committee, or local board, by means of a conference telephone or any other communications equipment which allows all Individuals participating in the meeting to hear, or both see and hear, each other. An Individual so participating shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly. Such a meeting shall be deemed to take place where the largest group is assembled or, if there is no such group, where the Chairman of the meeting is present.

## 17. Minutes

The Board shall cause minutes to be taken of all proceedings at all meetings of the Society, of the Board, of any committee and of any local board. Any such minutes of any meeting if purporting to be signed by the Chairman of that meeting or by the Chairman of the next succeeding meeting (or in the case of any Annual General Meeting or special general meeting, by the Chairman at a Board meeting following the relevant general meeting) shall be conclusive evidence without any further proof of the facts stated in those minutes.

## 18. Validity of Acts

- (1) All acts done by the Board, or any committee, or any local board, shall be valid even though it might afterwards be discovered that there was some defect in the constitution of the Board, or committee, or local board, or in the election, or re-election, or appointment, of any member of the Board, or committee, or local board, or Individual acting as such. Likewise, such acts shall not be invalidated by reason of the fact that any Individual acting in such capacity was disqualified from holding office, or was not entitled to vote.
- (2) A resolution in writing signed by all the members of the Board or of a committee of Directors or any local board shall be as valid and effectual as if it had been passed at a meeting of the Board or (as the case may be) a committee of Directors or any local board duly convened, constituted and held and may consist of several documents (which may be or include Electronic Communications) in a like form each signed by one or more Directors or (as the case may be) members of the local board.

## 19. Remuneration and Expenses of Directors

- (1) The annual remuneration of the Directors as members of the Board (exclusive of any remuneration paid in respect of executive duties) shall be paid at a rate to be determined by the Board from time to time but not exceeding 5 pence per one hundred pounds of total assets of the Society as at the first day of the Financial Year in which payment is made. This remuneration shall be divisible among the Directors in such proportion as may be agreed among them by a majority decision and, in default of agreement, in equal shares.
- (2) In addition to such remuneration, any Director may be paid such reasonable travelling, accommodation and other expenses as he might incur while attending Society business with the approval of the Board. He may also, by resolution of the Board, be paid for professional or other work done by him on behalf of the Society in addition to his usual services as a Director.

## 20. Offices of Profit

- (1) A Director may hold any office or place of profit with the Society (other than the office of auditor or valuer) simultaneously with his office of Director and may be appointed by the Board to an office or place of profit with any body corporate in which the Society is, or will be, interested.
- (2) A Director so appointed to an office or place of profit with a body corporate in accordance with paragraph (1) above shall disclose to the Board any benefit he derives from any such office or place in the Financial Year in which it is received.
- (3) A Director, notwithstanding his interest, may be counted in the quorum present at any meeting at which he or any other Director is appointed to hold any office or place of profit with the Society or with any body corporate in which the Society is, or will be, interested or at which the terms of any such appointment are arranged. He may vote on any such appointment or arrangement other than his own appointment or the arrangement of the terms of that appointment.

## 21. Interest in Contracts

- (1) Subject to a Director's complying with the provisions for the time being of the Statutes that –
  - (a) require him to declare to the Board any direct or indirect interest he might have, or be treated as having in any contract to which the Society is a party,
  - (b) prohibit particular contracts,
  - (c) require a contract to be approved by a resolution of a general meeting, or
  - (d) require him to furnish to the Society particulars of any related business,he may enter into or be interested, whether directly or indirectly, in contracts with the Society and shall not be disqualified from office as a result of his interest, nor shall he be liable to account to the Society for any profit arising out of any such contract to which he is a party or in which he is interested by reason of his being at the same time a Director.
- (2) Except as required by Rule 19(1), no Director may vote as a Director in regard to any contract, or proposal for a contract, in which he is interested, whether directly or indirectly, or upon any matter arising out of it. If he shall so vote, his vote shall not be counted nor shall he be reckoned in estimating a quorum when any such contract, or proposal for a contract, is under consideration.
- (3) Notwithstanding anything contained in this Rule, the prohibition contained in the foregoing paragraph (2) may at any time or times be suspended or relaxed to any extent by resolution at a general meeting of the Society.
- (4) In this Rule the term "contract" includes any transaction or arrangement. For the avoidance of doubt, the word "interest" in this Rule does not include any interest a Director may have as a director of a wholly owned connected undertaking of the Society or as a Member.

## 22. Appointment of Officers, Employees and Others

- (1) The Board shall appoint and may terminate the appointment of the Chief Executive and the Secretary.
- (2) The Board may also –
  - (a) appoint and terminate the appointment of a Manager and such employees, advisers, bankers and agents as the Board may at any time determine,
  - (b) appoint under this Rule more than one Individual to any office or place of profit with the exception of the offices of Chief Executive and Secretary, and may require from any Person appointed under this Rule such guarantees as in its judgment shall appear necessary.
- (3) The powers and duties of Persons appointed under this Rule shall be those given them from time to time by the Board which may pay them such salaries, wages, remunerations, fees, commissions and bonuses (whether or not section 67 of the Building Societies Act 1986 would otherwise apply to such commissions or bonuses but not so as to contravene sub-section (5) of that section), compensation for loss of office or of employment, fees and other remuneration as it may consider desirable.

## 23. Indemnity to Directors, Officers and Employees

- (1) Every Director, every other Officer and every employee of the Society shall be indemnified by the Society against any liability in respect of losses, costs, charges, damages and expenses which might arise from, or in the course of, his duties, but not against any such liability as, by virtue of any rule of law or of the Statutes, would attach to him in respect of any negligence, default, breach of duty or breach of trust of which he might be guilty in relation to the Society. He shall, however, be indemnified against any liability incurred by him in defending any proceedings whatsoever, whether civil or criminal, arising out of his duties in relation to the Society in which judgment is given in his favour or in which he is acquitted.
- (2) The Society may make arrangements to provide and pay for insurance in respect of any such indemnity or liability as is mentioned in paragraph (1) above.

## 24. Vacation of Office and Disqualification

- (1) A Director shall cease to hold office –
  - (a) if he resigns his office by notice in writing to the Secretary on the date specified in the notice or, if none, the date that the notice is received by the Secretary,
  - (b) if he ceases to hold in his own right a Shareholding of not less than £1,000 as prescribed by Rule 14,
  - (c) if he takes up a permanent residence outside the United Kingdom,
  - (d) if he is requested in writing by a majority of his co-Directors to resign and a resolution that he has vacated office is thereafter passed at a meeting of the Board by at least a majority of the members of the full Board,
  - (e) if for more than six consecutive months he absents himself without permission of the Board from meetings of the Board held during that period and the Board passes a resolution that he has vacated office,
  - (f) if he becomes bankrupt or is sequestrated or compounds or makes any arrangement with his creditors generally,
  - (g) if he is, or might be, suffering from mental disorder and either –
    - (i) he is admitted to hospital in pursuance of an application for admission for treatment under the provisions of the Mental Health Act 1983 or he is admitted to hospital under the provisions of the Mental Health (Care and Treatment) (Scotland) Act 2003 or the provisions of the Mental Health (Northern Ireland) Order 1986, or
    - (ii) a registered medical practitioner who is treating that person gives a written opinion to the Society stating that he has become physically or mentally incapable of acting as a Director and may remain so for more than three months,
  - (h) upon a resolution of which notice has been given under Rule 34(2)(a) that he shall cease to be a Director passed by a majority of the votes cast on a poll at a general meeting –
  - (i) if, whilst a Director of the Society and without the consent of the Board, he accepts the office of a director or officer in, or employment by, any other building society or any other organisation, company or body deemed by the Board to be in direct competition with the business of the Society,
  - (j) if he retires at the conclusion of an Annual General Meeting as a result of any binding requirement of the Statutes regarding retirement of a Director by reason of his age,
  - (k) if he becomes prohibited by law from being a Director,
  - (l) if he contravenes Rule 21(1) by knowingly or recklessly failing to declare an interest and the Board passes a resolution that he has vacated office,
  - (m) If the Board passes a resolution that the Director shall vacate office after either of the following has occurred –
    - (i) the Regulator has made it a condition of the Society's continued authorisation that the Director should cease to hold office or has imposed a requirement or made a recommendation that he should cease to hold office,
    - (ii) the Director has failed to obtain or maintain any personal authorisation required from the Regulator relevant to the office of Director,
  - (n) in the case of a Director who holds executive office, if his appointment to such office is terminated or expires and the Board resolves that his office be vacated.

