

Cortes Community Forest Cooperative

MEMORANDUM OF ASSOCIATION

1. *Full name of Association*

Cortes Community Forest Cooperative

2. *Purposes of Association*

- a) To manage, directly or indirectly, the Cortes Community Forest Agreement in conjunction with the Klahoose First Nation for the benefit of all residents of Cortes Island.
- b) To encourage local, value added, business initiatives by harvesting and selling logs and other forest products, including non-timber forest products, to residents of Cortes Island.
- c) To sell forest products, including non-timber forest products, both on Cortes Island and elsewhere.
- d) To disburse funds to local organisations from time to time.
- e) To perform such other functions and to do all such things as are incidental, ancillary or conducive to the attainment of the purposes set out above and the exercise of the powers of the Association.

3. *Authorized Share Capital*

| | Maximum Number | Par Value |
|----------------------------------|-----------------------|------------------|
| <i>Membership shares</i> | Unlimited | \$ 25.00 |
| <i>Class A Investment Shares</i> | Unlimited | \$ 500.00 |

4. The liability of a member or investment shareholder of the Association is limited in accordance with the *Cooperative Association Act*.

5. We, the persons whose names and addresses are listed below, desire to be formed into an incorporated association under the Co-operative Association Act and by our signatures subscribe to the number of shares set opposite our respective names.

| <i>Last Name</i> | <i>First name</i> | <i>Address</i> | <i>Membership Shares</i> | <i>Class A Investment Shares</i> |
|---------------------------|-------------------|---|--------------------------|----------------------------------|
| Richardson | Elizabeth A | 1255 Seaford Road, Mansons Landing, B.C. V0P 1K0 | 8 | 0 |
| Ellingsen | Bruce | 297 Sutil Point Road, Mansons Landing, B.C. V0P 1K0 | 1 | 2 |
| Wolda | Ron | 1750 Mary Point Road, Tiber Bay, B.C. V0P 1K0 | 1 | 2 |
| Total Shares Taken | | | 10 | 4 |

Dated: November 4, 2011

Subscriber

1. EA. Richard
(signature)

EUSABETH ANNE RICHARDSON
(print full name)

1255 SEAFORD RD, MANSON'S
(address)
LANDING, BC VOP1K0

Witness

Bruce D. Ellingsen
(signature)

BRUCE DAVID ELLINGSEN
(print full name)

297 SUTCLIFF POINT RD.
(address) MANSON'S LANDING BC
VOP1K0

Subscriber

2. Bruce D. Ellingsen
(signature)

BRUCE DAVID ELLINGSEN
(print full name)

297 SUTCLIFF POINT ROAD
(address) MANSON'S LANDING BC
VOP1K0

Witness

EA. Richard
(signature)

EUSABETH ANNE RICHARDSON
(print full name)

1255 SEAFORD RD, MANSON'S
(address) LANDING, B.C. VOP1K0

Subscriber

3. [Signature]
(signature)

Ronald Gerard Wolda
(print full name)

1750 May Point road
(address)
Cortes Island BC
VOP1K0

Witness

Bruce D. Ellingsen
(signature)

BRUCE DAVID ELLINGSEN
(print full name)

297 SUTCLIFF POINT ROAD
(address) MANSON'S LANDING BC
VOP1K0

RULES OF THE ASSOCIATION

1. Definitions

In these Rules:

“Act” means the *Cooperative Association Act of British Columbia* as it is in force and as amended from time to time;

“Association” means Cortes Community Forest Cooperative;

“Member” means a member of the Association;

“Director” means a director of the Association;

“Investment Share” means a share in the Association which is not a membership share;

Subject to Rule 1, definitions in the Act on the date these Rules come into force apply to these Rules, with the necessary changes. If there is a conflict or inconsistency between the Act and these Rules, the Act governs.

