



BCLibraries
COOPERATIVE

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BC LIBRARIES COOPERATIVE RULES

These Rules were adopted **June 14, 2016** and provide for each of the prescribed matters outlined in the ***Cooperative Association Act***.

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Rules of the BC Libraries Cooperative 2009

Article 1 – General

1.01 Definitions

In these Rules:

"**Act**" means the *Cooperative Association Act* of British Columbia from time to time in force and all amendments to it;

"**adjourned meeting**" means the meeting to which a meeting is adjourned;

"**Cooperative**" means the BC Libraries Cooperative 2009;

"**Board**" or "**the Directors**" mean the directors of the BC Libraries Cooperative 2009;

"**Delegate**" means an individual appointed by the Member to represent the Member within the Cooperative.

"**Fees**" means charges levied by the Cooperative for the provision of goods or services;

"**Member**" means a Member of the BC Libraries Cooperative 2009;

"**regulation**" means the regulation under the *Cooperative Association Act* as made and amended from time to time;

"**Rules**" means these Rules and all amendments, additions, deletions, or replacements from time to time in force and effect;

"**Special Resolution**" means a resolution of the Cooperative as defined in the *Act*.

1.02 *Cooperative Association Act* definitions apply

Subject to Rule 1.01, words and expressions defined in the *Act* as they read on the date these Rules become applicable to the Cooperative apply to these Rules, with the necessary changes, so far as applicable.

1.03 Interpretation

Words in the singular form include the plural and vice versa and words importing a specific gender includes the other gender and eligible organizations.

1.04 *Cooperative Association Act* governs

If there is a conflict or inconsistency between the *Act* and these Rules, the *Act* governs.

Article 2 – Membership Rights, Obligations and Limitations

2.01 Membership

Membership in the BC Libraries Cooperative 2009 is open to eligible organizations per Section 2.03

2.02 Members

The members of the Cooperative are those eligible organizations which have been admitted by the Cooperative under these Rules and which have not withdrawn from membership or been terminated.

2.03 Terms for Admission of Members

The Board may admit as members organizations which:

- (1) apply for membership in the manner approved by the Board;
- (2) subscribe for not less than one membership share;
- (3) make any required payment for membership shares, as set by the Board from time to time; and
- (4) in the opinion of the Board, qualify for membership under the class listed in these Rules.

2.04 Approval of application

The Directors or a person authorized by the Directors to approve applications for membership, may approve or refuse an application for membership and may postpone consideration of an application for membership.

2.05 Qualifications of Members

The Board may admit organizations into membership under the class, Class A members, being those members who have one membership share and one vote.

2.06 Effective date of membership

Membership is effective on the day that the application for membership is approved under Rule 2.04.

2.07 Withdrawal from membership

Withdrawal by Members is in accordance with section 33(1) of the *Act*.

Prior to terminating or taking any action to terminate membership, the Member shall discuss with the Board of Directors, or a person authorized by the Directors, any critical issues that the Member believes justify such termination. If such discussions do not resolve the issues to the Member's reasonable satisfaction, the Member shall have the right, with not less than twelve (12) months prior written notice, to discontinue participation in the BC Libraries Cooperative 2009.

In the event of termination,

- (1) the delivery of services will be discontinued following the termination date, subject to the operational mechanisms outlined in the applicable SMA Service Schedules, if any;
- (2) the Member will return any grants or subsidies provided by the Cooperative within the previous two (2) years;
- (3) the Member will lose all rights and benefits of the Member in governance; and

(4) the replacement of services provided under membership or any agreements of the Cooperative will become the sole responsibility of the Member.

2.08 Effective date of withdrawal

The membership of a Member ceases on the date the Member has complied with the requirements of Rule 2.07.

2.09 Notice of bankruptcy, liquidation, or dissolution of eligible organization Member

Notice to the Cooperative of the bankruptcy, liquidation, or dissolution of a Member that is an eligible organization has the same effect as a notice of intention to withdraw, and Articles 2.07, 2.08, 2.10, and 4.09 apply with the necessary changes, so far as applicable.

2.10 Grounds for termination of membership

The Cooperative may terminate the membership of a Member in accordance with Section 34 of the *Act*.

2.11 Effect of termination, withdrawal, or other cessation of membership

(1) When a Member withdraws from membership or a membership is terminated or ceases for any reason, all rights and privileges attached to membership cease except the right to require the Cooperative to redeem, in accordance with the *Act*, the Member's membership shares.