- (2) The Secretary shall give not less than 14 clear days' notice in writing to all Directors of a meeting of the Board at which it is intended to move a resolution regarding vacation of office by a Director. The notice shall set out the proposed resolution and, if all the requirements of this paragraph are not complied with, the resolution, even if passed, shall be of no effect. The provisions of Rule 48(2) shall be deemed to apply to any such notice.

## 25. Filling of Casual Vacancies

- (1) In the case of any vacancy not occasioned by the retirement of any Director pursuant to Rule 26(1), the Board may at any time, and from time to time, appoint an Individual as a Director to fill such vacancy.
- (2) If the Board resolves to increase the number of Directors within the limitations prescribed by Rule 12(1), the Board may appoint an Individual as an additional Director in order to fill any vacancy.
- (3) The Board shall appoint under this Rule only an Individual who –
  - (a) appears to it to be fit and proper to be a Director, and
  - (b) is qualified under Rule 13 (as far as that Rule is applicable), and
  - (c) is not an Individual who, having been nominated for election as a Director at any election held within the preceding 12 months, was not elected as a Director.
- (4) A Director appointed under this Rule shall hold office until the conclusion of the Annual General Meeting next following such appointment but, if he is appointed on a date falling within a period commencing with the beginning of the Financial Year and ending with the Annual General Meeting held in that year, he shall (unless otherwise determined by the Board) not retire at that Annual General Meeting but –
  - (a) at the conclusion of the next Annual General Meeting, or
  - (b) at the expiration of the period of 16 months beginning with the date of his appointment, whichever is the earlier.
- (5) A Director appointed under this Rule and retiring under paragraph (4) above shall be eligible for election without nomination, provided that he is qualified under Rule 14 at the date of the Annual General Meeting at which he retires and is not ineligible by reason of his age on that date.
- (6) Notwithstanding any vacancies on the Board, the remaining Directors may continue to act. If at any time the number of Directors falls below the minimum of 8 prescribed by Rule 12, the Board so constituted, although its members are insufficient to form a quorum, may act by a majority of its members for a maximum period of 6 months but the Chairman shall, notwithstanding Rule 16(2), not have a second or casting vote.

## 26. Retirement at each Annual General Meeting

- (1) In addition to any Director retiring under Rule 24(1)(j) or 25(4) all other Directors shall retire from office at the Annual General Meeting in each year.
- (2) A Director retiring under this Rule shall be eligible for re-election without nomination provided he is qualified under Rule 14 at the date of the Annual General Meeting at which he retires and is not ineligible by reason of his age on that date and he shall retain office until the conclusion of that meeting.

## 27. Reserves

- (1) The Board may set aside to reserve sums whether for particular purposes or otherwise. Subject to the Statutes or regulations made under the Statutes or other applicable regulations, the revenue and reserve funds may be drawn upon for such purposes of the Society as the Board may think fit and in particular for the payment of interest, distributions and bonuses, or any of them, on Shares at such rates and in such manner as the Board may from time to time determine (but subject to the terms and conditions of issue of any Shares and any restrictions contained in these Rules).
- (2) Any Core Capital Deferred Share must be issued on terms that limit the amount of the Periodic Distributions that may be paid on any such Core Capital Deferred Share in respect of any given Financial Year to not more than the applicable Periodic Distributions Cap, in order to protect the reserves of the Society.

## 28. Losses

- (1) For the purposes of this Rule liabilities and assets shall be determined at the figures at which they are taken into account in a balance sheet of the Society.
- (2) If the accounting records show a loss in respect of any Financial Year, that loss shall be borne first by the Society's reserves (if any). If the reserves are insufficient to meet the loss in full, the balance of the loss following depletion of the reserves shall be met by the holders of Deferred Shares, or subordinated debt and, if applicable, other debt in accordance with the terms of those Shares and debts and all applicable laws and regulations. The foregoing provisions of this paragraph shall be without prejudice to any loss absorption by Deferred Shares or debt before depletion of the reserves in the manner and circumstances provided in the terms and conditions of such Deferred Shares or debt or otherwise as provided by applicable law and regulation.
- (3) If at any time the accounting records disclose that the liabilities exceed the assets, the Board shall take such steps as it may deem necessary in the interests of the Society; for example, it may put to the Members proposals, including proposals to deal with the situation as follows –
  - (a) the transfer of all the Society's engagements to an existing building society or company with or without the writing down of the Deferred Shares (if any), or
  - (b) the winding up of the Society.
- (4) No Person who has been lent money by the Society and who does not hold a Share shall be liable for any loss incurred by the Society other than a loss incurred in connection with such lending but, if that Person also holds Shares, he shall be liable in respect of that Shareholding.

## 29. Pension and Other Schemes and Funds

- (1) In this Rule the term "Officers" excludes any Director who does not hold or has not held any executive position in the Society in addition to that of Director.
- (2) The Board may from the Society's resources and on such terms as it thinks fit provide, establish, maintain and administer pension, life assurance, sickness, annuity and other funds or schemes (whether contributory or not) for the benefit of -
  - (a) past, present or future Officers and employees of the Society,
  - (b) past and present Officers and employees of any society with which the Society might merge in the future,
  - (c) the spouses, children and dependants of Individuals referred to in sub-paragraphs (a) or (b) above.
- (3) In addition to the powers aforesaid the Board may grant on such terms as it thinks fit other pensions, allowances, gratuities, donations and bonuses to or for the benefit of -
  - (a) past or present Officers and employees of the Society,
  - (b) past Officers and employees of a society with which the Society has merged,
  - (c) any spouses, children or dependants of Individuals mentioned in (a) or (b) of this paragraph.
- (4) The Board may make, vary and revoke the rules of any such fund or scheme as is mentioned in paragraph (2) (to such extent as this power is not as a result prohibited, or is found permissible) and may constitute any trust and may from time to time at its discretion exercise any powers reserved to the Society by the terms of any trust constituted by the Society including the power of modifying or discontinuing the terms of any such trust or any rules or regulations that may be or may have been made pursuant to it.

## 30. Annual General Meeting

- (1) The Society shall hold an Annual General Meeting in each Financial Year, at such hour, date and place as the Board shall determine.
- (2) The Board shall lay before the Members at the Annual General Meeting the Annual Accounts of the Society for the last Financial Year before the date of that meeting, and shall also submit to them a report by the Board (called in these Rules "the Directors' Report") on the business of the Society, which Directors' Report shall include the information required by or under the Statutes.

- (3) In these Rules “Annual Accounts” means the classes of document (including the notes to them) the Society is required (unless otherwise exempted) by or under the Statutes to prepare by way of accounts for itself individually and, if it has subsidiary undertakings, by way of group accounts for itself and those subsidiary undertakings.
- (4) The report of the auditors on -
- (a) the Annual Accounts laid before the Annual General Meeting, and
  - (b) to the extent required by the Statutes, the annual business statement of the Society and the Directors’ Report shall be open to inspection by any Member at that meeting.
- (5) No business shall be transacted at an Annual General Meeting, and no resolution shall be brought forward at any such meeting, except as might arise upon -
- (a) the Annual Accounts laid before the meeting,
  - (b) the annual business statement for the last Financial Year before the date of the meeting,
  - (c) the Directors’ Report submitted to the meeting,
  - (d) the report of the auditors on the documents listed in (a) to (c) above,
  - (e) the election and re-election of Directors,
  - (f) the appointment or re-appointment of auditors,
  - (g) a motion for a resolution (whether Special Resolution or Ordinary Resolution), notice of intention to move which at the meeting has been duly given to the Society by 500 Qualified Members (as defined in Rule 34(1)(a)) not later than the last day of the Financial Year preceding that in which the meeting is held,
  - (h) business (including a motion for a resolution, whether Special Resolution or Ordinary Resolution, or a motion for a Shareholding Members’ or Borrowing Members’ Resolution) brought before the meeting by the Board, and
  - (i) notification of any merger or transfer proposal required by the Statutes.