MEMBERSHIP AND SHARES

2. Admission and Eligibility

Membership in the Association is open in a non-discriminatory manner to any individual over the age of 16 and to any corporations and other cooperative associations that are willing to accept the responsibilities of membership.

3. Membership

An applicant may be admitted to membership who:

- a. makes an application in writing with information required by the Directors who, acting reasonably and in the best interests of the Association, may accept or reject it; and
- b. subscribes and pays in full, in cash, for the required number of membership shares which shall not be less than one and the par value of which shall be \$25.

4. Effective Date of Membership

Membership is effective on the day that the application for membership is approved under Rule 3.

5. Membership Shares

The Association is permitted to issue an unlimited number of membership shares with a par value of \$25. Members are not limited in the number of shares they may purchase, however each Member is only entitled to one vote regardless of how many shares they own. Membership Shares do not carry any right to interest or dividend

6. Investment Shares

The Association is permitted to issue an unlimited number of Investment Shares with a par value of \$500.00. Investment shares may only be purchased by Members. Members are not limited in the number of

shares they may purchase, however each Member is only entitled to one vote regardless of how many Investment Shares the Member owns. Investment Shares do not carry any right to interest or dividend.

7. Rights

Each Member shall be entitled to participate in the election of the Board of Directors and to contribute in the governance of the Association as set forth in these Rules. Members shall be provided with current information as to the organization and financial affairs of the Association on a regular basis.

CESSATION OF MEMBERSHIP

8. Withdrawal of membership

A Member may withdraw from membership by giving written notice to the Association and by surrendering the Member's share certificates.

9. Effective Date of Withdrawal

The membership of a Member ceases on the date the Member has complied with Rule 8.

10. Termination by default

If a Member dies, makes assignment in bankruptcy or otherwise for the benefit of creditors, or the membership shares of the Member are seized or taken in attachment by any creditor, or the Member purports to transfer membership shares to any third party without approval, the Association shall be entitled to redeem that Member's membership shares by repaying the subscription amount to the party apparently entitled.

11. Termination for cause

The Directors may terminate the membership of a Member in accordance with the Act, if three-quarters of the Directors vote in favor of a resolution to terminate a membership because:

- a. A Member has engaged in conduct detrimental to the Association; or
- b. A Member is in breach of a material condition of an agreement between the Member and the Association.

A Member is entitled to at least 14 days written notice, to such Member's last known address, of the meeting at which a resolution to terminate that person's membership is to be considered, and shall be notified of the results of the resolution with 14 days.

12. Appeal of termination of membership

The right of appeal of a person whose membership is terminated for a reason set out in Rule 11 is governed by the Act.

13. Payment for Shares

Membership shares are payable on call and may be forfeited for default of payment. All shares must be paid for in cash.

14. Redemption and transfer of Membership Shares

- a. The Association may, by a resolution of the Directors, redeem any of its shares at the price and on the terms specified by the resolution, and the Association may reissue its Membership shares.
- b. Shares are non-transferable.
- c. The Directors may defer redemption of a membership share for a period not exceeding three years from the date that membership ceases.
- d. During the first 12 months from the date of incorporation, redemption of membership shares may be deferred until the end of the 12 month period without interest payment.
- e. The Association has a lien on a Member's share for a debt due to the Association by the Member, and may on 30 days' notice in writing, set off the debt due it against the share of the Member.

15. Redemption and transfer of Investment shares

- a. The Association may, by a resolution of the Directors, redeem any of its shares at the price and on the terms specified by the resolution, and the Association may reissue its Investment shares.
- b. Investment Shares are non-transferable.
- c. If a Member wishes to redeem their Investment Shares which are more than one, they must submit in writing an application to the Board, who shall consider it favorably unless refunding the money would detrimentally affect the Association. The Board is to reply within 2 months of receiving the application.
- d. During the first 12 months from the date of incorporation, redemption of Investment shares may be deferred until 24 months after the date of incorporation.

