



What's new in Model Rules 2.0

Issue	What's new in Rules	Reference Model Rules 2.0
Rules		
A. Membership models	<p>Joint membership is included as a valid option (unlike the original Model). Before choosing a membership model, you should decide the following important issues first:</p> <p>Do you want to guarantee a right of succession?</p> <p>How do you want to allocate votes (one vote per household or one vote per person)?</p> <p>We recommend that you have a good discussion about the membership models and choose the one that is best for you. Use the membership models discussion guide. This step must be completed before proceeding.</p> <p>A combination of principal, associate and joint membership is complicated and not advisable.</p>	<p>Version A Model Rules for joint membership. These Rules are different from Version B:</p> <p>2.1, 2.2, all of 3, 4.2, 11.1, 16.1</p> <p>Version B Model Rules for principal and associate members or one member per unit.</p>
B. Membership terminations	<p>Anything related to eviction is removed other than through the use of Rule 5 (Termination of membership). Changes to the Co-op Act in 2013 prohibit termination of a member's Occupancy Agreement (OA) as a means of terminating membership.</p> <p>The wording in the Rules follows the Co-op Act closely. Avoid making changes to these sections:</p>	5 Termination of membership

	<p>Deemed withdrawal: A number of circumstances that would trigger a “deemed withdrawal” of membership are removed. Rule 4.2 includes only indisputable circumstances such as death of a member or a member surrendering possession of the unit. Anything else should be handled through termination of membership. Examples are:</p> <p>abandoning a unit, which is covered in section 19 of the OA</p> <p>if a member ceases to live in their unit on a full-time permanent basis as their principal residence. This is covered in section 13.02 of the OA. The co-op should deal with each of these situations by terminating the member’s membership for breach of a material condition of the Occupancy Agreement, using Rule 5.</p> <p>Deleted:</p> <p>The original Rules 4.3 Termination of the Occupancy Agreement, 8.5 Failure to comply with notice, 8.6 Effect of forfeiture, and 11.3 Redemption of shares on bankruptcy.</p> <p>A member’s right to appeal termination of membership for arrears to a general meeting is removed.</p> <p>Recent changes to the Co-op Act remove the automatic right of appeal to the members if the cause of membership termination is arrears. The new model reflects this change because it mirrors the process that used to be available before the Act eliminated the option of terminating the OA.</p>	<p>4.2 Deemed withdrawal of membership by a member</p> <p>5.5 Notice of outcome of meeting</p>
C. Shares	Everything related to shares is now located in the Rules to avoid overlap with the Occupancy Agreement (OA).	7 Share structure through to 12 Redemption of shares

