

Right Hon. Sir Francis Bell.

DIRECTORS PROTECTION.

ANALYSIS.

<p>Title.</p> <p>1. Short Title.</p> <p>2. Interpretation.</p>	<p>3. When contract declared null and void.</p> <p>4. When liability of director declared null and void.</p> <p>5. Act not to apply to private company.</p>
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A BILL INTITULED

AN ACT to prohibit Personal Guarantees by Directors of Corporations for the Debts and Obligations of Corporations of which they are Directors. Title.

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

1. This Act may be cited as the Directors Protection Act, 1931. Short Title.

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

10 “ Corporation ” means a corporate body incorporated under the provisions of any statute of the Parliament of New Zealand the affairs whereof are managed by directors, other than a private company incorporated under the provisions of the Companies Act, 1908 :

15 “ Director ” means a person who is a director of a corporation, or who, being party to a contract with a corporation whereby he purports to become liable for any debts or obligations of that corporation, or whereby any property of his purports to become charged with any such debts or obligations, has been within a period of twelve months antecedent to the making of such contract a director of that corporation.

20 3. Every contract made after the passing of this Act by a director of a corporation whereby such director, whether alone or jointly with any other person or persons, purports to become personally liable for
25 any debt or obligation of that corporation, or any part or parts of such debt or obligation, otherwise than as a shareholder thereof to the extent of the uncalled liability upon shares held by him in that corporation, or whereby any property of such director becomes charged directly or indirectly with any such debt or obligation, is hereby declared to be
30 contrary to public policy, and to be null and void accordingly. When contract declared null and void.

When liability of
director declared
null and void.

4. Where after the commencement of this Act under pressure from a creditor of a corporation a director of that corporation subscribes for or accepts additional shares in the corporation whereon there is uncalled liability such creditor shall have no security or charge upon the uncalled liability on such additional shares held by that director, and any security or charge purported to be granted thereon in favour of or for the benefit of such creditor, whether granted or created before or at the time of or after such pressure, subscription, and acceptance, and whether granted by the director or by the corporation, shall to the extent of the liability of such director thereon be null and void. 5

Act not to apply to
private company.

5. Nothing in this Act shall apply to a private company as defined by the Companies Act, 1908, or to a director of such private company. 10