MEETINGS OF MEMBERS

16. Annual General Meeting of Members

- a. The Annual General Meeting (AGM) of members must be held each calendar year, the time of which shall be decided by the Board of Directors.
- b. The agenda of the AGM will include:
 - i. The consideration of the financial statement for the last year
 - ii. Resolutions from the Board and from members
 - iii. Report from the Directors
 - iv. Election of the Directors
 - v. Appointment of auditor (if the Association is required to or has chosen to appoint an auditor)
 - v. Other business agreed to by members

17. Meetings of Investment Share Holders

The Rules guiding membership meetings shall apply to meetings of holders of Investment Shares.

18. Other Meetings of Members

The Directors may call a meeting of Members and must call a Special Meeting of Members when requisitioned to do so in accordance with the Act.

At least one month's notices of the AGM must be given by the Association to the Members in the following manner:

- a. By posting a notice at the Association's regular place of business; and
- b. By placing a notice in the newsletter of the Association; and
- c. By publishing a notice in a local publication.

Notice of any other meeting of Members shall be given in the same manner not less than 14 days before the Meeting is scheduled.

19. Record Date

Only persons who are Members at the close of business one calendar month prior to any general meeting date shall be entitled to vote in any election or participate in decision-making at that meeting.

20. Quorum

Twelve members or 10% of all eligible voters, whichever is less, shall constitute a quorum required to conduct business at any general meeting.

21. Failure to achieve quorum

If within one hour from the time appointed for a general meeting a quorum is not present, the meeting, if convened upon requisition (i.e. other than a regular AGM), shall be dissolved; in any other case it shall stand adjourned to the same time and place one week later and if at the reconvened meeting a quorum is not present within one hour from the time appointed, the members then present shall form a quorum for the purpose of conducting business.

22. Voting

- a. A Member can only have one vote regardless of how many membership or Investment shares the Member holds.
- b. Voting by proxy is not allowed.
- c. Voting by email is permitted as determined by the Directors.
- d. On a tie vote, the chair person at any meeting of Members has a casting or second vote.

DIRECTORS AND OFFICERS

23. Number of Directors

The Board shall be composed of not fewer than three or more than seven people, elected or appointed as set out in these Rules. A majority of the Directors must be residents of British Columbia. The Members may change the number of Directors by means of an ordinary resolution.

24. Qualifications of Directors

At the time of their election and during their term of office, all Directors must be Members and be 18 years of age or older. All Directors must have read the memorandum and Rules of the Association and agree to act in support of it.

No person can be or remain a Director who:

- a. has been found by a court to be of unsound mind; or
- b. has been found by a court, in Canada or elsewhere, to be incapable of managing his or her own affairs; or
- c. has the status of an undischarged bankrupt; or
- d. has been convicted in or out of British Columbia of an offence in connection with the promotion, formation or management of a corporation, or an offence involving fraud; or
- e. has failed to meet or maintain any other qualification specified in the Act or in these Rules.

25. Terms of Office

At the first Annual General Meeting, at least one Director will be elected for a 2-year term, at least one Director for a 3-year term and at least one Director for a 4-year term. At following AGM's, where needed, Directors shall be elected for 3-year terms.

26. Termination

The office of a Director may be terminated in any of the following ways:

- a. Voluntarily by the Director by delivering a written resignation to the Association. The acceptance of any resignation shall not be necessary to make it effective.
- b. Automatically upon termination of membership in the Association, failure to qualify pursuant to Rule 24, being absent from three consecutive regular meetings of the Board without consent of the Directors, or becoming otherwise disqualified according to the Act or these Rules.
- c. Involuntarily by special resolution as defined in the Act. The special resolution shall only be presented at a general meeting after a motion recommending removal of the Director has been passed by the majority of the other Directors.

27. Vacancy

A mid-term vacancy on the Board for whatever reason may be filled by an eligible person elected by a

simple majority of the remaining Directors. Any person so appointed shall serve until the next AGM.

