

## Options Guide Version B Model Rules 2.0

Principal and associate membership, or one member per unit

### RULE 1 Interpretation

#### 1.1 Definitions

##### [b] “Co-op”

Insert the name of your housing co-op after “Co-op means...”. Be sure to use your co-op’s full legal name. Then copy the Co-op’s name to the headings in the Table of Contents and the title page of the Rules.

##### [k] Special Resolution

**Model Rule:** The required majority is two-thirds of the votes cast at a meeting of members.

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**Option:**

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The Act allows you to increase the majority to three-quarters, but two-thirds is more practical.

##### **Our Co-op’s Choice:**

Model

Option

### RULE 2 Eligibility for membership

#### 2.1 Principal membership

#### 2.2 Associate membership

These Rules determine who can be a member of the Co-op.

**Model Rule:** A member must be at least 19 years of age.

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**Option:**

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The Act allows you to make this as low as 16. Co-ops reserved for seniors can set a higher minimum. Consult your legal advisor.

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#### Our Co-op's Choice:

Model

Option

**Model Rule:** Members can be principal or associate members. This allows the Co-op to have more than one member per Unit.

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#### Option:

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You can limit membership to one member per Unit. If you want to allow only one member per Unit, change Rules 2.1 and 2.2 to read like this:

#### 2.1 Membership

A person who is at least [19] years old may apply for admission as a member by submitting a written application for the purchase of Shares of the Co-op (which must not be less than one Share), and any required payment for Shares, each as set by the Directors from time to time.

#### 2.2 One member per Unit

There shall be only one member per Unit.

When deciding on the Rule you prefer, remember that all members (including associate members) are entitled to vote at members' meetings. See Rule 16.1.

If you choose one member per unit in 2.1 and 2.2, then you need to change 4.2, 11.1 and 16.1.

#### Our Co-op's Choice:

Model

Option

#### 2.5 Effective date of membership

**Model Rule:** Purchasing the required Shares is one of the conditions before membership is effective.

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#### Option:

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If you want to allow share payment by instalments, change Rule 2.5 [c] to read like this:

- [c] the applicant purchases the required Shares or is making Share payments in accordance with an instalment plan approved by the Directors.

#### Our Co-op's Choice:

Model

Option

#### 4.2 Deemed withdrawal of membership by a member

**Model Rule: Provides for associate membership**

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**Option:**

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If you decide not to have associate members, delete Rule 4.2 [c] so it will read:

Unless the Directors determine otherwise, a member will be deemed to have given notice of withdrawal of their membership if the member:

- [a] surrenders possession of the Unit; or
- [b] dies,

and in each case, notice is deemed to have been given when the event occurs and membership ceases two full calendar months later calculated from the last day of the month in which the event occurs.

#### Our Co-op's Choice:

Model

Option

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#### 5.12 Certain sections of the Act and these Rules do not apply

Model Rule: Rule 25 (dispute resolution) does not apply to terminations under Rule 5.

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Option:

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If you have opted to delete all of Rule 25, delete the words: “and Rule 25 of these Rules (i.e. dispute resolution)”.

#### Our Co-op’s Choice:

Model

Option

#### 11.1 Procedure on death of a member

Model Rule: Provides for the transfer of shares to associate members

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Option:

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If you decide not to have associate members, delete Rule 11.1 [b] and renumber [c] so it reads:

The person entitled to the Shares of a deceased member, on providing proof satisfactory to the Directors of the death of the member and the person’s entitlement, may:

[a] if the person is not a member but is residing in the Unit as their principal residence on a full-time basis, apply under Rule 2 for membership in the Co-op; or

[b] apply to the Directors to redeem the Shares.

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Model

Option

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### 14.3 Order of business

**Model Rule:** Report of the Directors and any committees is one of the items of business at the Annual General Meeting.

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**Option:**

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[h]: Since committees report to the Directors, you can choose to have the Directors report for any committees at the AGM. Delete “and any committees”. Remember that even when the board formally delivers a report, it can still call on committee chairs to add more detail.

**Our Co-op’s Choice:**

Model

Option

### 14.8 Notice of meeting to be given

**Model Rule:** Members must receive at least seven days’ notice of any general meeting other than the Annual General Meeting and a meeting that is called to consider a special resolution.

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**Option:**

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You can select any number greater (but not less) than ‘seven’. The notice period should be long enough to give members reasonable time to plan ahead and short enough to allow the Co-op to conduct important business in a timely way. Seven days is a traditional notice period that has served most co-ops well.

**Our Co-op’s Choice:**

Model

Option

### 14.13 Requirement for quorum

A quorum is the minimum number of members required to be present before you can call the meeting to order and conduct any business. The Act does not set the quorum for meetings of members. You must decide the quorum in your Rules. If

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you set quorum too high, you may be unable to conduct important co-op business. If you set it too low, the decisions you make in meetings may not reflect the wishes of most members.

**Model Rule: Quorum for members' meetings is 15% of the members to call the meeting to order and at least three members present in person after that.**

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**Option:**

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In setting the quorum for members' meetings, you can:

- [a] pick a higher or lower fraction, percentage or number of members needed to call a meeting to order, and
- [b] pick the same or a different number of members needed to conduct business once a meeting is called to order.