	<p>Moved:</p> <p>Rule 12.7 Balance of member's debt is moved from the original Section 19 of the OA.</p> <p>2.6 Number of shares to be held is moved to Rule 8.1</p> <p>Number of shares is more appropriately included in Rule 8 Payment for Shares.</p> <p>Deleted:</p> <p>Deleted from the OA:</p> <ul style="list-style-type: none"> • 5 Payment of shares <p>19 Sale of Shares on Withdrawal or Termination of Membership</p> <p>Sale and purchase of shares: any language related to sale of shares or finding a purchaser of shares is removed</p> <p>Co-ops redeem (refund) shares of members. They do not sell shares to a purchaser – they issue shares to new members.</p> <p>The requirement to redeem shares of a deceased member within 60 days is removed.</p> <p>It is prudent to provide the co-op with sufficient time to process the unit turnover and redeem the shares. This does not necessarily happen within 60 days. Co-ops should make every effort to redeem shares within a reasonable time period, but the board has a primary duty to protect the interests of the co-op.</p> <p>Share certificate: Co-ops do not have to issue or maintain share certificates and members do not need the certificates in order to</p>	<p>12.7 Balance of member's debt</p> <p>8.1 Number of shares to be held</p> <p>Rules 6.4 Withholding of refund, 12.4 Lien on Shares,</p> <p>12.5 Redemption to satisfy a debt due to the Co-op and 12.6 Debt to be satisfied first, and in the OA: 17.02 (original 18.02) Share redemption</p> <p>11.2 Redemption of Shares of a deceased member</p> <p>9 No share certificate and</p> <p>6.2 Refund of amount paid for shares</p>
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	redeem their shares. Co-ops must maintain a share register and issue a receipt for the shares.	
D. Member meetings per year with AGM	The number of general meetings a board is required to call is two: the AGM and one other. A board can still opt to call as many meetings as the co-op needs to conduct necessary business	14.4 Frequency of general meetings
E. Adjournment and quorum	<p>Deleted:</p> <p>14.14 Lack of quorum: the wording “unless the notice of meeting specifies otherwise as to adjournment” is deleted.</p> <p>The change is to ensure that if you do not have quorum, you close the meeting and provide proper notice of the next meeting. If you are having trouble achieving quorum, consider lowering the requirement in your Rules and talk to members about what might make meetings more productive and interesting.</p> <p>14.16 (original Rule) Quorum at an adjourned meeting</p> <p>The quorum set out in 14.13 applies to all meetings.</p>	14.14 Lack of quorum
F. Directors’ qualifications	<p>Persons disqualified to act as Directors and 18.11 Director ceasing to hold office are combined into 17.5.</p> <p>Directors’ arrears: The disqualification for directors is more rigorous and in line with 2020 Vision standards:</p> <p>Indebted to the Co-op for any amount other than:</p> <p>current month’s Housing Charges, or</p> <p>an amount other than Housing Charges and payment is being made in accordance with a plan approved by the Directors</p>	<p>17.5 Persons disqualified to act as Directors</p> <p>17.5 Persons disqualified to act as Directors</p> <p>[f]</p>

	<p>Deleted:</p> <p>Rule 18.11 [i] in the original Model “the Director holds any office of profit under the Co-op” is deleted.</p> <p>Outdated language is replaced with more current language that will be easily understood by members.</p>	
G. Number of directors	<p>The ability of the general meeting to change the number of directors prior to an election by simple majority vote is removed in 17.4, 18.3 and 18.6.</p> <p>This change reflects best practice such as smaller board size; fixed number of directors; no option to increase the size of the board at general meeting where there are more candidates than available positions or where two candidates receive the same number of votes. This protects the members’ right to choose their directors through elections.</p> <p>Members still have the ability to change the size of the board by amending the Rules.</p>	<p>17.4 Number of Directors</p> <p>18.3 Election procedure if there are more candidates than vacancies</p> <p>18.6 If two or more candidates receive equal number of votes for last vacancy</p>
H. Election procedure: more candidates than vacancies	<p>An option is provided that requires candidates to be named on a simple majority of ballots in order to be elected to the board. This ensures that everyone elected has the support of a majority of electors.</p> <p>An option is provided giving members the ability to vote for fewer candidates than the number of positions.</p>	<p>18.3 Election procedure if there are more candidates than vacancies: [b] and [c]</p>
I. Election procedure: not more candidates than vacancies	<p>An option is provided that replaces election by acclamation with a procedure that requires candidates to be named on a simple majority of ballots before they are declared elected.</p>	<p>18.4 Election procedure if there are not more candidates than vacancies</p>

J. Terms	If the positions to be filled in an election are for different terms, a method is provided for deciding which Directors receive the longest terms. An option is provided that allows the Directors to decide.	18.5 Terms decided by number of votes
K. Directors' term and limits to serving	<p>Board continuity and succession is promoted through staggered two-year terms and a limit of four continuous years served on the board.</p> <p>Term of office of Directors</p> <p>The transition to staggered terms is deleted.</p> <p>Most co-ops introduced staggered two-year terms when they adopted their Rules. 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.</p> <p>Further terms of office of Directors:</p> <p>The option for members to extend term limits at the AGM is eliminated. This ensures new directors on the board and fosters leadership succession.</p> <p>The definition of term limits on the board is clarified. It ensures directors cannot exceed the four-year term limit through early resignation.</p> <p>A co-op can choose to include (or not) prior terms served when calculating term limits.</p>	<p>Term of office of Directors</p> <p>Further terms of office of Directors</p>
L. Removal of Director	The Model provides the option of placing restrictions on when a Director removed from office may run or be appointed again.	18.11 Removal of Director