28. Directors' Responsibilities

The Board must manage or supervise the management of the business of the Association in accordance with the responsibilities, duties and powers set out in the Act, the regulation, the Memorandum and these Rules. As permitted by the Act, the Board may delegate any of its powers by resolution to a committee. Directors, in exercising their power and performing their functions, shall act honestly and in good faith with a view to the best interests of the Association and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Directors shall adhere to policies and motions passed by the Board and be accountable to the members at large and to other Board members.

29. Meetings

Subject to the Act and these Rules, the Directors may meet together to discuss business, adjourn, and otherwise regulate their meetings as they consider appropriate.

30. Quorum for Board Meetings

The quorum to commence a Board meeting and to conduct business at that meeting is one more than 50% of all serving Directors.

31. Records

The Directors shall ensure that written records are maintained at its registered office of:

- a. all appointments of officers made by them;
- b. the names of the Directors present at each meeting of the Directors or committees of the Board of Directors;
- c. Minutes of every meeting and resolutions of the Association and the Board.

The Directors shall ensure that a current register of Members and Investment Shareholders is maintained at the registered office of the Association, indicating the name, address and number of Membership and/or Investment Shares held.

32. Meetings by electronic means

A Director may participate in a meeting of the Directors or of any committee of the Directors by means of telephone or other communications medium in accordance with the Act.

33. Officers

The Board shall appoint a President and Vice President, and may appoint a secretary, a treasurer and other officers that the Board determines are necessary. The officers may be, but need not be, Directors. Two or more offices of the Association may be held by the same individual.

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.

The Board must determine the term of office and remuneration of any officer it appoints.

34. Conflict of interest

The Directors and officers of the Association are governed by the disclosure and conflict of interest provisions set out in the Act.

FINANCES

35. Borrowing

The Directors may raise or borrow or secure the payment of money for the purposes of the Association, but no debentures shall be issued nor shall the amount at any one time owing in respect of money raised, borrowed, or secured exceed the amount of capital subscribed for, without the sanction of a special resolution

36. Investment

Subject to any limitation adopted in these Rules, or set out in the Act, the Directors may invest the funds of the Association in the manner they consider appropriate.

37. Limits on Investments and Lending

The Directors shall not invest any of the funds of the Association over sixty thousand dollars (\$60,000) at any one time without the prior approval by special resolution of the members or unless the money is to be invested in a security or class of securities in which trustees are permitted to invest funds under the *Trustee Act*. The Association shall not provide loans on the security of its shares.

38. Auditors

Subject to and in accordance with the Act, the Directors may appoint the first auditor and the Association shall appoint subsequent auditors, if any.

39. Records

The Directors shall cause financial accounts to be kept in accordance with the Act and any Regulations thereto.

40. Financial year end

The financial year of the Association ends on such date as the Directors decide.

41. Reinvestment

Subject to Rule 37, the Directors shall not reinvest more than 50% of surplus funds of the Association towards diversifying its business, expanding its operations and/or choose to make other investments limited to those allowed under the *Trustee Act*.

42. Use of surplus

The Directors shall apply surplus funds arising from the operation of the Association in a financial year that are not reinvested as laid out in Rule 41 as follows:

- a. first, to the reserve required by Rule 43;
- b. next, to retire all or a portion of any deficit previously incurred by the Association, as the Directors determine is appropriate;
- c. third, to enhance and preserve the Cortes Island forest lands and for the general benefit of the Cortes Island community as laid out in Rule 44.

43. Contingency fund

The Directors must set aside as reserves for meeting contingencies, between 25% and 50% of the surplus funds arising from the operations of the Association in each financial year up to a accumulated total of one hundred and twenty-five thousand dollars (\$125,000) after which the set aside sum for the reserve shall be at the discretion of the Directors with the maximum being 25% of the surplus funds arising from the operations of the Association in each financial year.

