

**MINUTES OF THE EXTRAORDINARY MEETING OF THE BOARD OF  
DIRECTORS OF STATE BUILDING SOCIETY LIMITED HELD IN THE BOARD  
ROOM, LEVEL 22, 1 OXFORD STREET, WHITLAM SQUARE, SYDNEY, ON  
THURSDAY 5 MAY 1988 COMMENCING AT 2.00PM.**

**PRESENT:** Messrs J A O'Neill, W G Osmond OBE, R J Thomas, B M Treloar, D C Cleary, A C Thomas AM, P W Kearns, J R Cribb and in attendance, Mr P L Gibbeson (Secretary).

In the absence of Mr K G Dennewald, Mr J A O'Neill took the chair.

**APOLOGIES:** An apology was accepted on behalf of Mr K G Dennewald.

**RESIGNATION OF MR K G DENNEWALD:** The Chairman tabled the written resignation of Mr K G Dennewald as Chairman of the Society.

97. IT WAS RESOLVED that the resignation of Mr K G Dennewald be accepted and that the Chairman forward to Mr Dennewald a letter expressing the Board's appreciation of the Service he has rendered to the Society whilst a member of the Board and as its Chairman. (Carried unanimously).

**TRANSFER OF SHARES:  
K G DENNEWALD TO  
STATE BANK** The Chairman tabled a transfer of 10 fixed capital (Class 1) shares from Kenneth George Dennewald to the State Bank of New South Wales dated 5 May 1988.

The Secretary drew the Chairman's attention to Section 84(13) of the Co-operation Act and that a director could not vote upon any question involving a matter in which he, or any body corporate of which he is the appointee, have otherwise than as a member, any direct or indirect pecuniary interest.

It was suggested by Mr Kearns that this provision did not seem to have any application in these circumstances.

98. IT WAS RESOLVED that the transfer of 10 fixed capital (Class 1) shares from Kenneth George Dennewald to the State Bank of New South Wales, tabled at the meeting, be approved and the Secretary be directed to register such transfer.

**APPRECIATION  
OF MR DENNEWALD'S  
SERVICES**

It was noted that the Chairman would write to Mr Dennewald on behalf of the Board expressing its appreciation of his service to the Society and make appropriate arrangements, through the State Bank, for payment of a suitable gratuity in recognition of his service to the Society. All Directors joined in expressing their thanks and appreciation to Mr Dennewald for his service to the Society.

**APPOINTMENT OF  
CHAIRMAN AND  
DEPUTY CHAIRMAN:**

The Chairman noted that, given the resignation of Mr K G Dennewald, the position of Chairman and Deputy Chairman of the Society were now vacant and tabled a letter from the Secretary of the State Bank, to the Secretary of the Society, whereby pursuant to Clause 20 of the Agency Agreement between the Bank and the Society, the Bank nominated Messrs J A O'Neill and A C Thomas as Chairman and Deputy Chairman respectively.

99. IT WAS RESOLVED that Messrs J A O'Neill and A C Thomas be appointed Chairman and Deputy Chairman of the Board respectively.

100. IT WAS RESOLVED that pursuant to Rule 97, Mr Richard William Turner, being eligible for appointment, be appointed to fill the casual vacancy caused pursuant to Rule 101(e) by Mr K G Dennewald ceasing to hold fixed capital shares.

**CHIEF EXECUTIVE  
OFFICER.  
TERMINATION OF  
DIRECTORSHIP**

At the suggestion of Mr Cribb, and at the request of the Chairman, Mr D C Cleary left the meeting at approximately 2.05pm whilst discussion ensued on a motion moved by Mr P Kearns and seconded by Mr A Thomas, that pursuant to Rule 91(d), Mr Cleary's appointment as Director be terminated.

In favour of the motion, it was contended that Mr Cleary had repeatedly usurped the function of the Board in matters of policy and seemed unable to differentiate between his duties as a Director and those of General Manager. There followed discussion by all Directors for and against the motion.

During the course of discussion on the motion, Mr J R Cribb tabled a memorandum from Mr Cleary to Mr K G Dennewald, concerning Mr Cleary's attitude to the Society's future direction in light of the State Bank's interest in the Society.

Previous counselling of Mr Cleary and previous assurances which had been given were raised.

~~Mr Cleary returned to the meeting and spoke against the motion prior to it being put to the Board.~~

101. IT WAS RESOLVED that pursuant to Rule 91(d) Mr Cleary's appointment as a Director be terminated forthwith. (Messrs W G Osmond, B M Treloar, J R Cribb and D C Cleary voting against the motion.)

Mr D C Cleary then left the meeting.

**MACQUARIE BANK  
REPORT**

102. IT WAS RESOLVED that the Report on the Society's Future Direction, prepared by Macquarie Bank, be received by the Board.

The Chairman noted that the report had been compiled in an impartial manner and had concluded that in the present financial environment, the Society needed to grow by merger with the State Bank or another large financial institution and that given the Bank's establishment of a savings bank operation, the present relationship between the Bank and the Society was untenable. Discussion then ensued on the Report.

103. Moved by J R Cribb, seconded by A C Thomas that IT BE RESOLVED that the Society open discussions with the State Bank to examine the possibility of a merger between the Bank and the Society and that the outcome of discussions be considered by the Board in due course, in the light of the Macquarie Bank report and having regard to the interests of members generally, depositors, borrowers and staff. Mr B Treloar indicated that he had received advice which suggested that the Directors from the Bank could have a conflict of interest and should refrain from voting on the motion. It was suggested by Mr Turner and Mr Kearns that it was not appropriate for any Director to give legal advice to any of the other Directors and that each Director needed to obtain his own advice regarding his position.

It was indicated generally by the fixed capital shareholder Directors, that they were sensitive to the conflict suggestion, but they were confident that no conflict was involved in their circumstances. It was pointed out that these Directors were present in their own right as directors holding fixed capital shares, not as appointed Directors.

Motion was carried unanimously.

MR D CLEARY

104. IT WAS RESOLVED that

1. Mr D C Cleary be given notice forthwith that the Board did not wish to extend his employment contract with the Society beyond 1 June 1990;
2. Mr Cleary's employment contract with the Society be terminated forthwith with payment to be made to Mr Cleary in lieu of notice; and
3. The Chairman and Mr JR Cribb discuss with Mr Cleary the payment of appropriate benefits on mutually acceptable terms and on the basis that the Chairman and Mr Cribb be empowered to authorise payment of compensation, up to an additional year in addition to that otherwise payable to Mr Cleary, under the terms of his employment contract, upon such considerations as the Chairman and Mr Cribb should consider appropriate. (Carried unanimously).

APPOINTMENT  
OF  
MR JOHN  
ANTHONY  
HOWARTH AS  
GENERAL  
MANAGER

The Chairman tabled the curriculum vitae of Mr Anthony John Howarth.

105. IT WAS RESOLVED that Mr Anthony John Howarth be appointed as General Manager of the Society. (Carried unanimously).

The Chairman conveyed his thanks to the members of the Board for their objectivity in the consideration of matters dealt with at the meeting and noted that the Society would now be able to proceed with beneficial discussions in relation to the proposals for an eventual merger with the State Bank.

The Chairman declared the meeting closed at 3-15pm.

Signed as a true and correct record:

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Chairman  
20 May 1988