M. Directors consent resolution	Under the Act, directors may make a decision by written resolution if all directors consent in writing. An email is considered to be “in writing”. The words “consented to in writing” replace “signed”. Directors may not conduct a meeting by email, however.	19.10 Transaction of business by written resolution
N. Appointment of advisory committees	Advisory committees are appointed by the board, not elected at general meetings.	Advisory committees Duty of advisory committees to report to the Directors
O. Officers’ appointment	Officers are appointed by the board, not elected at general meetings.	21.1 Appointment of officers
P. Disclosure and conflict of interest	Explanations are deleted and the Co-op Act is referenced. It’s best to refer to the explanations of disclosure, disclosable interest and conflict of interest as set out in sections 86 – 96 of the Co-op Act.	22 Disclosure and conflict of interest rules for Directors and officers
Q. Indemnification of Directors and officers	The explanations (original Rules 23.1 and 23.2) are deleted and the Co-op Act is referenced. This is covered by sections 97 – 103 of the Co-op Act.	23 Indemnification of Directors and officers
R. Non-disclosure of personal information	The word “financial” is deleted from “personal financial information”. The Rule refers to “personal information” in general. This is updated to reflect requirements of PIPA (Personal Information Protection Act) which came into force in 2004.	24.2 Non-disclosure of personal information
S. Issues related to end of operating agreement	It is recommended that co-ops continue to use an external party to conduct audits. Co-ops may waive the appointment of an auditor by	24.10 Appointment of an auditor

	special resolution after the operating agreement expires, but it is not recommended.	
T. Inspection of books of account	The Directors may determine to what extent, at which times and places and under what conditions the books of account must be open to inspection by members.	24.15 Inspection of books of account
U. Dispute resolution	<p>The Model sets out how and under what conditions (breach of Rules, OA or Policies) 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. The Co-op must review but need not take action.</p> <p>Deleted:</p> <p>“the Directors or a mediation committee” so as not to prescribe how a co-op must handle disputes.</p> <p>A board can receive the written disputes or decide to mandate a committee or other person to receive the written dispute.</p> <p>If a co-op chooses to pursue arbitration in a dispute between members, it is no longer obliged to set up an arbitration committee in the manner set out in the original Rules.</p> <p>It may be more appropriate to have one or more arbitrators.</p>	25 Dispute resolution
V. Notice by email to members	The co-op may send official notice to members by email.	26.1 Notices to members and other persons
W. Definitions	Where terms are defined in the Rules, the definitions are removed from the Occupancy Agreement. If a term is capitalized it is a defined term – see Rule	1.1 Definitions

	<p>1.1 for definitions. Do not change any capitalized words without first getting legal advice.</p> <p>[f] for co-ops with joint membership, a new definition is added: “jointly and separately” means “jointly and severally”.</p> <p>We use the phrase “jointly and separately” in Model Rule 3.3 (Liability of joint members) only because it appears in section 42 (4) of the Co-op Act. The</p> <p>drafters of the Act intended it to be identical in meaning to “jointly and severally” and the definition makes that explicit.</p> <p>unit:</p> <p>for co-ops with principal and associate members, the word “principal” is deleted.</p> <p>There is no reason to assign the unit only to the principal member. Principal and associate members have equal obligations and responsibilities for the unit. The only difference is that:</p> <p>associate members usually pay for one share valued at \$10, and</p> <p>an associate member’s right to live in the unit depends on the continued residency of the principal member.</p>	
X. Execution of documents and other instruments	The reference to corporate seal is deleted. Co-ops do not have to use a corporate seal.	27 Execution of documents and other instruments