## 31. Special Meetings

- (1) All general meetings other than Annual General Meetings shall be called special general meetings.
- (2) The Board may, whenever it thinks fit, convene a special general meeting.
- (3) (a) The Board shall convene a special general meeting on the requisition of not less than 500 Members qualified under paragraph (4) below, and specify the meeting as such in the notice calling it. Subject to the provisions of sub-paragraph (b) below, the requisition shall state the objects of the meeting, and the full text of any resolution which the requisitioners wish to move at the meeting, (neither of which must include the election of a Director or a resolution which, if passed, would purport to interfere with the Directors’ right and duty to manage the affairs of the Society). The requisition shall be signed by the requisitioners and deposited at the Principal Office and may consist of several documents in like form each signed by one or more requisitioners, provided that each document is deposited within 3 months of the date on which the first was deposited . A deposit of £50 in respect of each requisitioner signing the requisition shall be lodged with it. If within half an hour after the time appointed for the meeting a quorum is not present, all such deposits shall be forfeited but if a quorum is present the Members present and entitled to vote at the meeting shall decide by Ordinary Resolution whether the deposits shall be appropriated either wholly or in part towards the expenses of convening and holding the meeting and to any extent to which the deposits are not so appropriated they shall be returned by the Society to the requisitioners equally.  
  
If required by the requisition, the Board shall, subject to sub-paragraph (c) below, send to each Member entitled to receive notice of the meeting a copy of a statement of not more than 500 words with respect to the matters to be dealt with at the meeting.
- (b) The Board shall be under no duty to convene such a special general meeting if -
  - (i) the only or main object of the meeting as stated in the requisition is to move a resolution in substantially the same terms as any resolution which has been defeated at a meeting or on a postal ballot or electronic ballot during the period beginning with the third Annual General Meeting before the date on which the requisition is deposited at the Principal Office, or
  - (ii) the date of the meeting called in accordance with paragraph (5) below would fall during the period of four months beginning one month after the end of the Financial Year.

- (c) The Board shall be under no duty to send copies of a statement to Members entitled to receive notice of the meeting in any case where -
- (i) the statement does not relate directly to the affairs of the Society, or
  - (ii) publicity for the statement would be likely to diminish substantially the confidence in the Society of investing members of the public, or
  - (iii) the rights conferred by paragraph (a) above are being abused to seek needless publicity for defamatory matter or for frivolous or vexatious purposes, and the Regulator shall hear and determine any dispute arising from sub-paragraph (ii) above.

(4) A Member shall be qualified under this paragraph for the purposes of paragraph (3) above if he -

- (a) has or had a Shareholding to the value of not less than £100 or owes or owed to the Society a Mortgage Debt of not less than £100 on the qualifying date, and
- (b) had held such a Shareholding or owed such a Mortgage Debt for a continuous period of not less than 2 years ending with the qualifying date, and
- (c) is not a minor,

and in (a) and (b) above the "qualifying date" is either the date of deposit of the sole requisition or the date of deposit of the last requisition sufficient to comply with the requirements of paragraph (3).

For the purposes of this paragraph (4), the value of a Deferred Share shall be counted as held by a Member only if, at the qualifying date, the Member was entered in the Deferred Shares Register as the holder of that Deferred Share.

In addition, to be qualified under this paragraph for the purposes of paragraph (3) above, a Member must -

- (i) state his full name and address, and
- (ii) identify a share account or a holding of Deferred Shares or mortgage account, with the Society which will evidence the fact that he fulfils the conditions set out in paragraphs (a) and (b) above.

If the Board wishes to object to the requisition by virtue of any of the requirements of this paragraph or paragraph (3) above not being met, it must do so within 14 days of the requisition or document being deposited at the Principal Office.

(5) If the Board does not within 28 days after the date of deposit of the sole requisition or the date of deposit of the last requisition sufficient to comply with the requirements of paragraph (3) above proceed to despatch notices convening a meeting to be held within 63 days after that date, the requisitioners or any proportion of them exceeding one-half may themselves convene a special general meeting, but any meeting so convened shall not be held after the expiration of five months from the date of the deposit of the sole or last requisition. The meeting so convened by the requisitioners shall be convened in the same manner, as nearly as possible, as that in which meetings are convened by the Board and notices of it shall be sent by post to the Persons entitled to it under Rule 33(3).

The Board or, as the case may be, the requisitioners shall give to the Members notice of any resolution the requisitioners propose to move at the meeting at the same time and in the same manner as notice is given of the meeting.

If the Board is required under paragraph (3)(a) above to send a statement to Members entitled to receive notice of the meeting and does not comply with the requirement within 28 days from the date of the deposit of the sole requisition or the date of deposit of the last requisition, not less than one half of the requisitioners themselves may send a copy of the statement to each Member entitled to receive notice of the meeting.

Any days falling within the period mentioned in paragraph (3)(b)(ii) above shall be disregarded in determining any period for the purposes of this paragraph.

Any reasonable expenses incurred by the requisitioners by reason of the failure of the Board duly to convene a meeting shall be paid to those requisitioners by the Society. Any sum so paid shall be recovered by the Society from the defaulting Directors (whether by way of retention of fees or other remuneration in respect of services, or otherwise).

(6) No business shall be entertained at any special general meeting except such as shall be stated in the notice convening the meeting or, (where applicable), to decide by Ordinary Resolution whether the deposits mentioned in paragraph (3)(a) above shall be appropriated either wholly or in part towards the expenses of convening and holding the meeting.

(7) Except where the requisitioners themselves convene a special general meeting under paragraph (5) of this Rule, special general meetings shall be held at such hour, date and place as the Board shall determine.

- (8) The accidental omission to give, send or deliver a statement to, or the non-receipt of a statement by, any Person entitled to receive a statement shall not invalidate the proceedings at that meeting.

## 32. Means of Participation in Meetings

- (1) The Board may make arrangements for Members to attend and participate in Annual General Meetings and/or special general meetings by –
- (a) attendance at a physical meeting place,
  - (b) simultaneous attendance and participation at a Secondary Meeting Place, and/or
  - (c) using an Electronic Platform.
- (2) An Annual General Meeting and/or a special general meeting may be held –
- (a) solely as a physical meeting,
  - (b) subject to the Statutes, by offering Members the option to attend and participate at a physical meeting place (which may include a Secondary Meeting Place) or by using an Electronic Platform, or
  - (c) subject to the Statutes, solely as an electronic meeting accessible by using an Electronic Platform.
- (3) A Member is present at an Annual General Meeting or special general meeting for the purposes of these Rules if –
- (a) being an Individual, he attends in person,
  - (b) being a body corporate, a Corporate Representative attends in that capacity in person, or
  - (c) a person appointed as his or its proxy or attorney (or any person specified in paragraph (7) of Rule 38) attends in person,
- including in each case, where permitted by the Board in accordance with these Rules, attendance at any Secondary Meeting Place or by using an Electronic Platform.
- (4) Where the Board decides that Members may attend and participate in an Annual General Meeting or a special general meeting by using an Electronic Platform, the notice of meeting given under Rule 33 shall set out details of the Electronic Platform for the meeting (and any access arrangements for such Electronic Platform shall be communicated to Members, either in the notice or otherwise).
- (5) Details of any physical meeting place, Secondary Meeting Place and/or Electronic Platform that shall be stated in a notice of meeting given under Rule 33 shall constitute the place of such meeting.
- (6) Arrangements shall be made for any documents which are required to be made available for inspection by Members at an Annual General Meeting or a special general meeting to be available for inspection at any Secondary Meeting Place (in addition to the principal physical meeting place) and by any Members who attend and participate in the meeting by using an Electronic Platform.
- (7) Any persons wishing to attend an Annual General Meeting or a special general meeting (whether at any principal physical meeting place or any Secondary Meeting Place, or by using an Electronic Platform) shall be required to comply with any identification procedures and security arrangements as the Board shall reasonably specify from time to time.

## 33. Notice of Meetings

- (1) At least 21 clear days' notice, calculated from the final date for the receipt of proxies under Rule 39(3), in writing of every general meeting (whether an Annual General Meeting or a special general meeting) specifying the hour, date and place of the meeting shall be given to Members as provided in paragraph (3) of this Rule. The notice shall specify –
- (a) the nature of any resolution to be moved at the meeting and of the other business to be transacted at it, and
  - (b) the full name of each candidate for the office of director or auditor, unless in the case of an Individual nominated under Rule 13(12) the nomination has been made, or in the case of an auditor his nomination has been received, too late for his candidature to be included in, or to accompany, the notice.

