

**EXPLANATORY MEMORANDUM
to and forming part of**

**NOTICE OF EXTRAORDINARY GENERAL MEETING
of**

**.au DOMAIN ADMINISTRATION LIMITED (auDA)
to be held on Monday 13 August 2007 at 10.00 am
at Maddocks Lawyers, Level 21 Angel Place, 123 Pitt Street, Sydney**

Agenda Item 1: PROPOSED AMENDMENTS TO CONSTITUTION

Background

auDA's directors propose two amendments to auDA's constitution.

The amendments are intended to better reflect the original objectives of the constitution, to give members in each of the demand and supply class of auDA a fair and representative voice in relation to the affairs of auDA.

Summary of Proposal

The proposals have the effect of:

- preventing a person who is affiliated with supply class, from being elected a director of demand class; and
- preventing a registry operator, accredited registrar or authorised reseller, with multiple entities within the same corporate group, from having more than one membership in auDA (and therefore having a disproportionate number of votes in supply class decisions).

Voting on the Resolutions

You can vote on each resolution separately. The resolutions need not be passed together.

As each resolution must be passed as a Special Resolution under auDA's constitution, each resolution must be passed by 75% of the members present or by proxy voting in favour of it.

Under clause 16.2 of auDA's constitution, a 75% majority of members in every class must vote in favour of a special resolution in order for it to take effect.

A copy of auDA's current constitution is available from auDA's website at <http://www.auda.org.au/about/constitution/>.

Recommendation by Directors

The directors of auDA recommend that the members pass each of the proposed resolutions. This document explains each of the proposed resolutions below.

1. PROPOSED RESOLUTION 1: DEMAND CLASS DIRECTOR MUST NOT BE AFFILIATED WITH SUPPLY CLASS

1.1 Background and Reasons

The members in each of supply and demand class are entitled to elect four directors to the board of auDA.

The existence of separate supply and demand classes in auDA, and separate election of directors by supply and demand class members, help to ensure that decisions of auDA fairly represent the interests of both sides of the domain name industry.

However, there is nothing in auDA's constitution that prevents, for example, the owner of an auDA accredited registrar from being elected a demand class director. auDA's directors propose a restriction be put in place, to prevent this from occurring.

1.2 Proposed Resolutions

RESOLVED AS A SPECIAL RESOLUTION that auDA's constitution be amended as follows:

1. In clause 1.2 of the constitution, insert a new definition of "Supply Related Person", in alphabetical order, as follows:

"Supply Related Person" means a person that:

- a. qualifies for Supply Class membership; or
- b. is an employee or officer or related entity (as those terms are defined in the Corporations Law) of:
 - i. a Registry Operator;
 - ii. an auDA accredited Registrar; or
 - iii. a reseller appointed by an auDA accredited Registrar in the .au name space,

provided that a person who holds less than 5% of the total number of votes attached to the shares in a listed Registry Operator, auDA accredited Registrar or reseller appointed by an auDA accredited Registrar in the .au name space, will not be taken to be a Supply Related Person by reason only of such holding.

2. In clause 18.3 of the constitution, at the end of the second paragraph, insert the following new paragraph:

"The Director elected by the Demand Class Members must not, at all relevant times, be a Supply Related Person."

2. PROPOSED RESOLUTION 2: RESTRICTION ON MULTIPLE SUPPLY CLASS MEMBERSHIPS

2.1 Background and Reasons

auDA's directors believe that registry operators, auDA accredited registrars and resellers should have a fair and representative voice in the affairs of auDA.

Some supply class members belong to the same corporate group. For example, an auDA accredited registrar may have a number of its related entities recorded as authorised resellers, all controlled by the same person or group of people.

Currently, each of these entities can become a member in its own right, and vote separately in supply class.

This creates a situation where some suppliers, through its corporate structure, have multiple memberships, and therefore a disproportionate representation in the supply membership.

auDA's directors propose a restriction be put in place, to prevent a group of related suppliers from having more than one membership and vote.

2.2 Proposed Resolution

RESOLVED AS A SPECIAL RESOLUTION that clause 9.4 of auDA's constitution be amended as follows:

1. In the first paragraph, delete the words "may apply", and replace them with "qualifies".
2. At the end of the first paragraph, insert the following new paragraph:

"If a group of related entities (as defined in the Corporations Law) consists of more than one Legal Person who qualifies for Supply Class membership, then only one such Legal Person within the group may apply to be a Supply Class Member."