

**INSTRUCTIONS FOR COMPLETING THE
MEMORANDUM OF ASSOCIATION**

The memorandum of association is to be typed or printed clearly on 8 1/2" by 11" white paper – in duplicate

COOPERATIVE ASSOCIATION ACT

MEMORANDUM OF ASSOCIATION

1. FULL NAME OF ASSOCIATION

The name of the association must be approved and reserved by the Registrar of Companies before proceeding with incorporation. Enter the name of the association as approved and reserved by the Corporate Registry. Enter the name **exactly** as shown on the name reservation.

2. PURPOSE OF ASSOCIATION

The purpose of the association should contain the **type** of cooperative association services intended to be supplied and **how** the association intends to provide these services.

Ensure you describe accurately and clearly the purpose of your association while allowing as much flexibility as possible in case the association later decides to pursue activities that are not directly related to a narrowly defined purpose.

e.g. sample of a restrictive purpose

The purpose of the Association is to provide a marketing service and distribution network to sell the crafts and artisan products of its members and to buy, on behalf of its members, the supplies and raw materials they require to produce these products

e.g. sample of a less restrictive purpose

The purpose of the Association is to provide a marketing service and distribution network to sell the crafts and artisan products of its members and to buy, on behalf of its members, the supplies and raw materials they require to produce these products, **and such other activities as are necessary and desirable for these purposes.**

3. RESTRICTIONS ON BUSINESS

This clause is optional.

Should you choose to complete this clause, list restrictions only if it is necessary to impose restrictions on the business your Association may carry on. These may include restrictions of a practical, financial or ethical nature.

e.g. sample of a restriction on business

The Association must not market or distribute non-organic food products.

Take care to avoid unnecessary restrictions in the Memorandum - they are legally binding and may be difficult or impossible to amend, potentially impairing your association's ability to adapt to changing conditions. For example in the following sample restriction "The Association shall obtain its raw material from Canadian suppliers only." you may want to include a buy-Canadian preference in your association policies rather than stating this in your Memorandum.

4. RESTRICTIONS ON POWERS

This clause is optional.

Should you choose to complete this clause, list restrictions only if it is necessary to impose restrictions on the powers of your association. Your association will have the capacity and the rights, powers and privileges of an individual of full capacity. This means that it can do anything that an individual can do lawfully such as enter into contracts or incur debt in its own name.

Restricting your powers is rarely done in practice. Take care not to impose restrictions that might make it difficult for the association to adapt to future conditions.

5. AUTHORIZED SHARE CAPITAL

The Memorandum sets out the type and maximum number of shares your association may issue to members (and to non-member investors, if this is permitted by the Rules).

Membership Shares

MAXIMUM NUMBER	PAR VALUE
①	②

Cooperative associations may have more than one class of membership, although they can only have one class of membership shares. For example, a producer cooperative association might have membership classes for active members and for retired members, with retired members subscribing for a smaller number of membership shares.

Since you do not have to issue all the authorized membership shares, it may be advisable to authorize a large or unlimited number so your association can accommodate both growth and possible restructuring.

Membership shares may be with or without par value. If they are with par value, you must set out the par value in the Memorandum. If they are without par value, you must state this in the Memorandum. For additional information on “par value” and “without par value”, refer to the “Par Value” information box below.

① State the maximum number of membership shares that the association is permitted to issue, or that the association is permitted to issue an unlimited number of membership shares, and ② the par value of the membership shares, or that the membership shares are without par value.

Investment Shares

*NOTE: Housing cooperative associations and community service cooperative associations must not issue investment shares.

CLASS OF INVESTMENT SHARES	MAXIMUM NUMBER	PAR VALUE
①	②	③

Investment Shares are optional.

Should you choose to have investment shares, the Memorandum will determine the total amount of shares your association can issue. You should make sure that the authorized share capital will meet both current and future needs as it can be difficult to achieve the special resolution support of two-thirds to three-quarters to change the Memorandum at a later date. You may choose to authorize any number of classes of investment shares.

Investment shares can be used to raise capital by allowing members to invest beyond their membership purchase requirements or to raise outside capital from non-members if the Rules allow. As is the case with membership shares, you must state in the Memorandum whether investment shares are with or without par value. If they are with par value, this must be set out in the Memorandum. For additional information on “par value” and “without par value”, refer to the “Par Value” information box below.

If the association is authorized to issue investment ① shares for each class of investment shares state whether ② the number of investment shares that may be issued is unlimited, and, if not, state the maximum number of investment shares that may be issued. For each class of investment shares that may be issued, ③ state the par value of the shares or that the shares are without par value.

Keep in mind: You may consider establishing a broadly useful class of investment shares for future use with a dividend rate to be set by the directors.

If your association plans to offer investment shares, it is important to seek professional advice. When you issue investment shares, you will need to meet the requirements of the *Securities Act*. The phone number of the BC Securities Commission is 604 899-6500.

PAR VALUE

Generally, an association may choose to have either shares with par value or shares without par value, or a combination of these among different classes. The difference is of consequence only in sophisticated accounting transactions. The par value of a share is the nominal or face value of the share and does not necessarily reflect its current value. However, shares cannot be issued for less than their par value.