(2) The cessation of membership does not release the former Member from any debt or obligation owed to the Cooperative unless the instrument of debt or obligation states otherwise.

2.12 Lifetime Membership and Optional Services Fees

Fees will be set by the Board.

2.13 Fees arrears

The Board, or its authorized agent, can authorize an agreement with a Member for the payment of arrears. Unless a Member is making payments of arrears on time in accordance with such an agreement, a Member is in arrears if its fees remain unpaid for more than 30 days after payment is due.

2.14 Register of Members

The Members must permit and the Cooperative must cause the name of each Member to be kept and maintained in a register of members in accordance with the *Act*.

Article 3 – Share Structure

3.01 Authorized share structure

As set out in the Memorandum of Association, the Cooperative is permitted to issue an unlimited number of membership shares without par value; the liability of a member shareholder is limited in accordance with the *Act*.

Article 4 – Shares

4.01 Payment for shares

Shares are payable on call and may be forfeited for default of payment. All shares must be paid for in cash. No part of the funds of the Cooperative shall be employed in liens upon the security of its shares.

4.02 Redemption and transfer of shares

(1) Subject to the *Act*, these Rules and the special rights and restrictions attached to any class of shares, the Cooperative may, by a resolution of the Directors, redeem any of its shares at the price, not to exceed the amount paid up on the shares, and on the terms specified by the resolution, and the Cooperative may reissue its shares.

(2) Membership shares are non-transferable.

4.03 Calls on unpaid amount of membership shares

The Board may make calls on a Member for any of the money unpaid on membership shares and a call is deemed to have been made at the time when the resolution of the Directors authorizing the call was passed.

4.04 Interest on unpaid call

If a call is not paid on or before the date set for payment the Member from whom the money is due must pay interest on the unpaid amount of the call at the rate of 8% per year, calculated annually, not in advance, from the date set for payment until the date of payment and the interest that accumulates is a debt due to the Cooperative. The Board may waive payment of any or all of the interest due.

4.05 Dividends or interest on membership shares

No dividends or interest may be paid on membership shares.

4.06 Notice requiring payment of call

If a Member fails to pay a call on or before the date set for payment the Board may, at any time after that date, deliver a notice on the Member requiring payment within 14 days from the date of service of the unpaid amount of the call together with any interest that has accrued.

4.07 Failure to comply with notice

If a Member on whom or on which a notice has been delivered does not make the payment required by that notice in the time specified, the share in respect of which the notice is given may be forfeited to the Cooperative by a resolution of the Board.

4.08 Effect of forfeiture

The following applies to the forfeiture of shares under Rule 4.06:

(1) The forfeiture is effective on the date that the Directors passed the resolution referred to in that Rule.

(2) A Member whose share has been forfeited ceases to be a Member in respect of the forfeited share and the Board may strike the Member's name from the register of Members.

(3) A forfeited share may be sold or otherwise disposed of on terms and in a manner the Directors think fit and, at any time before a sale or disposition, the forfeiture may be cancelled on terms the Directors think fit.

(4) A Member whose share has been forfeited remains liable to the Cooperative for interest that accrued to the date of the resolution under Rule 4.03 and that interest is a debt due to the Cooperative.

4.09 Sale and voting of redeemed shares

Subject to the *Act*, the Cooperative may sell any share redeemed by it, but, while the Cooperative retains the share, the Cooperative must not exercise any vote, or pay or make any dividend or other distribution, in respect of that share.

4.10 Redemption of shares on withdrawal of membership

Subject to the *Act*, if a Member withdraws from membership, the period within which the Cooperative must redeem the shares of the former Member is four (4) months from the effective date of the withdrawal.

4.11 Redemption of shares on termination of membership

If the Cooperative terminates the membership of a Member under Rule 2.10, the Cooperative must redeem the shares of the Member in accordance with the *Act*.

4.12 Amount paid on redemption

A Member is entitled to the amount paid up on the value of a membership share on redemption by the Cooperative under this Part.

4.13 Purchase price for shares

The Directors may set share value by resolution of the Board.

Article 5 – Share Certificates

5.01 Entitlement to share certificate

The Cooperative will not issue certificates in respect of membership shares.