The notice shall state that –

- (i) a Member entitled to attend and vote may appoint one proxy to attend and, on a poll, vote at the meeting instead of him, and

- (ii) the proxy need not be a Member of the Society, and
- (iii) the Member may direct the proxy how to vote at the meeting.

- (2) The Annual General Meeting shall be described as such in the notice of meeting.
- (3) Notice of meeting shall be given to every Member who would be eligible to vote at the meeting under the provisions of Rule 38 if the meeting were held on the date of the notice. Notice shall also be given to every Person who -
- (a) becomes a Shareholding Member or Borrowing Member of the Society after the date of the notice and before the specified date, or
  - (b) being such a Member at the date of the notice, attains the age of 18 after that date and on or before the date of the meeting,
- and who would (in either case) be eligible to vote at the meeting if he remained such a Member until the date of the meeting. The "specified date" means the date specified by the Society as the final date for the receipt of proxies under Rule 39(3).
- (4) Subject to Rule 48(3) to (5), a notice of meeting shall, unless otherwise specified, be given in accordance with Rule 48(2). In paragraphs (5) to (9) below, the term "notice" includes any Members' Notice given or statement duly lodged and required to be sent by Rule 34(2) and any election address, or revised election address, required to be sent by Rule 13(6).
- (5) A notice of meeting shall be given by the Society to -
- (a) joint Shareholding Members, or
  - (b) joint Borrowing Members,
- either by giving it personally or by sending or delivering it to the Representative Joint Shareholder or (as the case may be) the Representative Joint Borrower at his Registered Address or at any electronic address which he has notified for the purpose.
- (6) A notice of meeting shall be given by the Society to the Persons who, in consequence of the death or bankruptcy of a Member, are entitled -
- (a) to a Share, or
  - (b) to land already in mortgage to the Society,
- either by giving it personally or by sending or delivering it, addressed to them by name, or by the title of representatives of the deceased, or trustee of the bankrupt, or by any like description, to the address, if any, supplied for the purpose by the Persons claiming to be so entitled, or (until such an address has been so supplied) by sending the notice through the post to the Registered Address of the deceased or bankrupt Member.
- (7) A notice of meeting shall be given to the holder of a power of attorney which has been duly registered in the records at the Principal Office by giving it personally or by sending or delivering it to the registered address of the holder of the power of attorney, and shall relieve the Society of the obligation to give notice to the Member who gave the power.
- (8) If a Member is suffering from mental disorder a notice of meeting shall be given by the Society to his deputy, curator bonis or other Person in that behalf appointed by any court having jurisdiction (whether in the United Kingdom or elsewhere) in matters concerning mental disorder. Such a notice shall be given to such Person personally or by sending or delivering it to the address supplied for the purpose by the aforesaid deputy, curator bonis or other Person or, until such an address has been so supplied, by sending the notice by post to the Registered Address of the Member.
- (9) Neither -
- (a) the accidental omission to give, send or deliver a notice of meeting to any Person entitled to receive it, nor
  - (b) the non-receipt of a notice of meeting by any Person entitled to receive it, nor
  - (c) subject to compliance by the Society with applicable laws, the inability of any Person entitled to attend a general meeting to attend any physical meeting place (including any Secondary Meeting Place) and/or participate in the business of the meeting by using an Electronic Platform (whether as a result of any technical difficulties in relation to such Electronic Platform or otherwise), shall not invalidate the proceedings at that meeting.

## 34. Entitlement to Propose Resolutions

(1) For the purposes of the following paragraphs of this Rule the following expressions shall have the following meanings –

(a) “Qualified Member” means a Member who has been a Member for not less than 2 years before the qualifying date, was not a minor on the qualifying date, and either –

- (i) holds or held Shares to the value of not less than £100 on the qualifying date, or
- (ii) owes or owed a Mortgage Debt to the Society of an amount not less than £100 on the qualifying date,

and

- (iii) at all times during that period of 2 years, was such a Shareholding Member or such a Borrowing Member,

and in this paragraph the “qualifying date” is the date on which the notice of intention to have the resolution moved is given to the Society.

For the purposes of this sub-paragraph (a), the value of a Deferred Share shall be counted as held by a Member only if, at the qualifying date, the Member was entered in the Deferred Shares Register as the holder of that Deferred Share.

(b) “Requisite Number” means 500, and

(c) “Members’ Notice” means a notice given to the Society in writing (whether in one or more documents) by at least the Requisite Number of Qualified Members, of their intention to have moved on their behalf at an Annual General Meeting a resolution that is specified in the notice and is either a Special Resolution or an Ordinary Resolution, but is not a Shareholding Members’ Resolution or a Borrowing Members’ Resolution.

The notice must –

- (i) be signed by the Members giving the notice,
- (ii) state the full names and addresses of those Members, and
- (iii) identify, in relation to each such Member, a Share or Mortgage account, or a holding of Deferred Shares, which will evidence the fact that the Member fulfils the conditions set out in sub-paragraph (a)(i) and (iii) above or (as the case may be) the conditions set out in sub-paragraph (a)(ii) and (iii) above.

If the Board wishes to object to a Members’ Notice by virtue of any of the requirements of Rule 34(1)(c)(i) to (iii) not being complied with, it must do so within 14 days of the notice being given to the Society.

(2) If the Society receives a Members’ Notice, (subject to paragraphs (3) and (4) below) the Board shall –

(a) include in the notice of the Annual General Meeting a notice specifying the intention of those Members moving it to have the resolution moved on their behalf at that meeting and, if applicable, the intention to move it as a Special Resolution, and

(b) at the request of the Qualified Members intending to have the resolution moved on their behalf, include in the notice of that meeting to each Member entitled under Rule 33(3) above to receive notice of that meeting a copy of any statement of not more than 500 words with respect to the matter referred to in the resolution.

(3) The Board shall be under no duty –

(a) to include a Members’ Notice in the notice of the Annual General Meeting, or

(b) to send to Members such a statement as is mentioned in paragraph 2(b) above,

if –

- (i) the Members’ Notice (or the last of the documents sufficient to enable it to comply with the requirements of paragraph 1(c) above) and, if submitted, any statement given (of the kind mentioned in paragraph 2(b) above) are given to or lodged with the Society later than the last day of the Financial Year preceding that in which the Annual General Meeting at which it is intended to move the resolution is held, or
- (ii) the resolution specified in the Members’ Notice and, if lodged, any such statement does not relate directly to the affairs of the Society, or
- (iii) publicity for the resolution specified in the Members’ Notice or, as the case may be, the statement would be likely to diminish substantially the confidence in the Society of investing members of the public, or
- (iv) the rights conferred by paragraph (2) above are being abused to seek needless publicity for defamatory matter or for frivolous or vexatious purposes, or

- (v) the resolution specified in the Members' Notice is in substantially the same terms as any resolution that has been defeated at a meeting or on a postal ballot or electronic ballot during the period beginning with the third Annual General Meeting before the date on which the Members' Notice (or the last of the documents sufficient to enable it to comply with the requirements of paragraph 1(c) above) is given to the Society, or
- (vi) the resolution if passed would purport to interfere with the Directors' right and duty to manage the affairs of the Society,

and the Regulator shall hear and determine any dispute arising from sub-paragraph (iii) above.

- (4) If it is not practicable for any reason to include a Members' Notice, duly given, within the notice of the Annual General Meeting, the Members' Notice so given together with any statement, duly lodged, as mentioned in paragraph 2(b) above shall be sent along with the notice of that meeting. If, however, that is not practicable, the Members' Notice so given and any statement so lodged shall be sent as soon as practicable after the despatch of the notice of that meeting.