If you do not want to allow business to be conducted with fewer people than are needed to call a meeting to order, delete everything after "present in person" in 14.13 [a]. Your rule would then read:

**14.13 Requirement for quorum**

No business, other than the election of a chair and the close of the meeting, may be transacted at any general meeting unless a quorum of [choose a number, e.g. 15%, 20%, etc.] of the members entitled to vote are present in person.

**Our Co-op's Choice:**

Model

Option

### 16.1 Voting rights

The Act provides that every member has one vote, except a member with an unpaid call on shares. Except in this case, you cannot restrict the right of any member (including an associate member) to vote on any matter being decided by members.

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**Model Rule:** The Model assumes (see Rules 2.1 and 2.2) that the Co-op has principal and associate members.

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**Option:**

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If your co-op does not have principal and associate members, change 16.1 to read like this:

Each member will have one vote on all matters to be decided by the members.

**Our Co-op's Choice:**

Model

Option

## 17.2 Policies

Every co-op has policies. We recommend using the term “policies” – not “house rules” or “by-laws”. “House rules” can be confused with the Rules that the Co-op Act describes, and “by-laws” is a term more commonly used by non-profit societies and companies. Co-ops in some other provinces use the term “by-laws”, but not those in British Columbia.

The Rules must establish who has the authority to make policies – the Directors or the members – and when policies take effect.

**Model Rules:** Directors propose policies that take effect when approved by the members.

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**Option:**

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If you want to give Directors the authority to make policies, change the Rules to read:

### 17.2 Policies

The Directors may set and amend policies with respect to:

[a] the operation and maintenance of the Co-op; and

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- [b] the conduct of members and other persons in relation to the use and enjoyment of the Co-op and its property including the residential premises operated by the Co-op.

#### 17.3 When policies take effect

The policies or amendments take effect when they are adopted by resolution of the Directors.

#### Our Co-op's Choice:

Model

Option

#### 17.4 Number of Directors

**Model Rule:** There are five Directors.

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**Option:**

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You can choose a different number of Directors (not fewer than 'three').

Keep board size manageable. Five to seven directors is optimal.

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Model

Option



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#### 17.5 Persons disqualified to act as Directors

**Model Rule:** The Model lists 16 criteria to qualify or cease being a Director. Any one of the 16 reasons would prevent someone from serving as a Director. Directors automatically lose their position on the Board if any of the 16 reasons apply at the time of election or thereafter. The first four (a through d) and the four numbered g through j are required by the Act.

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##### Option 1:

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This Rule combines Rules 17.5 and 18.11 of the original Model Rules (2002). You can delete any of [e] through [f] and [k] through [p]. If you decide to add criteria to the list, consult with CHF BC, your management company or lawyer. If you delete [e] keep in mind that under the Act the number of non-member Directors cannot be greater than one-fifth of all Directors.

If you add or delete criteria, don't forget to re-letter the remaining lines if necessary.

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##### Option 2:

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With 17.5 [n] and [o], the Model allows for a Director to be in a situation or position of conflict, as long as the Director complies with the provisions of the Act respecting disclosure and conflict of interest [sections 86 to 96 of the Act].

If you want persons to be disqualified and Directors to automatically lose their position on the Board when they are in a situation or position of conflict, delete the last part of [n] and [o].

They would then read:

[n] has entered into a contract directly with the Co-op as an employee or contractor;

[o] is a shareholder, director, or employee of a corporate entity with which the Co-op enters into a contract; or

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Model

Option

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#### 18.3 Election procedure if there are more candidates than vacancies

**Model Rule:** There is an election by ballot. Members must vote for the same number of candidates as there are positions to fill. This prevents “plumping”, when a voter tries to get one or more individual candidates elected instead of voting to fill all of the vacant positions.

The chair must declare elected the candidates receiving the highest number of votes up to the number of Directors to be elected. For example, if there are three vacancies then the first three candidates with the highest votes are elected. Those three received a plurality of votes – not necessarily a majority.

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#### Option 1:

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Delete [b] if you want the option of voting for fewer candidates than the number of positions. Replace it with the following:

[b] members may vote for any number of candidates up to the number of Directors to be elected; and

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#### Option 2:

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Delete [c] if you want the option of requiring a simple majority, which is more than half of the ballots cast, in order to be elected to the board. Replace it with the following:

[c] the chair must declare elected the candidates receiving the highest number of votes up to the number of Directors to be elected, provided that no candidate shall be elected who is not named on at least a simple majority of the ballots cast, excluding spoiled ballots.

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Model

Option

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### 18.4 Election procedure if there are not more candidates than vacancies

**Model Rule:** If the number of candidates is equal to or less than the number of Directors to be elected, those nominated are declared elected and no election is required. This is called an election by acclamation, where Directors are elected without a vote by ballot.