A share without par value is a share that has no face value. Just as the current value of a share with par value may be more or less than the par value, a share without par value may, over time, be worth more or less than the amount paid for it.

Note that the membership shares of a housing cooperative association that has chosen to include a dissolution clause in its memorandum (refer to clause 7 below) **must** be par value shares. In these cases, the par value and the purchase price of the share will be the same, and if the member withdraws from the association or the association is dissolved or wound up, the amount payable on redemption of the share cannot exceed the amount paid up on the member's membership shares, which will be the same as the par value if the shares are fully paid up.

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

The Memorandum **must** include a statement setting out the liability of members and investment shareholders for the debts, obligations and acts of your association. **The exact wording shown above must be used.** Under the *Cooperative Association Act*, a shareholder's liability for the debts, obligations and acts of the association is limited to the purchase price of the share(s).

Your association directors could be personally or vicariously liable for actions of the association as a result of a judgement against the directors in an amount in excess of the purchase price of their shares. You may wish to consult an insurance professional about the desirability of obtaining liability insurance for directors or officers.

7. Section 173 of the *Cooperative Association Act* applies to the Association and this statement is an unalterable provision. ①
- OR -
- Section 196(1) of the *Cooperative Association Act* applies to the Association. This provision may be altered. ②
- OR -
- Section 196(1) of the *Cooperative Association Act* applies to the Association. This provision may not be altered. ③
- OR -
- Section 178.1(4) of the *Cooperative Association Act* applies to the Association. This provision may not be altered. ④

This clause is optional.

All cooperative associations should have provisions in their Rules, if the cooperative association has not adopted one of the above provisions in their memorandum, for the distribution of their property after they have been dissolved or wound up. The following information relating to the Memorandum will apply to most housing cooperative associations and a few other cooperative associations that have made choices relating to dissolution through specific sections of the Act.

① A housing cooperative association that wishes to have its property transferred to or distributed among one or more housing cooperative associations, must state in its Memorandum that section 173 of the *Cooperative Association Act* applies. Once this clause is in a Memorandum it can **never** be altered or removed. The property can only be transferred to or distributed among housing cooperative associations that have selected section 173 or to which section 173 applies.

② or ③ Similarly, if a cooperative association wishes to transfer its property to other associations having a similar purpose or to charitable organizations registered under the *Income Tax Act*, it must state in its Memorandum that section 196(1) of the *Cooperative Association Act* applies. It must also indicate whether the provision can be changed. If it cannot (is unalterable), then the association must not alter its memorandum to amend or repeal that provision.

② or ③ An association that has included in its memorandum a provision adopting section 196(1) must not issue any investment shares

④ If a community service cooperative is dissolved or wound up, its property, after satisfaction of its liabilities, costs, charges and expenses properly incurred in the dissolution or winding up, must be transferred to or distributed among one or more of the following organizations:

- (a) a community service cooperative;
- (b) a charitable organization registered under the *Income Tax Act* (Canada).

Indicate which, **if any**, of the above statements apply.

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

SUBSCRIBER NAME AND ADDRESS		NUMBER OF MEMBERSHIP SHARES TAKEN	NUMBER AND PAR VALUE OF EACH CLASS OF INVESTMENT SHARES TAKEN		
SUBSCRIBER NAME	SUBSCRIBER ADDRESS		NUMBER	CLASS	PAR VALUE
①	②	③	④	⑤	⑥
TOTAL NUMBER OF MEMBERSHIP SHARES TAKEN		⑦			
TOTAL NUMBER OF INVESTMENT SHARES TAKEN			⑧	⑨	⑩

The Memorandum must set out the full names and addresses of the founding members or subscribers of your association, as well as information concerning the membership shares and, if any, other classes of investment shares taken by them. Your association's first board of directors will be chosen from among the subscribers.

At least three subscribers are needed to form a cooperative association. They may be individuals or eligible organizations as set out in the Act. Eligible organizations are defined in the Act as the government, a first nation or a corporation. Corporations include companies, societies and other cooperative associations.

① Indicate the full names of each subscriber, their ② address and ③ the number of membership shares taken. Note the subscriber's address must be a complete physical address. You may include general delivery, post office box, rural route, site or comp. number as part of the address, but the Corporate Registry cannot accept this information as a complete address. You must also include a postal code. If the area does not have street names or numbers, provide a description that would readily allow a person to locate you (e.g. 4 miles east on Howard Road, left hand side near the Church, Creston, BC).

For **each** subscriber ④⑤ indicate the number and type of each class of investment shares issued, **if any**, and ⑥ the par value for each class of shares.

⑦ Indicate the total number of memberships hares taken.

⑧⑨⑩ Indicate the total number of shares taken for each class and par value of investment shares issued, **if any**.

SUBSCRIBERS**WITNESS(ES)**

Signature of Subscriber

Signature of Witness

Printed Name of Subscriber

Printed Name of Witness

Date Signed

Full Address of Witness

Date Signed

Signature of Subscriber

Signature of Witness

Printed Name of Subscriber

Printed Name of Witness

Date Signed

Full Address of Witness

Date Signed

Signature of Subscriber

Signature of Witness

Printed Name of Subscriber

Printed Name of Witness

Date Signed

Full Address of Witness

Date Signed