## 35. Quorum at Meetings

- (1) No business shall be considered at any Annual General Meeting or special general meeting unless a quorum is present at the time when the meeting proceeds to business and, subject to Rule 35(3) below in the case of an adjourned meeting, a quorum shall be constituted for all purposes as follows –
  - (a) except where sub-paragraph (b) below applies, by 10 Members present and entitled to vote on a show of hands under Rule 38(5),
  - (b) in the case of a special general meeting requisitioned under Rule 31(3), by 100 Members present and entitled to vote on a show of hands under Rule 38(5).
- (2) If no quorum shall be present within half an hour after the time appointed for the Annual General Meeting or special general meeting, the Chairman of the meeting shall adjourn it to such hour, date and place as he shall direct, unless it is a special general meeting requisitioned under Rule 31(3) whereupon the Chairman of the meeting shall dissolve it.
- (3) At an adjourned meeting, two Members present and entitled to vote on a show of hands under Rule 38(5) shall constitute a sufficient quorum.

## 36. Procedure at Meetings

- (1) The Chairman of the Board or, in his absence, the Vice-Chairman of the Board shall preside at every meeting of the Society. If there is no such Chairman or Vice-Chairman or if neither the Chairman nor the Vice-Chairman is present within fifteen minutes after the time appointed for the meeting or if both the Chairman and the Vice-Chairman are unwilling to act, the Directors present shall elect one of their number to be Chairman of the meeting. If at any meeting no Director is willing to act as Chairman, or if no Director is present within fifteen minutes after the time appointed for the meeting, the Members present and entitled under Rule 35(1) above to be included in the quorum for the meeting shall choose one of their number who is present to be the Chairman of the meeting.
- (2) Subject to the Statutes and these Rules every question submitted to an Annual General Meeting or special general meeting shall be decided by a simple majority and such votes shall be taken in the first instance by a show of hands unless, before the show of hands, a poll is validly demanded under Rule 36(3).
- (3) A poll may (before or on the declaration of the result of the show of hands) be demanded by –
  - (a) the Chairman of the meeting, or
  - (b) 10 Members who are entitled to vote at the meeting and are present in person, by proxy, by attorney, by Corporate Representative or by a Person specified in Rule 38(7),and in the event of such a demand, a poll shall be taken in accordance with paragraph (10) of this Rule, but no poll shall be permitted upon a resolution to appoint a Chairman.
- (4) Unless a poll be so demanded, a declaration by the Chairman that a resolution on a show of hands has been carried, or carried unanimously, or by a particular majority, or lost, or not carried by a particular majority, and an entry to

that effect in the minutes of the meeting shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of, or against, such resolution.

- (5) If a motion for a Special Resolution or an election of Directors is to be put to the vote of the meeting or there is a contest for the office or appointment of auditor, a poll shall be deemed to have been demanded by the Chairman.
- (6) Except in the case of a motion for a Special Resolution or of an election of Directors or of a contest for the office or appointment of auditor, the demand for a poll may, before the poll is taken, be withdrawn but only with the consent of the Chairman, and a demand so withdrawn shall not be taken to have invalidated the result of a show of hands declared before the demand was made.
- (7) If a poll is duly demanded in accordance with paragraph (3), it shall be taken at the meeting at which it is demanded or, if the Chairman so decides, at an adjourned meeting and in either case (subject to Rules 13(8), (9) and (10) in the case of an election of Directors and to Rule 43(6) in the case of a contested appointment of auditors) in such manner, subject to paragraph (9) below, as the Chairman directs and the result of the poll, shall, notwithstanding Rule 37(2), be deemed to be the resolution of the meeting or adjourned meeting at which the poll was taken. The Chairman may, in the event of a poll, appoint the scrutineers (who need not be Members) and may adjourn the meeting or adjourned meeting to some hour, date and place fixed by him for the purpose of declaring the result of the poll.
- (8) A poll demanded on a question of adjournment shall be taken forthwith and the result declared immediately upon the conclusion of the taking of the poll. A poll demanded on any other question shall not prevent the continuance of a meeting for the transaction of any business other than that upon which the poll has been demanded. The result of a poll, other than on a question of adjournment, shall be declared in the manner and at the time determined by the Chairman.
- (9) Voting papers to be used on a poll shall be valid only if they are issued by the Society. Members are entitled to vote in accordance with Rule 38. In addition, if the Member is voting by proxy, Rule 39 shall apply.
- (10) In the case of an equality of votes, whether on a show of hands or on a poll, the Chairman of the meeting at which the show of hands takes place, or at which the poll is taken, shall be entitled to a second or casting vote.

## 37. Adjourned Meetings

- (1) The Chairman of the meeting may, notwithstanding the presence of a quorum (and shall, if so directed by a resolution of the meeting), adjourn the meeting from time to time and from place to place but, except as provided in Rule 36(7), no business shall be transacted at any adjourned meetings other than the business left unfinished or not reached at the meeting from which the adjournment took place.
- (2) Every adjourned meeting shall be deemed a continuation of the original meeting but any resolution passed at an adjourned meeting shall for all purposes be treated as having been passed on the date on which it was in fact passed and shall not be deemed to have been passed on an earlier date.
- (3) When a meeting is adjourned for 30 days or more, a notice specifying the hour, date and place of the adjourned meeting shall be given to Members as provided in Rule 33(3). The notice shall also state that –
  - (a) a Member entitled to attend and vote may appoint one proxy to attend and, on a poll, vote at the meeting instead of him, and
  - (b) the proxy need not be a Member of the Society,
  - (c) the Member may direct the proxy how to vote at the meeting.

Where a meeting is adjourned for less than 30 days, it shall not be necessary to give any notice of an adjournment or of the business to be transacted at such an adjourned meeting.

- (4) The appointment of a proxy in accordance with Rule 39 shall, unless provided otherwise in the instrument appointing such proxy, be valid for any adjournment of the meeting. Nothing in this paragraph (4) shall prevent a Member from submitting a new instrument appointing a proxy in relation to the adjourned meeting, which shall take precedence over any earlier instrument, or from attending the adjourned meeting in person if the Member wishes to do so.

- (5) The adjournment of a meeting shall not affect the validity of the business that was concluded at the meeting from which the adjournment took place, prior to the adjournment of such meeting.

## 38. Entitlement of Members to Vote on Resolutions

- (1) In this Rule "voting date" means –
- (a) the date of the meeting at which the resolution is intended to be moved, or
  - (b) in the case of a Member appointing a proxy to vote instead of him at a meeting, the date the Society specifies as the final date for the receipt of instruments appointing proxies to vote on that resolution.
- (2) Subject to paragraphs (3) and (4) below, a Member is entitled to vote –
- (a) on an Ordinary Resolution or a Special Resolution if he was, at the end of the last Financial Year before the voting date, and is, on the voting date, a Shareholding Member or Borrowing Member,
  - (b) on a Shareholding Members' Resolution if he was, at the end of that year, and is, on the voting date, a Shareholding Member, and
  - (c) on a Borrowing Members' Resolution if he was, at the end of that year, and is, on the voting date, a Borrowing Member.
- (3) A Shareholding Member is entitled to vote on a resolution (whether Ordinary, Special or Shareholding Members') if –
- (a) being an Individual he is not a minor on the voting date or, where he is voting by proxy, on the date of the meeting at which the resolution is intended to be moved, and
  - (b) in the case of a joint Shareholding he is the Representative Joint Shareholder, and
  - (c) he held Shares to the value of not less than £100 –
    - (i) at the end of the Financial Year before the voting date, or
    - (ii) if the voting date falls during that part of the Financial Year which follows the conclusion of the Annual General Meeting commenced in that year, at the beginning of the period of 56 days immediately preceding the voting date for Members voting in person at a special general meeting or a postal ballot or electronic ballot,as the case may be, and
  - (d) he has not ceased to hold Shares at any time between the time referred to in (c)(i) or (ii) above (as applicable) and the voting date,
- and for the purposes of this paragraph (3) the value of a Deferred Share shall be counted as held by a Member only if at the end of the Financial Year before the voting date or at the beginning of the period of 56 days immediately preceding the voting date, as the case may be under (c)(i) or (ii) above, the Member was entered in the Deferred Shares Register as the holder of that Deferred Share.
- (4) A Borrowing Member is entitled to vote on a Resolution (whether Ordinary, Special or Borrowing Members') if –
- (a) being an Individual he is not a minor on the voting date or, where he is voting by proxy, on the date of the meeting at which the resolution is intended to be moved, and
  - (b) in the case where the Loan has been made to two or more Members jointly he is the Representative Joint Borrower, and
  - (c) the amount of his Mortgage Debt to the Society in respect of that Loan both at the end of the last Financial Year before the voting date and at that date is not less than £100, and
  - (d) where a Borrowing Members' Resolution approving a transfer of the engagements of the Society is moved, his is one of the mortgages to be transferred.
- (5) Subject to paragraph (3) or (4) above (as applicable), on a show of hands every Member who –
- (a) being an Individual, is present in person or by attorney or by a Person specified in paragraph (7) of this Rule, or
  - (b) being a body corporate, is present by a Corporate Representative, not being himself a Member entitled to vote thereon,

shall be entitled to one vote and on a poll a Member may vote in person or by proxy or by attorney or by a Corporate Representative or by a Person specified in paragraph (7) of this Rule and shall be entitled to one vote.