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**Option:**

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If you want a system that requires any Director to receive a simple majority of the votes, delete 18.4. Replace it with:

### 18.4 Election procedure if there are not more candidates than vacancies

If the number of candidates in an election for Directors is equal to or less than the number of Directors to be elected, there must be an election by secret ballot and members may vote for any number of candidates. Those candidates who are named on at least a simple majority of the ballots cast, excluding spoiled ballots, shall be declared elected.

**Our Co-op's Choice:**

Model

Option

### 18.5 Terms decided by number of votes

**Model Rule:** The Model provides for the Directors receiving the highest number of votes receiving the longest term.

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**Option:**

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If you want to have the Directors decide on the terms at the first board meeting, delete 18.5 and replace with:

### 18.5 Terms decided by Directors

If the positions to be filled are for different terms, the Directors shall decide on the terms for the newly elected Directors.

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Model

Option

### 18.8 Term of office of Directors

**Model Rule:** The Model assumes that you already have staggered two-year terms for Directors. This means that in a normal year, no more than half of the Directors will be new to the Board. Staggered terms create more stability and continuity on the Board. This is good for volunteer-based organizations.

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**Option 1:**

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If you want to put in place a system of staggered two-year terms, delete Rule 18.8. Replace it with:

#### 18.8 Terms of office of Directors

In the election of Directors:

- [a] held at the first Annual General Meeting after these Rules come into effect, half of the Directors (rounded up in the case of an odd number of Directors) must be elected for a term of two years and the remainder must be elected for a term of one year; and
- [b] held at each subsequent Annual General Meeting, the Directors must each be elected for a term of:
  - [1] one year, if the Director is completing the term of a Director who vacated their office in the first year of their two-year term; or
  - [2] two years, in a manner to ensure that no more than a simple majority of Directors is elected for a term of two years at any Annual General Meeting.

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Model

Option

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#### Option 2:

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If you prefer one-year terms for Directors, there is no staggering of terms. You can amend this Rule to read:

#### 18.8 Term of office of Directors

In the election of Directors at the Annual General Meeting, the Directors must each be elected for a term of one year.

#### Our Co-op's Choice:

Model

Option

#### 18.9 Further terms of office of Directors

**Model Rule:** The Model sets a four-year limit on the time a Director can serve continuously on the Board. The Director can return to the Board after a one-year absence. The limit includes terms served prior to the adoption of this Rule. The Model clarifies how to count terms.

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#### Option:

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You can change:

- the limit on continuous service to something other than four years, for example “three consecutive two-year terms”; and
- the length of time a Director must be absent before returning to the Board to something other than one year.

If you have one-year terms in 18.8, substitute “two consecutive two-year” with “four consecutive one-year”.

Directors may need more than one or two years to effectively learn the job. One or two year term limits may create problems with board continuity and governance capacity.

It is recommended that only smaller co-ops (ten or fewer units) opt for no term limits at all. If you choose this, delete all of Model Rule 18.9 and substitute:

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#### 18.9 Further terms of office of Directors

Directors may be re-elected any number of times.

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Model

Option

#### 18.10 Vacancies on the Board

**Model Rule:** This Rule provides various options for filling a vacancy on the Board – where the continuing Directors constitute a quorum and where they do not. A new Director elected or appointed to fill a vacancy will hold office for the balance of the term of the vacating Director.

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#### Option:

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You can change this so that a new Director will hold office until the next Annual General Meeting. Delete the last two lines of [a] and substitute:

“which new Director in either case will hold office until the next Annual General Meeting, or”

#### Our Co-op's Choice:

Model

Option

#### 18.11 Removal of Director

**Model Rule:** A Director may be removed from office by a Special Resolution. The Model places restrictions on when a Director removed from office may run or be appointed again.

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#### Option:

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You can change the length of time before the Directors may appoint the Director removed from office. Delete “one year” and substitute any reasonable number.

You can remove any restrictions on the time to elapse before the election or appointment of any Directors removed from office. This could mean, for example, that the Board could appoint any ex-Directors to the Board soon after members removed them from office. Delete Rule 18.11 and substitute:

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#### 18.11 Removal of Director

A Director may be removed before the expiration of the Director's term of office by a Special Resolution. The Director, if any, who is to fill the vacancy, must be elected by the members at a general meeting.

#### Our Co-op's Choice:

Model

Option

## RULE 25 Member disputes

**Model Rule:** The Model sets out how and under what conditions a member having a dispute with another member may submit the dispute to the Co-op. It outlines how a Co-op may try to resolve the dispute. Nothing in Rule 25 applies to the termination of a member's membership which is set out in Rule 5.

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#### Option:

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You can delete all of Rule 25 and substitute:

### **RULE 25 Deleted**

Do not delete and re-number. Don't forget to delete reference to Rule 25 in Rule 5.12.

#### Our Co-op's Choice:

Model

Option

### **Note on dissolution of the Co-op**

Include this note if your co-op's dissolution provision is in your original Rules. That specific Rule must survive when you replace the current Rules with new Rules. Attach the Rule for information.

If the dissolution provision is in your Memorandum, it will remain in force after you replace your current Rules with new Rules. Delete this note.