Article 6 – General Meetings of the Cooperative

6.01 Annual General Meetings

The Cooperative must call Annual General Meetings within the timeframe provided by the *Act*.

6.02 Business at Annual General Meeting

At each Annual General Meeting, the minimum business to be conducted will meet the requirements of the *Act*.

6.03 Special general meetings

(1) The calling of a special general meeting by the Directors, either on their own initiative or in response to a requisition by the members, must be in accordance with the *Act*.

(2) The requisitioning of a special general meeting by the members must be in accordance with the *Act*.

(3) The Directors may determine the order of business at a special general meeting.

6.04 Time and place of general meetings

General meetings must be held at the time and place in British Columbia that the Directors specify or, in accordance with the *Act*, outside British Columbia.

6.05 Provision for two or more general meetings for the same matters

(1) If it is not possible to hold one general meeting at a time or place at which a large portion of the membership is able to attend, two or more general meetings may be held at the times and the places that the Directors specify in accordance with the *Act*.

(2) Votes taken at meetings referred to in subrule (1) must be by secret ballot.

(3) The sum of the total votes taken at the meetings referred to in subrule (1) determine whether a resolution considered at those meetings is adopted or rejected.

6.06 Record date

(1) The record date for any general meeting is the 30th day before the date of the meeting of members.

(2) Only those member delegates whose names are entered on the register of members on the record date are entitled to vote at the general meeting.

6.07 Notice of general meetings of the Cooperative

Notice of general meetings must be given to members and to the auditor of the Cooperative, if any, in accordance with the *Act*.

6.08 Financial statement

This section removed (June, 2013)

6.09 Notice of special business

If special business is to be considered at a general meeting, the notice of the meeting under Rule 6.07 must state the nature of the special business in sufficient detail to permit a Member to form a reasoned judgment concerning the business.

6.10 Voting and Delegates/Alternates at General Meetings

(1) A Member wishing to vote at a meeting of Members must appoint a Delegate and may appoint an Alternate and no Member may vote except by its Delegate or Alternate.

(2) No person can be an Alternate or Delegate for more than one Member.

(3) Each Member must provide the Cooperative with the name and address of its Delegate and Alternate, if any, in writing, in the manner prescribed by the Cooperative and prior to the meeting which the Delegate or Alternate are to attend, failing which the Delegate or

Alternate may not be allowed to vote.

6.11 Quorum

The quorum for the transaction of business at a general meeting is 10% of the total number of Delegates entitled to vote at the meeting.

6.12 Requirement of quorum

No business, other than the adjournment of the meeting, may be transacted at any general meeting unless a quorum is present at the commencement of the meeting, and if at any time during the meeting there ceases to be a quorum present any business then in progress is suspended until there is a quorum present or until the meeting is adjourned or terminated as the case may be.

6.13 Chair

Subject to Rule 6.14, the Chair of the Board, or in the absence of the Chair, the Vice-Chair, must preside as Chair at every general meeting.

6.14 Alternate Chair

If there is no Chair present within 30 minutes after the time appointed for holding the meeting, the Delegates present at a general meeting must elect a Delegate to Chair the meeting.

6.15 Secretary and Minutes

The Secretary shall be responsible for the minutes of all general and Board meetings.

6.16 Meetings by conference telephone

The Cooperative may permit Members and Delegates to participate in general meetings and vote by telephonic or other communications facility as long as all persons participating in the meeting can communicate adequately with each other during the meeting.

Article 7 – Voting at General Meetings

7.01 Actions to be determined by ordinary resolution

At a general meeting, every motion must be determined by ordinary resolution unless otherwise required by the *Act* or these Rules.

7.02 Decisions by show of hands, poll or other means

Unless otherwise provided in these Rules or the *Act*, every motion for a resolution put to a vote at a general meeting is to be decided in accordance with a show of hands or poll or other means that adequately discloses the intentions of the members.

7.03 Declaration of result

The Chair must declare to the general meeting the decision on every motion in accordance with the result of the show of hands or the poll or other means, and that decision must be entered in the minutes of the meeting.

7.04 Declaration is proof

Unless a poll is required or demanded, a declaration by the Chair that a motion 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 general meeting is proof, in the absence of evidence to the contrary, of the fact without proof of the number or proportion of the votes recorded in favor of or against that motion.