- (6) The holder of a power of attorney from a Person who is a Member and who is entitled to vote under paragraphs (2) or (3) or (4) above shall, if the power of attorney is duly registered at the Principal Office and if the power has the effect of authorising the holder to exercise the rights of the Member under the Rules, be entitled to vote in all circumstances as if he were a Member and in the Member's stead and may exercise on behalf of the Member the right to appoint a proxy in accordance with Rule 39.
- (7) A Member who is entitled to vote under paragraph (2) or (3) or (4) above but in respect of whom an order has been made by any court having jurisdiction (whether in the United Kingdom or elsewhere) in matters concerning mental disorder may vote, whether on a show of hands or on a poll, by his deputy, curator bonis or other representative in that behalf appointed by that court. Any such deputy, curator bonis or other representative may, on a poll, vote by proxy. Evidence to the satisfaction of the Board of the authority of the Person claiming to exercise the right to vote shall be received at the Principal Office (or such other place as may be specified when issuing the relevant notice of meeting, which may include any electronic address which is specified for the purpose) not less than 2 clear days before the day appointed for holding the meeting or adjourned meeting at which the right to vote is to be exercised and in default the right to vote shall not be exercisable.
- (8) A body corporate entitled to vote under paragraph (2) or (3) or (4) above may by resolution of its directors or other governing body expressed in a deed or other duly executed instrument authorise an Individual (who should not be a Member) to act as its Corporate Representative at a meeting or adjourned meeting. Such Corporate Representative shall not be entitled to appoint a proxy but shall (subject to Rule 39(3)) otherwise be entitled to exercise the same powers on behalf of the body corporate he represents as that body corporate could exercise if it were an Individual Member. Alternatively, a body corporate which is the holder of any Deferred Shares may appoint a proxy. The instrument appointing a proxy of a body corporate shall be signed by a duly authorised officer of such body corporate.
- (9) The right to vote shall be limited to those Persons on whom this Rule confers a right to vote.

## 39. Appointment of Proxies

- (1) A Member entitled to attend and vote at a meeting of the Society -
  - (a) may appoint one Person (whether a Member or not) as his proxy to attend and, on a poll, to vote at the meeting instead of him, and
  - (b) may direct the proxy how to vote at the meeting.
- (2) A proxy shall be appointed by an instrument in writing (which may, if the Board so determines, take the form of an Electronic Communication) which shall be in such form and include such declarations as the Board may from time to time determine. The instrument shall enable the Person appointing the proxy to direct him how to vote and, if the instrument is not in the form specified by the Society or is not signed by the appointor, the appointment of the proxy shall be invalid.

The appropriate forms of declaration shall, with such additional or amended wording as the Board may consider appropriate, be used in the case of a body corporate. If the appropriate declaration is not included in the instrument, the appointment of the proxy shall be invalid.
- (3) The instrument appointing a proxy shall be received at the Principal Office (or such other place as may be specified with the relevant notice of meeting which may include any electronic address which is specified for the purpose) not less than 2 clear days before the day appointed for holding the meeting, or adjourned meeting, and in default the instrument shall not be treated as valid.
- (4) The instrument appointing a proxy shall be deemed to confer authority to demand or join in demanding a poll and to speak at the meeting.
- (5) If a Member who at the final date for the receipt of proxy instruments determined under paragraph (3) above is entitled to attend and vote at the meeting appoints a Person as a proxy to vote instead of him at that meeting and then ceases after that date to be so entitled, that Person may notwithstanding Rule 38(2), (3) or (4) act as the Member's proxy at that meeting.

- (6) A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the previous death or mental disorder of the appointor or revocation of the proxy or of the authority under which the proxy was executed, or the transfer of a Share in respect of which the proxy is given, provided that no intimation in writing of such death, mental disorder, revocation or transfer as aforesaid shall have been received by the Society at its Principal Office (or such other place as may be specified when issuing the relevant notice of meeting which may include any electronic address which is specified for the purpose) before the commencement of the meeting or adjourned meeting at which the proxy is used.
- (7) The Board may from time to time make, vary, or revoke regulations regarding the appointment of proxies, provided that the same are not inconsistent with the Statutes. Such regulations may include (but need not be limited to) provisions for determining:
  - (a) the authenticity and time of receipt of any Electronic Communication which purports to appoint, or to revoke the appointment of, a proxy, or to notify the Society of an event terminating such an appointment; and
  - (b) which of two or more proxy appointments received from the same Member in respect of the same meeting is to be treated as valid.
- (8) In the event of any matter being raised at a general meeting (whether or not notice thereof has been given in the notice of the meeting) in respect of which no directions have been given to the proxy how to vote at the meeting, the instrument appointing the proxy should be deemed to confer authority on the proxy to vote or abstain as he thinks fit (except that, in a case where the Member has not instructed the proxy how to cast all or any of the Member's votes in an election of Directors, the proxy shall abstain from casting those votes unless the instrument appointing the proxy expressly authorises the proxy to cast them at his discretion).

#### 40. Joint Shareholding Members and Joint Borrowing Members

- (1) No joint Shareholding Member, other than the Representative Joint Shareholder, and no joint Borrowing Member, other than the Representative Joint Borrower, may attend a meeting except as a proxy or exercise any right conferred by these Rules on a Member. The Chairman of the meeting may however (if in his absolute discretion he so decides) permit any other joint Shareholding Member or joint Borrowing Member to attend and speak at a meeting but this shall not confer any further right on such Member.
- (2) Any reference in these Rules to any number of Members shall be read as if any joint Shareholding were held by the Representative Joint Shareholder and as if any Loans received jointly were received by the Representative Joint Borrower.

#### 41. Postal Ballots (and Electronic Ballots)

- (1) The Board may determine that the voting on any resolution or in any election of Directors may be conducted by postal ballot or by electronic ballot (being a ballot on which some of the voting is conducted in accordance with the provisions of the Statutes as to electronic voting and the remainder of the voting is conducted as if it were a postal ballot), but the power conferred by this Rule shall not be exercisable in respect of -
  - (a) Shareholding Members' Resolutions, or
  - (b) Borrowing Members' Resolutions, or
  - (c) any other resolution required by the Statutes to be passed at a meeting of the Society, or
  - (d) resolutions for the appointment or reappointment of an auditor or for the removal of an auditor before the expiration of his term of office.
- (2) If any resolution is passed or is rejected at any general meeting or adjourned general meeting then, if in the opinion of the Board the carrying into effect of such resolution would be injurious to the Society (in the one case) or the passing of such resolution would be beneficial to the Society (in the other case), the Board may within one month after that meeting -
  - (a) determine to submit the resolution for decision by postal or electronic ballot, and
  - (b) cause the operation of a resolution passed to be suspended until such a decision.