44. Surplus

In accordance with Rules 41, 42 and 43 the Directors shall make available the balance of surplus funds arising from the operation of the Association as follows:

- a. At least 20% and to a maximum of 50% will go toward ecosystem restoration (inherited disturbances), ecosystem studies, water distribution works and fire prevention works on Cortes Island.
- b. At least 30% and to a maximum of 80% will go toward community infrastructure, community projects and economic diversification that will benefit the Cortes Island community.

45. The Association shall not pay patronage returns or dividends.

NOTICES

46. Notice to members etc.

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

- (1) Delivered personally,
- (2) Delivered to the person's last known address, as recorded in the Association's register of members or other record of the Association,

(3) Mailed by prepaid mail to the person's last known address, as recorded in the Association's register of members or other record of the Association, or

(4) Sent to the person by facsimile transmission to a telephone number provided for that purpose.

47. Notice to the Association

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

(1) Delivered to registered office of the Association,

(2) Mailed to the registered office of the Association by prepaid mail,

(3) Sent by facsimile transmission to a telephone number provided for that purpose, or

(4) Otherwise served in accordance with the Act.

48. Deemed date of notice

(1) A notice given in accordance with Rules 46(2) or 47(1) is deemed received when it is delivered.

(2) A notice given in accordance with Rules 46(3) or 47(2) is deemed received on the second day, not including Saturday and holidays, after the date of mailing.

(3) A notice given in accordance with Rules 46 (4) or 47(3) is deemed received at the time the notice is sent by facsimile.

49. Computation of time

In computing the date when the notice shall be given under any provision requiring a specified number of days notice of any meeting or other event, the date of giving notice shall be excluded and the date of the meeting or other event shall be included.

50. Undelivered notices

If a mailed notice is returned on two consecutive occasions because the intended recipient cannot be found, the Association is not required to give any further notices to that intended recipient until the intended recipient informs the Association in writing of their new address.

51. Omissions, non-receipt and errors

The accidental omission to give notice to, or the non-receipt by, a Member, Director, officer, auditor or member of a committee of the board, or an error contained in any notice that does not affect the substance of that notice, does not invalidate any action taken at a meeting held in accordance with, or otherwise founded on, that notice.

CORPORATE SEAL AND EXECUTION OF INSTRUMENTS

52. Seal

The Directors may provide a seal for the Association.

53. Custody of seal

The Directors must provide for safe custody of the seal, which shall be stored at the head office of the Association.

54. Execution

The seal shall not be impressed on any document unless that impression is attested by the signature of one or more Directors, officers or other persons specifically authorized by resolution of the Directors for that purpose.

RECORDS

55. Records

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

ALTERATION OF MEMORANDUM OR RULES

56. Alteration of Memorandum or Rules

Amendments to the Memorandum and Rules of the Association must be in accordance with the Act and these Rules.

Dated: November 4, 2011

Subscriber

Witness

1. *E.A. Richard*
(signature)

Bruce D. Elmer
(signature)

EUSABETH ANNE RICHARDSON
(print full name)

BRUCE DAVID ELMER
(print full name)

1855 SEAFORD RD.
(address) HANSONS LANDING-
B.C. VOP IKO

297 SUTLE POINT ROAD, HANSONS LANDING
(address) BC VOP IKO

Subscriber

2. Bruce D. Elungson
(signature)

BRUCE DAVID ELUNGSON
(print full name)

297 South Point Road, Mansons
(address) LANDING BC VOPIKO

Witness

E.A. Richard
(signature)

ELISABETH ANNE RICHARDSON
(print full name)

1255 SEAFORD RD, MANSONS LG.
(address) B.C. VOPIKO

Subscriber

3. [Signature]
(signature)

Ronald Gerard WOLDA
(print full name)

1750 Mary Point road
(address) Cortes Island.
BC VOPIKO

Witness

E.A. Richard
(signature)

ELISABETH ANNE RICHARDSON
(print full name)

1255 SEAFORD RD, MANSON'S
(address) LANDING, B.C. VOPIKO