7.05 Retention of ballots and proxies

Each ballot cast on a poll:

- (1) must be kept at the registered office of the Cooperative for three (3) months after the general meeting;
- (2) during the period referred to in paragraph (a), must be open to inspection at the registered office of the Cooperative during the Cooperative's normal business hours by any Member, Delegate, or Alternate entitled to vote at the meeting from which the ballot came, and
- (3) may be destroyed at the end of the period referred to in subrule (1).

Article 8 – Board of Directors

8.01 Duties of Directors

The Directors must manage the Cooperative in accordance with the responsibilities, duties and powers set out in the *Act*, the Regulation, the Memorandum of Association, and these Rules.

8.02 Powers of the Board

- (1) The Board will manage or supervise the management of the business of the Cooperative as provided for in these Rules. The Board may exercise all the powers of the Cooperative that the *Act* or these Rules do not require the Members to exercise. As permitted by the *Act*, the Board may delegate any of its powers by Resolution to a committee of Directors or Members, except the power to delegate.
- (2) Without limiting the powers of the Board, and to the extent permitted by the *Act*, and where not prohibited by the Rules or by Resolutions passed by the Members, the Board may:
 - (a) borrow money on the credit of the Cooperative;
 - (b) issue, sell, or pledge securities of the Cooperative;
 - (c) give guarantees;
 - (d) use the property of the Cooperative as security for a loan or repayment of a debt;
 - (e) invest the funds of the Cooperative in the manner it considers appropriate; and
 - (f) delegate the powers referred to in (a) through (e) above by Resolution to any Director or Member as the Board sees fit, except the power to delegate.

8.03 Number of Directors

(1) The Cooperative must have, in accordance with the *Act*,

- (a) at least three (3) Directors, and
- (b) not more than 15 Directors.

(2) The number of Directors may be changed within the limits set out in subrule (1) by ordinary resolution of the Directors.

8.04 Qualifications for Directors

(1) In addition to the qualifications required by the *Act*, Directors must be individuals who are not employees of the Cooperative.

(2) At the time of their election/appointment and during their term of office, all Directors must be 18 years of age or older and, if representing a Member, only a Member whose fees are not in arrears.

(3) No person can be or remain a Director who:

- (a) has been found by a court to be of unsound mind;
- (b) has the status of an un-discharged bankrupt; or
- (c) fails to meet or maintain any other qualification specified in the *Act* or in these Rules.

8.05 First Directors

This section removed (June, 2013).

8.06 Indemnification of Directors

(1) To the extent permitted by the *Act*, the Cooperative indemnifies current and former Directors and Officers.

(2) In respect of its indemnity under this Rule, the Cooperative may:

- (a) advance money to a Director, Officer or other individual, for the cost of a proceeding contemplated by the *Act*, subject to the requirements in the *Act* for repayment; and
- (b) purchase and maintain insurance for the benefit of any individuals referred to in this Rule.

Article 9 – Election, Appointment, and Removal of Directors

9.01 Eligibility

Elected Delegates on the Board of Directors must either be members of, or be endorsed

by, the senior management staff of their respective member organization.

9.02 Election at Annual General Meeting

An election of directors must be held at each Annual General Meeting to replace those directors whose terms of office have expired or will expire at the end of the meeting in accordance with article 9.12 or 8.05 of these Rules.

9.03 Nominations Committee

The Board of Directors must appoint a Nominations Committee of two or more Members who are not seeking election at least 60 days prior to each Annual General Meeting at which elections will occur, or as required to receive and coordinate nominations for election to the Board of Directors.

It is the mandate of the Nominating Committee to ensure that Members nominated are qualified, competent, and willing to serve as Directors. The Nominating Committee makes all reasonable efforts to ensure due process and encourages Board representation that is equitable, fair and in the best interests of all Members.

9.04 Nominees

At least 35 days in advance of an Annual General Meeting in which Directors are to be elected, Nominees must submit to the Nominations Committee for circulation to Members, curriculum vitae and/or other materials to familiarize Members with their qualifications and/or positions on matters of interest to the Cooperative and its Members.

9.05 Nominations

Any member may nominate a candidate for director before the Annual General Meeting at which a director(s) is to be elected. Nominations must be received 35 days prior to the date of the Annual General Meeting at which a director(s) is to be elected.

9.06 Voting by secret ballot

If the number of nominees in an election for directors exceeds the number of directors to be elected at the election, the election of directors must be by secret ballot.