- (3) Within one month (or such longer period as the Board may deem necessary) after the determination of the Board under paragraphs (1) or (2) above the Society shall give notice of the postal or electronic ballot in accordance with the Statutes. Except where the Statutes otherwise provide in relation to a Member who has agreed with the Society to access notice of the ballot on a website, the notice shall be accompanied by or incorporate a ballot form and shall be sent -
- (a) not less than 21 days nor more than 56 days before the date which the Society specifies for the receipt of the completed ballot forms, and
  - (b) subject to Rule 48(3) to (5), by post to the Registered Address (or to any electronic address notified to the Society for the purpose) of every Member who under Rules 38(2) to (4) (whichever is applicable) would be eligible to vote on the resolution if the voting date fell on the date of the notice of the postal or electronic ballot, "the voting date" here meaning the date specified for the receipt of the completed ballot forms, and
  - (c) to every Person -
    - (i) who becomes a Shareholding Member or Borrowing Member of the Society after the date of the notice of the postal or electronic ballot and before the voting date, or
    - (ii) who, being such a Member at the date of that notice, attains the age of 18 after that date and on or before the voting date,and who would (in either case) be eligible to vote on the resolution if he remained such a Member until the voting date,
- and for the purposes of this paragraph, paragraphs (5) to (9) of Rule 33 shall apply to the sending of a notice of a postal or electronic ballot as they apply to the sending of a notice of a meeting.
- (4) The notice of a postal or electronic ballot sent in accordance with paragraph (3) above -
- (a) shall contain such other notices relating to the resolution, and
  - (b) shall be accompanied by such other documents,
- as would be required to be given, sent or delivered to a Member with a notice of meeting, had it been intended to vote on the resolution at a meeting instead of by postal or electronic ballot with the exception of any notices relating to voting by proxy at a meeting.
- (5) The accidental omission -
- (a) to give notice of a postal or electronic ballot, or
  - (b) to send a ballot form or any document required by paragraph (4) above to accompany such a notice,
- to any Person entitled to receive it, or non-receipt of such a notice, ballot form or document by such a Person, shall not invalidate the ballot.
- (6) The ballot form shall be in such form and be accompanied by or incorporate any explanatory note as the Board may decide.
- (7) Subject to the foregoing provisions of this Rule, the Board shall make regulations for the conduct of the ballot (including the appointment of a Person to decide all questions that might arise relating to the ballot except such as are by this Rule delegated to the Board) and shall fix a time (not being later than 7 days after the final date for the receipt of ballot forms) and place at which the ballot forms shall be opened and counted.
- (8) A Member to whom a ballot form is sent in accordance with paragraph (3) above shall be entitled to one vote on any resolution.
- (9) The matter in question shall be decided by the appropriate majority of the votes given and if the decision is -
- (a) to rescind a resolution, it shall be rescinded as from the time at which the counting of the votes is completed but any such rescission shall not affect the validity of any act done under the resolution before it was suspended, or
  - (b) to carry into effect or to pass a resolution, that resolution shall come into effect as from the time at which the counting of the votes is completed.

- (10) The Board shall announce the result of the postal or electronic ballot by -
- (a) a notice published on the Society's website, and
  - (b) a notice displayed in a prominent position at the Principal Office and at all branch offices,
- and shall state in that advertisement and notice the time at which the counting of the votes was completed.
- (11) Where the Board has determined under paragraph (1) above that the voting in an election or on a resolution of the Society is to be conducted by an electronic ballot, the regulations made by the Board under paragraph (7) above may include (but need not be limited to) regulations prescribing -
- (a) the manner in which the votes of Members who vote electronically may be registered in accordance with the Statutes,
  - (b) the manner in which Members who vote electronically may confirm the terms of the declarations required by the Statutes,
  - (c) the manner in which the authenticity and integrity of the votes of Members who vote electronically is to be established,
  - (d) the consequences of any irregularities occurring in the course of the ballot, including (but not limited to) provisions as to the validity of multiple votes cast by a Member in the same election or on the same resolution, and
  - (e) the final date for the registration of the votes of Members who vote electronically.

## 42. Counting of Votes

If on a show of hands, a poll or a postal ballot or an electronic ballot -

- (a) any votes are counted that ought not to have been counted, or
- (b) any votes are not counted that ought to have been counted,

the error shall not vitiate the decision arrived at unless it has been in the opinion of the Chairman or in the case of a postal ballot or electronic ballot the Individual appointed by the Board pursuant to regulations made under Rule 41(7) of sufficient magnitude so to do.

## 43. Auditors

- (1) At each Annual General Meeting the Society shall appoint one or more auditors to hold office as such from the conclusion of that meeting until the conclusion of the next Annual General Meeting.
- (2) No Person shall be appointed as an auditor of the Society unless he is qualified for such an appointment by or under the Statutes.
- (3) The Board may appoint any Person qualified for appointment under this Rule to fill any casual vacancy but, while any such vacancy continues, any surviving or continuing auditor may continue to act.
- (4) If notice of intention to move a resolution at an Annual General Meeting or special general meeting -
  - (a) appointing as auditor a Person other than a retiring auditor, or
  - (b) filling a casual vacancy in the office of auditor, or
  - (c) reappointing as auditor a retiring auditor who was appointed by the Board to fill a casual vacancy, or
  - (d) removing an auditor before the expiration of his term of office,is to be given, the notice, if it is to be effective, must be given in accordance with paragraph (5) below.
- (5) Such notice must be given to the Society not less than 28 clear days before the meeting at which it is to be moved -
  - (a) by the Board, or
  - (b) in the case of an Annual General Meeting, by the requisite number of qualified Members entitled to move a resolution under Rule 34(1), or

- (c) in the case of a special general meeting, by 500 Members qualified to requisition such a meeting under Rule 31(4), and the Society shall give notice of the resolution (and send copies of any appropriate representations made by the auditors in due time) to the Members entitled to receive notice of the meeting at which the resolution is to be moved.
- (6) If at an Annual General Meeting or special general meeting there is a contest for the office of auditor in that there are more candidates for such office than there are vacancies, the vote shall be taken on a poll, which shall be deemed to have been demanded by the Chairman and the candidates obtaining the most votes shall fill the vacancies. The procedure for the poll shall be the same as that set out in Rules 13(8) and (9) for election of Directors but substituting "auditors" for "Directors" and with any other necessary consequential amendments.
- (7) The remuneration to be paid to the auditors shall be fixed by the Board and, for the purposes of this paragraph, the term "remuneration" shall be deemed to include sums to be paid in respect of the auditors' expenses.

## 44. Common Seal

- (1) The Common Seal of the Society shall bear the name of the Society.
- (2) The Society may have in addition to the Common Seal one or more other seals each of which shall be a facsimile of the Common Seal. Any provisions relating to the safe custody and otherwise of the Common Seal shall also apply to any such facsimile seals.
- (3) The Common Seal shall be kept at the Principal Office or at such other place as the Board may from time to time determine, and shall be in the custody of such Individual as the Board may from time to time direct.
- (4) The Common Seal shall not be used without the authority of the Board or a Committee of the Board authorised in that behalf and, when used or affixed to any document, such document shall be countersigned by such Individual or Individuals as the Board may authorise for that purpose from time to time. All documents so sealed and countersigned shall be deemed to be validly executed by the Society.
- (5) In this Rule the word "countersigned" includes the use of a facsimile signature by whatever process reproduced. The use of such facsimile signature is only authorised in so far as it is permitted from time to time by law.
- (6) In this Rule reference to the Common Seal being affixed to any document includes the reproduction of the image of that seal on a document by any mechanical or electronic means which has been approved by the Board.

## 45. Custody of Documents

All documents of title, mortgage deeds and other securities belonging to the Society and all the documents relating to -

- (a) land on which Loans are secured, and
- (b) loans, whether or not they are secured, made by the Society

shall be kept in safe custody by such Persons as the Board shall appoint for the purpose either -

- (i) at the Principal Office, or
- (ii) at such other place or places as may from time to time be determined by the Board,

and the consent of the Board or of an Officer or such Person shall be required on each occasion on which any such document is released from such custody.

## 46. Distribution of Surplus Assets on Winding Up or Dissolution

- (1) Upon the winding up of the Society, or upon it being dissolved by consent, any surplus remaining after payment in full of the Society's creditors and repayment to Members of the amount of their Shares (together with interest due thereon) according to their priority under their respective terms and conditions of issue (but excluding Core Capital Deferred Shares unless and to the extent provided in their terms and conditions of issue), shall be applied as follows:
  - (a) up to 20% to holders of all or some of the Deferred Shares (excluding Core Capital Deferred Shares). The proportion (if any) of such 20% to which any particular issue of Deferred Shares is entitled shall be set out in the terms and conditions of that issue of Deferred Shares,
  - (b) to holders of Core Capital Deferred Shares at the relevant date subject to, and in proportion to the amount specified in, or calculated by reference to, their terms and conditions of issue, and
  - (c) the remainder of the surplus will be distributed among qualifying Members in proportion to the value of their Shareholding (excluding any Deferred Shares) at the relevant date.