Occupancy Agreement		
a. Operating Principles	<p>Deleted:</p> <p>The requirement for volunteer participation (old 7.04 Participation), and</p> <p>24.01 Obligations for visitors[e]</p> <p>The co-op housing sector has moved steadily over the last few years toward a new model of member involvement.</p> <p>A new general statement titled “Operating Principles” is added to the Recitals, based on the international principles of co-operation. This is a more positive statement about member engagement in co-op governance.</p> <p>There is more evidence every day that moving to a completely voluntary model for member engagement is producing benefits such as:</p> <p>higher standards of management in critical areas of co-op operations</p> <p>less conflict among members</p> <p>more involvement of members in activities that build positive communities</p> <p>Along with these changes, many co-ops are retooling their committee structures to reflect a new vision of member involvement. There are fewer</p>	Recitals: D Operating Principles

	<p>committees focused on “management” tasks (finance, maintenance, etc.) and more committees focused on good governance and community building (social, rules, gardening, etc.)</p> <p>We encourage co-ops to have this discussion and examine the benefits that a new approach to member involvement and committee structures can deliver. CHF BC is ready and willing to help if you are interested in this discussion.</p>	
b. Approval of housing charges	<p>Two actions are separated:</p> <ul style="list-style-type: none"> • approving the housing charges • receiving the budget <p>Two options are provided for housing charge approval:</p> <p>The board prepares the budget and recommends housing charges. Members approve housing charges and receive the budget.</p> <p>The board prepares and approves the budget and housing charges.</p> <p>The model now provides for situations where the co-op has to adhere to obligations imposed by contract or statute in setting housing charges, e.g. a loan agreement with a third party like CMHC.</p>	<p>Setting the Housing Charge</p> <p>Considerations in setting the Housing Charge</p>
c. Additional charges	<p>Deleted:</p> <p>4.04 Additional charges, 4.05 Emergency charges and 4.06 Apportionment of charges</p> <p>They are covered in Rules 24.5, 24.6 and 24.7. Everything related to levies is now reflected in the Rules to avoid overlap with the OA.</p>	<p>Rules: 24.5 Levy in an emergency situation, 24.6 Other approved levy and 24.7 Uniform application of levies</p>

d. Homeowner Grants	The Homeowner Grant section is explicit that co-ops must pass on the benefit of the additional grant to any eligible members. This is a requirement of the B.C. Home Owner Grant Act.	4.09 (original 4.11) Homeowner Grants
e. Rent supplement/reduced housing charges	This is written to cover co-ops after their operating agreement (and government subsidy) expires without eliminating the possibility of government subsidy.	4.11 Rent supplement/reduced housing charges (original 4.13)
f. Boarders/roomers	Wording is provided for co-ops that want to allow roommates or other ways for people to live together: "single-family" is removed from 7.01.	7.01 (original 8.01) Principal residence 13.01 (original 14.01) Subletting and assignment requires consent
g. Home businesses	The model acknowledges that we live in a 21st century economy and that being able to pay the housing charge depends on a member's ability to make a living. The OA now allows the possibility of home-based businesses, within limits.	New 7.03 Home-based business 7.01 (original 8.01) Principal residence
h. New: Smoking	Members have called for help in controlling smoking in co-ops. Sample wording includes a grandfathering clause.	New 7.04 Smoking
i. Liability for damage	Deleted: the word "wilful" is removed from "wilful negligent act or omission". "Wilful negligence" is not a term used at law.	10.03 (original 11.03) Liability for damage
j. Cost of repairs and cleaning	Moved: Co-op authorization to make repairs on leaving is moved from 10.06 (original 11.06) Repairs on leaving to 10.08 Cost of repairs and cleaning.	10.08 Cost of repairs and cleaning