9.07 Candidates declared elected

If the number of candidates nominated for director is equal to the number of directors to be elected, those nominated candidates are declared elected and no election is required.

9.08 Directors elected according to number of votes

In an election of directors, the Chair must declare elected the candidates who received the highest number of valid votes up to the number of directors to be elected.

9.09 If two or more candidates receive equal number of votes for last vacancy

If two or more candidates receive an equal number of votes for the last vacancy on the board and it is not practical to hold a run-off election at the meeting:

- (1) the directors who have already been elected in the election, and
- (2) the directors whose terms of office will not expire at the end of the meeting at which the election is held must determine which of those candidates is to be elected.

9.10 Appointment

The Board may appoint up to five (5) Directors.

9.11 Consent to act as director

For the election or appointment of a director to be valid, consent of the candidate must be provided in accordance with the *Act*.

9.12 Staggered terms of office of directors

(1) The term of office of a director ends at the end of the Annual General Meeting at which a replacement is elected.

(2) A reduction in the number of directors set by the Board of Directors does not affect the unexpired term of a director in office.

9.13 Effect of vacancy on ability of directors to act

(1) Despite any vacancy on the board, the continuing directors,

(a) if and so long as the number of continuing directors constitutes a quorum of the board, may continue to function without filling the vacancy and may appoint a qualified member to fill the vacancy, or

(b) if the number of continuing directors does not constitute a quorum of the board, the board may appoint directors for the purpose of increasing the number of directors to a quorum or to call a general meeting and for no other purposes.

(2) Except in the circumstances described, and to the extent authorized in article 9.13(1)(b), the directors are not entitled to fill a vacancy on the board that is caused by either an increase in the number of directors or a failure to elect at least three directors as required by the Rules of the BC Libraries Cooperative (the Rules).

(3) In the circumstances described in article 9.13(1)(b) or when there are vacancies on the board as a result of an increase in the number of directors or a failure to elect the minimum number of directors required by the Rules, the board must call, as soon as practicable, a general meeting to fill the vacancy.

(4) The term of office of a director appointed under article 9.13(1)(a) is the unexpired portion of the term of office of the individual whose departure from the office created the vacancy.

(5) The term of office of a director appointed under article 9.13(1)(b) or 9.13(2) is until the vacancy is filled under 9.13(3).

(6) If, as the result of a vacancy, there are no directors of the Cooperative, the members may, by ordinary resolution or by an instrument in writing signed by a simple majority of members, appoint a qualified individual as director solely for the purpose of calling a special general meeting to fill the vacancies on the board.

9.14 Director ceasing to hold office

A director ceases to hold office in accordance with the *Act* or the Rules of the Cooperative.

9.15 Removal of director

The Cooperative may by special resolution remove any director before the expiration of his or her term of office, and may by an ordinary resolution fill the vacancy created by the removal.

9.16 Term of Office

(1) Terms will be staggered according to the procedures in article 9.12 of these Rules and any qualifying Board policy in force.

(2) The terms of elected Delegates on the Board of Directors will begin each year at the Annual General Meeting.

(3) Directors may serve a maximum of three consecutive two-year terms.

Article 10 – Meetings of Directors

10.01 Meetings of Directors

Subject to the *Act* and these Rules, the Directors may meet together for the dispatch of business, adjourn and otherwise regulate their meetings as they consider appropriate. The Board may hold meetings by means of a telephonic or other communications facility as long as all persons participating in the meeting can communicate adequately with each other during the meeting.

10.02 Time and place of Board meetings

Meetings of the Board must be held at the time and place that the Board determines is appropriate.

10.03 Notice of meeting

Notice of Board meetings must be given not less than five days before the meeting, unless the Board by Resolution adopts different rules for giving notice of Board meetings, provided always that the Directors may waive notice of meeting by unanimous consent.

10.04 Meeting valid despite failure to give notice

The accidental omission to give notice of any meeting to, or the non-receipt of any notice by, a director does not invalidate any proceedings at that meeting.

10.05 Voting at meetings

(1) Whenever possible, decisions within the Board of Directors will be made by consensus. When necessary, decisions will be made by simple majority vote.

(2) Only Delegates elected/appointed to the Board of Directors are eligible to vote.

(3) Each Director, including the Chair, carries one vote.

(4) The Directors may submit any question to the entire Membership for decision by referendum.