The relevant date is the earlier of either the date of notice of a winding-up or dissolution resolution or the date of presentation of a winding-up petition or such other date as may be specified by the insolvency official appointed with primary responsibility for the winding-up or dissolution of the Society.

If there are insufficient assets to repay all Members the amounts payable on their Shares in accordance with their terms and conditions of issue, no repayments shall be made in respect of any Deferred Share until after all other Members have been repaid in full.

- (2) For the purposes of this Rule, "qualifying Members" means Persons who hold on the relevant date, and have held, throughout the period of two years up to that date, Shares (excluding any holding of Deferred Shares) to the value of not less than £100.

## 47. Alteration of Rules

Notwithstanding anything elsewhere in these Rules, these Rules may be altered by passing a resolution as a Special Resolution.

## 48. Notices to the Secretary and by the Society

- (1) Any notice or other document to be served on the Society under these Rules may be served:
  - (a) by leaving it, addressed to the Secretary, at the Principal Office, or
  - (b) by sending it by post, or delivering it, to him at that office.
- (2) Subject to paragraph (3) below, any notice or other document to be served by the Society on a Member under these Rules may be served on him either:
  - (a) personally; or
  - (b) by sending it by post or by otherwise delivering it, addressed to him at his Registered Address; or
  - (c) by sending it electronically to an electronic address which he has notified for the purpose,and in the case of a notice or document sent by post as described in sub-paragraph (b) above, the notice or document shall be deemed to have been duly served 48 hours after having been posted (regardless of the class of post by which such notice or document is sent). The provisions of Rule 33(5) to (9) shall apply to the service of any notices in the same way as to notice of meetings, with the necessary changes being made.
- (3) The Society shall not be obliged by the Statutes or these Rules to serve a notice (including a notice of a meeting or a notice of a postal ballot or electronic ballot), a ballot form or other document to a Member in whose case the Society has reason to believe that communications sent to him at his Registered Address are unlikely to be received by him but in the case of a notice (defined by Rule 33(4)) of a meeting and in the case of the notice of a postal ballot or electronic ballot pursuant to Rule 41 the Society shall, if it decides not to send the notice to him by post in accordance with those provisions, instead display in a prominent position at the Principal Office and in every branch office a notice of the holding of the meeting or a notice of the holding of the postal ballot or electronic ballot which:
  - (a) must be given not later than 21 clear days before the date of the proposed meeting, or 21 clear days calculated from the final date for the receipt of proxies, or, as the case may be, the final date for the receipt of completed ballot forms, and

(b) must state -

- (i) where Members may obtain copies of the resolutions and of any statements with respect to the matters referred to in a resolution, and
- (ii) where Members may obtain forms relating to voting by proxy and, in the case of a postal ballot, where they may obtain ballot papers or, in the case of an electronic ballot, how they may access electronic voting facilities.

(4) If by reason of the suspension or curtailment of postal services the Society is unable to give notice by post in hard copy form of a meeting, then such notice shall be deemed to have been given to all Members entitled to receive such notice in hard copy form if the Society complies with paragraph 35 of Schedule 2 to the Building Societies Act 1986 and the notice is published on the Society's website and is advertised either:

- (a) by a notice displayed in a prominent position at the Society's Principal Office and at all branch offices, or
- (b) in at least two leading daily newspapers widely circulated in the United Kingdom.

Such notice shall be deemed to have been duly served on all Members entitled to receive notice of such meeting at noon on the earlier of the date on which the notice is first displayed at all branch offices in accordance with paragraph (a) and the date on which the second of such newspaper advertisements appears in accordance with paragraph (b) (as the case may be). The notice shall continue to be available on the Society's website until the conclusion of the meeting and the Society shall send confirmatory copies of the notice to those Members entitled to receive notice of the meeting by post in hard copy form if, at least seven days before the meeting, the posting of notices to addresses throughout the United Kingdom again becomes practicable.

(5) Nothing in these Rules shall prevent the service of a notice or other document by the Society:

- (a) by sending it electronically to an electronic address notified for the purpose in accordance with express provision made by the Statutes, or
- (b) by publication on a website in accordance with any such provision.

## 49. Sales of Deferred Shares of Untraceable Holder

- (1) The Society shall be entitled to sell for the best price reasonably obtainable a Deferred Share of a Member, or a Deferred Share to which a Person is entitled by means of transmission, if:
  - (a) during the relevant period, the Society has made at least 3 interest payments or distributions in respect of a Deferred Share of the same class as the Deferred Share to be sold,
  - (b) during the relevant period, no interest or distribution payable in respect of the Deferred Share has been claimed,
  - (c) during the relevant period, all warrants or cheques in respect of the Deferred Share, sent to the address and in the manner provided by the Rules or the terms and conditions of issue of the Deferred Share for sending such payments, remain uncashed,
  - (d) during the relevant period, no communication has been received by the Society from the Member or the Person entitled by transmission to the Deferred Share,
  - (e) after expiry of the relevant period, the Society inserts advertisements in both a national newspaper and a newspaper circulating in the area in which the last known address of the Member or the Person entitled by transmission at which service of notices may be effected is located of its intention to sell the Deferred Share, and
  - (f) during the period of three months following the publication of those advertisements and, after that period, until the exercise of the power to sell the Deferred Share, the Society has not received any communication from the Member or the Person entitled by transmission to the Deferred Share.
- (2) For the purpose of paragraph (1) above, "the relevant period" means the period of twelve years immediately preceding the date of publication of the first of any advertisements pursuant to paragraph (1)(e) above.
- (3) To give effect to any sale under this Rule, the Board may appoint any Person to execute as transferor an instrument of transfer of the Deferred Share or take such other action as may be appropriate to effect such transfer and the instrument of transfer, or as the case may be such other action, shall be as effective as if it had been executed or taken by the registered holder of, or Person entitled by transmission to, the Deferred Share.
- (4) A purchaser shall not be bound to see to the application of the purchase moneys, nor shall his title to the Deferred Share be affected by any irregularity in or invalidity of the proceedings relating to the sale.

- (5) The Society shall account to the Member or other Person entitled to the Deferred Share for the net proceeds of sale and shall be deemed to be his debtor, and not a trustee for him, in respect thereof.
- (6) No interest shall be payable in respect of the net proceeds and the Society shall not be required to account for any moneys earned thereon.
- (7) Any moneys not accounted for to the Member or other Person entitled to the Deferred Share shall be carried to a separate account and shall be a permanent debt of the Society. Moneys carried to a separate account may be either employed in the business of the Society or invested in such manner (other than Shares in the Society) as the Board may from time to time think fit.

## 50. Deferred Shares Register and Other Records

- (1) The Society shall maintain a Deferred Shares Register in which shall be entered the name and address of each holder of a Deferred Share. Transfers and other documents or instructions relating to or affecting the title of any Deferred Shares shall also be recorded in the Deferred Shares Register. No charge shall be made in respect of any entry in the Deferred Shares Register. The Deferred Shares Register shall be maintained at the Principal Office, or at such other place as the Board thinks fit.
- (2) Every Person, within one month after becoming entered in the Deferred Shares Register as the holder of a Deferred Share (or within such other period as the terms and conditions of issue of the Deferred Shares may provide), shall, if he shall make a written request to the Society at the time of applying to be so entered, be supplied by the Society with a Deferred Share Certificate (which shall not be the property of the Society).
- (3) Every Person entered in the records of the Society as the holder of a Deferred Share who has not previously requested to be supplied by the Society with a Deferred Share Certificate shall within one month after making a written request to the Society be supplied by the Society with a Deferred Share Certificate. Save as aforesaid, nothing in these Rules shall require a Deferred Share to be evidenced by a Deferred Share Certificate or other written instrument.
- (4) Any Member losing his Deferred Share Certificate shall immediately give notice in writing of such loss to the Society at its Principal Office. If a Deferred Share Certificate is damaged or alleged to have been lost, stolen or destroyed, a new Deferred Share Certificate representing the same Shares shall be issued to the holder upon request, subject to delivery up of the old Certificate or (if alleged to have been lost, stolen or destroyed) subject to compliance with such conditions as to evidence and indemnity as the Board may think fit and to payment of any exceptional expenses of the Society incidental to its investigation of the evidence of such alleged loss, theft or destruction. Where a holder of a certified Deferred Share has sold part of his holding he will be entitled to a Deferred Share Certificate for the balance without charge.

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