

Good governance saves problems later

been made in accordance with the trust's governing document. The trust had to cancel the advertising of the property, which caused it embarrassment and stress.

Regardless of the type of governing entity you have, you need to abide by its rules to make sure you do not get caught out like the above chairperson did.

Here are key things to be aware of:

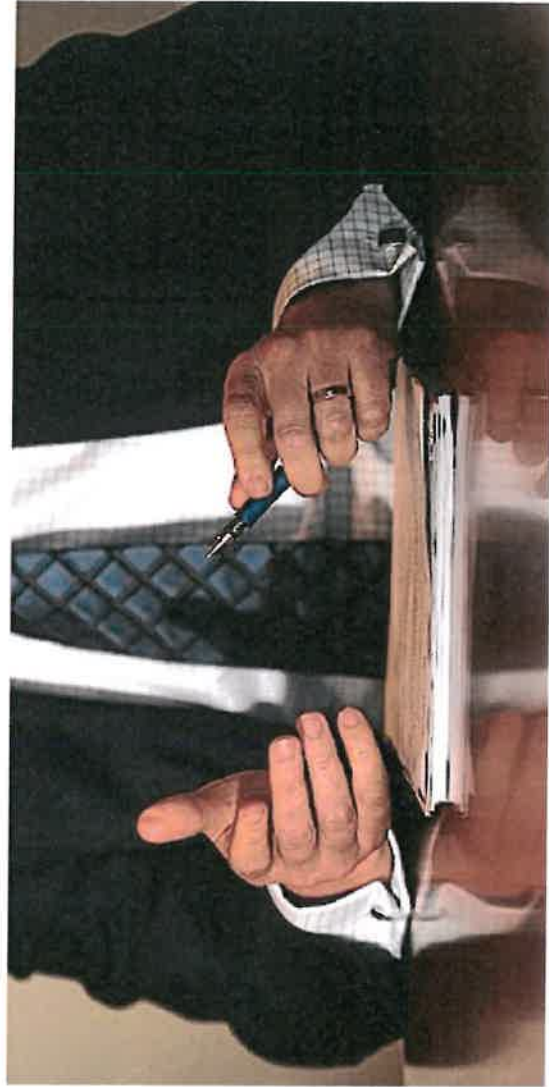
- Make sure you know who has voting rights in relation to your entity (eg shareholders, members) and what decisions they have to be party to (eg, major transactions).

- Make sure you are aware of whether resolutions have to be passed as ordinary or special resolutions and obtain the requisite majority/percentage required by your governing document.

- Make sure you have a quorum for your meetings. If you do not, decisions made will not be legally effective.

- Meetings and resolutions. You can prove to members, trustees, charities services or a court you followed the right procedures. Often these challenges can come a long time later, when memories have faded.

- If your organisation is charitable, make sure you always consider whether the action you propose furthers the charitable purpose of the entity, that when



It is important for organisations to follow their rules.

the entity is wound up, assets are transferred only to another charitable entity, and that you sign documents in accordance with your governing document (eg, with a common seal, by one officer in the presence of a witness).

- Ensure all decision making follows the process in your governing document (eg, moved, seconded etc).

- Make sure trustees/officers are replaced when their tenure has expired and that the process for replacing officers/trustees is

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It is easy to get caught up in the day-to-day running of organisations. However, it is important to frequently refer back to your governing legal followed.

documents. Otherwise there can be serious problems for the organisation.



Column courtesy of Rainey Collins Lawyers, phone 0800 733 484 or raineycollins.co.nz. If you have an inquiry you would like discussed, email aknowsley@raineycollins.co.nz. Our next free public seminar, dealing with Employment Discipline and Performance Issues, will be on April 13, 12.15pm till 1.30pm. See our website.



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Don't get caught out by bad governance - make sure you always act within your rules.

A charitable trust owned a property that was used for community groups and decided to put the property on the market. The trust kept its meetings fairly informal, and when the decision was made to put the property on the market for sale, three out of five trustees voted in favour by a show of hands.

Shortly afterwards, when the property had been advertised for sale, the trust chairperson was contacted by a disgruntled fellow trustee, who argued that the decision to put the property on the market was not validly made because it was not made unanimously and the quorum (required number of trustees present at a meeting) requirements were also not met, both of which breached the trust's governing document.

When the chairperson asked his lawyer to check whether the claim was correct, he discovered it was. The decision to put the property on the market could not be enforced because it had not

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