10.06 Quorum of the Board

A quorum of the board is a simple majority of the total number of authorized directors.

10.07 Minutes of directors' meetings

The minutes of the proceedings of the directors must be kept in accordance with the *Act*.

10.08 Appointment of committees

The Board may, by resolution, appoint one or more committees in accordance with the provisions of the *Act*.

Article 11 – Officers, Appointment, Removal and Powers

11.01 Officers

The Officers of the Cooperative are the Chair, Vice-Chair, Treasurer, and Secretary. Additionally, the Executive Director, in an ex-officio, non-voting capacity. Subject to the *Act*, the Board may specify the powers, duties and responsibilities of the officers appointed, and may vary, add to, or limit the powers, duties, and responsibilities of any officer.

11.02 Chair and Vice-Chair

(1) The Chair and Vice-Chair shall be appointed by the Board of Directors from among the Directors. Appointed Directors are not eligible to serve in the position of Chair or Vice-Chair.

11.03 Past Chair

(1) As Past-Chair, the individual who most recently vacated the position of Chair can, subject to 9.16, choose either to retain a voting seat on the Board or to provide ad-hoc advice to the Board of Directors.

11.04 Appointment of other officers

(1) The Board must appoint, by resolution, a Treasurer, and Secretary and may appoint other officers that the Board determines are necessary.

(2) The officers appointed under subrule (1) may be, but need not be, directors.

11.05 Duties of Chair and Vice-Chair

(1) The duties of the Chair are to:

- (a) preside at all meetings of the Members and the Board of Directors;
- (b) call meetings of the Board of Directors at his/her own discretion or upon the request of the majority of Board of Directors or Members;
- (c) prepare a Report of the Directors for each Annual General Meeting, per the *Act*;

- (d) be a signing authority;
- (e) be the primary representative for the Members; and
- (f) serve as an Officer of the Cooperative.

(2) The duties of the Vice-Chair are to:

- a) preside in the absence of the Chair and serve as an Officer of the Cooperative;
- b) be a signing authority;
- c) become sufficiently acquainted with the work of the Board so as to effectively assume the position of Chair when the term transitions.

11.06 Duties of the Treasurer

The Treasurer will ensure that proper arrangements have been made for the management of the financial affairs of the Cooperative. The Treasurer will report to the Board and Members on the Cooperative's finances and perform other duties assigned by the Board.

11.07 Duties of the Secretary

The Secretary is responsible for ensuring that the minutes and resolutions of all general and Board meetings are recorded and for the keeping and maintaining all records of the Cooperative.

11.08 Removal of Officers

The Board, in its discretion, may remove any officer, other than the Chair of the Cooperative, without prejudice. The Chair may only be removed by a special resolution of the Members.

11.09 Act applies

The Directors and Officers of the Cooperative are governed by the disclosure and conflict of interest rules set out in the *Act*.

11.10 Term of Office

(1) Save as provided in this Rule, and subject to Article 9.16 of these Rules, the Directors may specify the term of the Officers of the Cooperative.

(2) Elected Delegates who serve as officers may serve a maximum of three consecutive two-year terms:

(3) The positions of Vice-Chair, Chair and Past Chair are normally each 1 year terms.

Article 12 – Finances

12.01 Auditor

At each Annual General Meeting the Members may, subject to the *Act*, waive the appointment of an Auditor by a special resolution of the Members, or appoint an auditor to audit the accounts of the Cooperative. The Board may fill any vacancy in the office of the auditor that occurs between Annual Meetings, subject to the provisions of the *Act*.

12.02 Accounting records

The directors must cause accounts to be kept in accordance with the *Act*.

12.03 Financial year

The financial year of the Cooperative ends on the date fixed by the directors.

12.04 No distribution of income or assets to Members

(1) Save as provided in the Memorandum, in this Rule and in the *Act*, no part of the property of the Cooperative may be paid or distributed to the Members of the Cooperative during the existence of the Cooperative or upon winding up or dissolution.

(2) The Cooperative, upon a Member ceasing to be Member of the Cooperative, may redeem the Member's membership shares by paying to that Member an amount not to exceed the amount paid on account of shares in the Cooperative.

(3) The Cooperative may make a distribution of surplus of the Cooperative by way of an adjustment or reduction of fees so long as the distribution is made to all in the same proportion as fees were paid.