k. Requirement for member's personal contents and liability insurance	All co-ops are encouraged to require members to maintain personal insurance.	11.02 Requirement for personal insurance
l. Insurance	<p>Added:</p> <p>Members may not claim under the Co-op's insurance policy when responsible for property damage in their units. If the Directors decide that such a claim is in the interests of the co-op, the member is responsible for the deductible.</p> <p>Deleted:</p> <p>11.03 (original 12.03) Failure of member to insure</p> <p>The option of a co-op purchasing insurance on behalf of a member who fails to get their own personal insurance is deleted because a co- op is unable to do so.</p>	New 11.03 Member may not claim under the Co-op's insurance policy
m. Subletting	Subletting is permitted but only with the prior written consent of the board. If your co-op chooses to permit subletting, get legal advice.	13.01 (original 14.01) Subletting and assignment requires consent
n. Signs not permitted	The words "unless otherwise permitted by law" are added to cover situations like election signage in the window of a member's unit, which is a legal right that cannot be removed by the Co-op.	14.01 (original 15.01) Signs not permitted
o. Right to enter	Right to enter (section 22) is now defined as a material condition of the OA in section 15.02 Material conditions. A member in breach of a material condition of the OA may be subject to termination of membership	15.02 Material conditions

<p>p. Termination of Occupancy Agreement</p>	<p>Deleted:</p> <p>Any reference to termination of Occupancy Agreement that is not in compliance with the Co-op Act is deleted – see reference column. This reflects changes to the Act that came into force in 2013.</p> <p>Deleted:</p> <p>original 1.04, original 5.01, original 5.03, original 16.03 to 16.05, original 19.01.</p>	<p>1.01 Breach of conditions, 4.05 (original 4.07) Failure to pay Housing Charge, 4.06 (original 4.08) Problem in payment of Housing Charge, 4.07 (original 4.09) NSF payments, 9.04 (original 10.04) No compensation for alterations,</p> <p>10.06 (original 11.06) Repairs on leaving, 10.07 (original 11.07) Inspection on withdrawal or termination, 15.01 (original 16.01) Right of occupancy,</p> <p>15.03 (original 16.06) Oppression remedies and arbitration do not apply, 16.02 (original 17.02) Vacant possession, 17.01 (original 18.01) Withdrawal from membership, 17.02 (original 18.02) Share redemption, 18.02 (original 20.02) Failure to pursue remedies, 18.03 (original 20.03) Non-waiver of remedies, and 19.01 (original 21.01) Termination on abandonment.</p>
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	<p>1.04 Termination in bankruptcy</p> <p>This section is deleted because it could create misunderstanding: a board may think that it must terminate a bankrupt member's membership, which is not the case. The original intent was to prevent anyone who has an interest in the shares of a bankrupt member from getting and selling the shares and possibly any right to or possession of the Unit. However, this is not needed as it is achieved with the re-numbered section 1.04 Trustee has no right to possession of the Unit (originally 1.05).</p>	1.04 Trustee has no right to possession of the Unit
q. No refusal to enter Unit	Section 22.06 is new. A member may not refuse entry to the Unit where sections 22.01 to 22.05 apply.	22.06 No refusal to enter Unit
r. Visitor, guest, resident, occupant, family	<p>Changed:</p> <p>Original 24.01 Obligations for visitors is deleted</p> <p>the term "visitor status" is deleted</p> <p>more consistent language is used throughout the OA, referring to "any other person occupying or visiting the Unit".</p> <p>The terms "visitor" and "visitor status" were confusing as they included any non-member living in the unit for more than a certain time period. Co-ops can only accept or refuse a member – they cannot accept or refuse a visitor or new resident. Co-ops misinterpreted</p> <p>"Obligations for visitors" to mean that they could approve or refuse a non-member moving into the co-op to live with a member. Co-ops should not get involved in the families or personal business of their members any more than is necessary and legally required.</p>	

	For households receiving subsidy or paying reduced housing charges, the requirement to include the income of all adult persons living in or intending to live in the Unit for more than 30 days in aggregate is moved to section 4 Housing charge.	4.12 Household composition
Memorandum		
Memorandum	Don't forget to review your Memorandum of Association to ensure that it's up to date. Click here for more information.	Each co-op's Memorandum may be unique. Ask CHF BC or your lawyer for advice.