(4) Nothing in the Rule shall prohibit the Cooperative from paying any bona fide indebtedness and interest thereon to any Member.

(5) No payment made by the Cooperative to a Member whether by way of allocation in proportion to patronage, by way of payment of any indebtedness or otherwise shall be made by way of issue of shares of the Cooperative to the Member.

(6) No payment by a Member to the Cooperative by way of fees or for services shall be credited in whole or in part on account of the purchase of shares of the Cooperative.

(7) Nothing in this Rule shall prohibit a payment on dissolution or winding up in accordance with the Memorandum.

12.05 Patronage returns

Subject to and in accordance with the *Act* and the Rules in this Part, the Cooperative may allocate among and credit or pay to the Members patronage returns.

12.06 When payment of patronage returns prohibited

The Cooperative must not pay any patronage return if there are reasonable grounds for believing that:

(1) the Cooperative is unable to pay its liabilities as they become due in the ordinary course of business, or

(2) paying the patronage return would:

(a) render the Cooperative unable to pay its liabilities as they become due in the ordinary course of business, or

(b) cause the realizable value of the Cooperative's assets to be less than its liabilities.

12.07 Directors must recommend patronage return

The directors must report to each Annual General Meeting the state of the Cooperative's financial affairs and the amounts, if any, which they recommend to be paid by way of patronage return.

12.08 Cooperative may apply patronage returns

The Cooperative may apply any patronage return credited to a Member to the unpaid amount on any membership shares held by that Member, but the amount so applied must not exceed the amount unpaid.

Article 13 – Notices

13.01 Notice to directors, members and other persons

Unless otherwise specified in the *Act* or these Rules, any notice required to be given to a Director, Member, or any other person must be in writing and is sufficiently given if it is:

- (1) delivered personally;
- (2) delivered electronically to the person's last known address, as recorded in the Cooperative's register of members or other record of the Cooperative;
- (3) mailed by prepaid mail to the person's last known address, as recorded in the Cooperative's register of members or other record of the Cooperative;
- (4) sent to the person by facsimile transmission to a telephone number provided for that purpose; or
- (5) served in accordance with Rule 14.01 or 14.02.

13.02 Notice to Cooperative

Unless otherwise specified in the *Act* or these Rules, any notice required to be given to the Cooperative must be in writing and is sufficiently given if it is

- (1) delivered to the registered office of the Cooperative,
- (2) mailed to the registered office of the Cooperative by prepaid mail,
- (3) sent by facsimile transmission to a telephone number provided for that purpose, or
- (4) served in accordance with the *Act*.

Article 14 – Service

14.01 Service by the Cooperative

(1) A notice or other document required by the *Act* to be served by the Cooperative may be served by:

- (a) delivered personally;

(b) delivered electronically to the person's last known address, as recorded in the Cooperative's register of members or other record of the Cooperative;

(c) mailed by prepaid mail to the person's last known address, as recorded in the Cooperative's register of members or other record of the Cooperative;

(d) sent to the person by facsimile transmission to a telephone number provided for that purpose; or

(2) A notice or other document served under subsection (1)(a) is deemed received on the third day, not including Saturday and holidays, after the date of mailing.

14.02 Service on the Cooperative

Service on the Cooperative must be in accordance with the *Act*.

Article 15 – Corporate Seal and Execution of Instruments

15.01 Use of Corporate Seal

The Directors may provide a seal for the Cooperative and may determine its form.

15.02 Custody of Seal

The Directors must provide for the safe custody of the seal, which must be stored at the registered office of the Cooperative.

15.03 Execution of Documents

(1) The impression of the seal on any document must be attested by the signature or signatures of:

(a) one or more Directors,

(b) one or more Officers, or

(c) one or more other persons as determined by resolution of the Directors.

(2) Documents and other instruments may be executed by the Directors, Officers, or other persons authorized by resolution of the Directors without the impression of the seal.

15.04 Records of the Cooperative

Retention of, and entitlement and access to, records of the Cooperative are governed by the *Act*.

Article 16 – Records

16.01 Records

Retention of, and entitlement and access to, records of the Cooperative are governed by the *Act*.

Article 17 – Alteration of Memorandum or Rules

17.01 Alteration of the Memorandum or Rules

Rules can be made, amended, or repealed by Special Resolution passed at a Meeting called for that purpose or at any Annual General Meeting of the Cooperative.